

Tokenization Solution - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2024 - 2029

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Report description:

The Tokenization Solution Market size is estimated at USD 5.35 billion in 2024, and is expected to reach USD 12.07 billion by 2029, growing at a CAGR of 17.68% during the forecast period (2024-2029).

The main factors anticipated to propel the development of the tokenization market are the need to remain compliant and meet regulatory reporting standards, the growing need to guarantee continuous customer experience and maintain fraud prevention levels due to increasing financial frauds, and the need to reduce risk from data breaches.

Key Highlights

- Data has become an intellectual property and companies that can distill intelligence from their data, whether in an innovative hospital or from an autonomous car, are expected to be the ones to lead. But, as the importance of data increases, the need for security and the cost of security also increases simultaneously. Hence, this need is generating the demand for tokenization solutions.
- The data proliferation in cloud services is also a significant factor in the growing adoption of tokenization solutions. Easy and affordable accessibility of cloud services is not only helping large enterprises but also SMEs in adopting a cloud-based model. As more data moves to the cloud, tokenization solutions are being used to secure data stored in the cloud.
- The increasing adoption of blockchain technology in almost every industry is another factor thriving the demand for tokenization solutions. The rising adoption of tokenization solutions in the real estate industry is also enhancing the accessibility of the sector. Tokenization solutions also mitigate high costs associated with the investment by providing the ability to convert assets into any token value. Through this, investors can buy even a tiny property share.
- There has been a continuously growing demand for secure payment gateways. Due to the increased adoption rate of payment gateways, customers are switching to more secure payment gateway options due to the currency involved.

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-A tokenization solution, the concept of a surrogate being used to replace the sensitive value, has been prominently used in payments and financial services for a considerably long period. However, the consumer-driven demand for smart devices, coupled with rapidly changing technologies, has the industry buzzed about tokenization solutions innovations and advancements.

-Accepting digital payment methods is anticipated to improve post-COVID-19 and play a crucial role in the longer term. With cash being seen as a carrier for COVID-19, governments and regulatory bodies have discouraged its use. Therefore, COVID-19 has had a positive impact on the Tokenization Solution Market.

Tokenization Solution Market Trends

BFSI to hold the largest market size

- Banking, financial, and insurance institutions are privy to sensitive data from internal and third-party sources. Hence, adopting Tokenization is expected to be more prominent and frequent in the BFSI sector, as it provides security for sensitive data, which is prone to risk during card or online transactions.
- The other benefit of tokenization solutions, primarily resulting in growing adoption for banks, is the significant reduction of fraud losses related to PAN compromise. Reduced card and payment fraud also mean fewer disputes. Furthermore, banks can set accurate risk ratios and limits and authorize high-value transactions for genuine customers. These advantages are more difficult to achieve with a traditional PAN-based solution. Hence, a thriving market for tokenization solutions.
- Adopting tokenization solutions has also reduced the number of card fraud cases in banks. Besides, it also brings flexibility, effectiveness, security, and a low-cost model to the BFSI sector. Reduction in fraud cases would increase the revenue of the BFSI industry globally, which is estimated to drive the market for Tokenization solutions further.
- Due to the digitization and data analytics integration, the Insurance industry is on the verge of a seismic, tech-driven shift. Tokenization solutions are helping insurance companies in customer data protection and secure payment of premiums and their analysis. It is also assisting in reducing fraud cases and the transformation of insurance companies' model of "detect and repair" to "predict and prevent."
- Furthermore, in May 2023, Visa, a firm that provides card payments, has introduced a feature that, if the card has been tokenized, enables customers to conduct online transactions without having to enter the cardholder verification value (CVV). The CVV-free function, which was introduced in India, aims to simplify online transactions. Those businesses that use it won't need to ask clients for their CVV each time they do a domestic transaction. This three-digit number on the back of the card will only be verified once, during the tokenization process.
- The increasing usage of blockchain in financial applications such as cryptocurrencies and NFTs will drive Tokenization in the studied period. For instance, the total value of sales involving non-fungible tokens (NFTs) in the art area fluctuated wildly between April 15, 2022, and April 2023.

North America is Expected to Hold Significant Market Share

- North America is the dominating region in the tokenization solution market, owing to the earliest adoption of advanced technology in the payment gateway industry. Most tokenization solution vendors are American based, accounting for the major portion of the revenue of the tokenization solution market.
- North America is a highly regulated region, with the regulations like a surge in cyber attacks, generally fraud of payments, and CCPA across the industry. It is expected that the need for tokenization will grow in this region. Customers' preferences are also changing; their inclination toward digital credit cards and contactless payments is expected to fuel the tokenization market growth.

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- The factors that are also intending the North American tokenization market growth are increasing usage of smartphones, E-Commerce, and services like online gaming, online streaming, and government services. The government is also taking initiatives to improve cyber security and online transactions because online shopping or transactions are increasing the chances of cyber threats.
- The adoption of cloud technology is highest in the region, a vital reason for the growing adoption of tokenization solutions. The region is also the home of all the major e-commerce major companies, where the adoption of tokenization solutions is highest.
- The significant growth of the retail and e-commerce industry in the region is further estimated to grow the tokenization solution market. The BFSI sector has also shown healthy growth in the region. The highest adoption of blockchain technology in the region is estimated to further expand the tokenization solution market significantly.

Tokenization Solution Industry Overview

The Tokenization solution market is competitive because of the presence of many players running their businesses within national and international boundaries. The market is highly fragmented, with significant players like Paymetric, Inc., Protegrity USA, Inc., Broadcom Inc., Thales Group, and Hewlett Packard Enterprise. The companies improve their expertise in the field and security to gain a competitive advantage.

- August 2022 - The Reserve Bank of India (RBI) has expanded the tokenization facility from an earlier designed-based tokenization framework to Card on File Tokenization (COFT) to ensure the payment system's safety and security. The digital payment provider Paytm has unveiled a tokenization method for online credit and debit card transactions. The RBI released rules for payment aggregators (PA) and payment gateways (PG), which sparked the beginning of this development.
- May 2022 - Thales declared that their CipherTrust Tokenization is the first tokenization solution for SAP clients validated by SAP and can be used to safeguard sensitive data. The tokenization solution from Thales, accessible through SAP Data Custodian, offers more granular levels of data security and user access restrictions, significantly reducing the time to compliance for businesses that are shifting more apps and workloads to the cloud.

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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