BUSINESS INSIDER INTELLIGENCE

July 2020

18 Big Tech Predictions for H2 2020

Eighteen Predictions Across Banking, Connectivity & Tech, Digital Health, Digital Media, Fintech, and Payments & Commerce

Table of Contents

Our 3 biggest predictions for Banking in H2

The coronavirus pandemic rocked the global banking industry in the first half of 2020: Banks temporarily closed branches, rolled out payment deferral options to borrowers, mobilized to facilitate government loans for businesses, and ramped up customer service through digital channels and call centers. The effects of these actions — and new economic pressures — have changed our outlook for 2020 from the initial predictions we made in December. Considering the impacts of the pandemic, here are our top three predictions for the second half of 2020, and what we think the new normal will look like in banking. →

1.

Banks in the US will close 3% of branches in 2020, up from the less than 2% that closed in 2019.

Branch penetration is relatively high in the US, with approximately one branch for every 3,000 adults, versus one branch for every 5,000 adults in the UK. But we think the coronavirus pandemic will drive down US penetration and, as banks look to rein in operating costs, accelerate a decade-long trend of branch closures:

> FDIC data shows that 12% of branches closed between 2010 and 2019, dropping from nearly 95,000 branches to just over 83,000. Branch closures peaked in 2017 at 1,985.

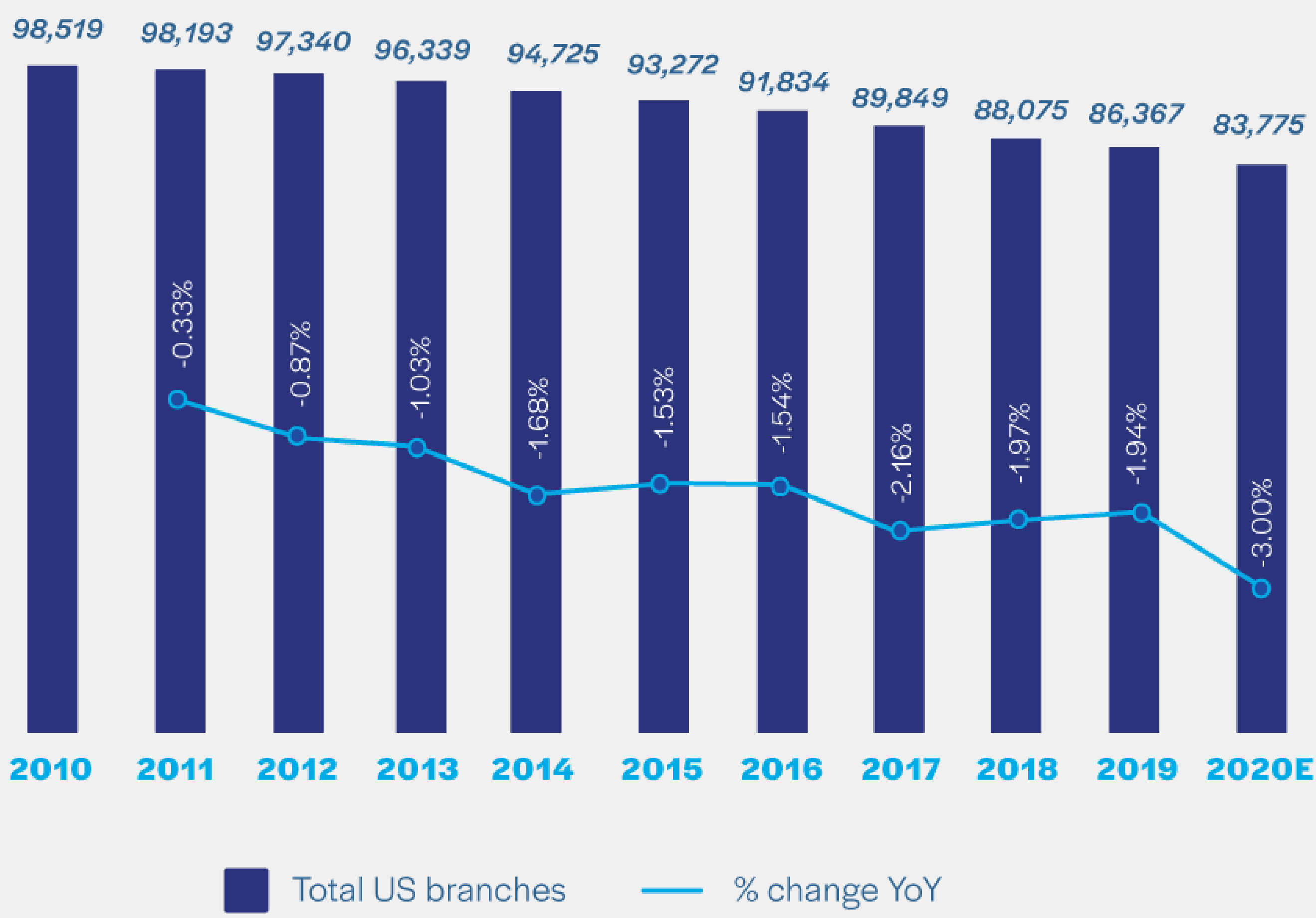
Here's why the coronavirus pandemic will be the primary driver accelerating branch closures:

A behavioral shift among consumers toward digital channels could lead banks to reevaluate the need for certain branches. When lockdown measures intensified across the US in March, banks modified branch hours or shuttered them: Chase temporarily closed 20% of its branch network, for example. And that's driving up digital banking usage: 17% of US respondents to a J.D. Power survey from late May said they use their mobile banking app "a lot more often" since the crisis began, up from 11% of respondents who said the same when surveyed in early April. With many states in their third month of lockdown, consumers are likely forming habits around using these channels that will outlast the crisis. That's making banks rethink their branch networks in certain areas, such as those that were already seeing less foot traffic prior to the pandemic — and ultimately this will inform decisions to shutter more locations.

Banks will look to offset the higher losses incurred due to the pandemic by reducing investments in physical infrastructure. Major US banks have allocated billions of dollars to prepare for the economic fallout of this crisis, particularly high defaults after they extended loan deferral offerings to borrowers. Banks could turn to branch closures as a way to reduce costs if they do end up incurring massive losses from these deferral cases.

> As of 2018, the most recently available data, operating one bank branch was estimated to cost between $600,000 and $800,000 annually.

US Branch Network



Source: Business Insider Intelligence estimates, FDIC, 2020
Methodology: Business Insider Intelligence used third-party data to forecast the percent change in branches for 2020

2.

UK neobank Starling, which rolled out a quick but efficient coronavirus response, will more than double its total number of business clients by the end of the year compared with February.

More than any other neobank, the UK's Starling kicked into high gear to help businesses affected by the pandemic, gaining accreditation under two government-backed relief loan programs — the Coronavirus Business Interruption Loan Scheme and the Bounce Back Loan Scheme — and rolling out a tool that guides business clients to relevant support offerings. We think the effort Starling put into helping current and prospective business clients during the crisis will generate powerful word of mouth that will accelerate business customer acquisition.

While we estimate Starling's compound monthly growth rate (CMGR) in business customers between February 2020 and December 2020 will be 9.6% — lower than the 12.5% CMGR the neobank saw from September 2019 to February 2020 — this is mostly due to the smaller business customer base Starling had in September 2019. By the end of 2020, we think that Starling's total number of business accounts will hit 293,300, which is 70,100 more clients than we estimate it would have had without the action it has taken during the coronavirus crisis.

Starling Total Business Accounts

Source: Business Insider Intelligence estimates, AltFi, Finextra, Fintech Finance, 2020
Methodology: Business Insider Intelligence used third-party data to estimate and forecast the number of business accounts

3.

Low Fed rates will make high-yield savings accounts untenable, so digital banks that use them for customer acquisition will have to find other incentives.

The US Federal Reserve has slashed its interest rate target to near zero as part of its emergency response to the coronavirus pandemic. That has created an environment in which high-yield savings accounts are a detriment to profitability for banks, and led providers to make big cuts to their rates versus last year (Goldman's Marcus offering, for example, slid from 2.15% last July to 1.05% currently).

As the rates borne by high-yield savings accounts become less and less enticing, we expect those accounts will drive less interest among prospective customers, and banks that offer them will have to find other incentives to reel in new clients.

Here are the three most important incentives we think digital banks could use to drive new signups in lieu of high-yield savings accounts:

The best offering digital banks could put forward would be enhanced overdraft protections.

Big US banks took in a titanic $11.7 billion in overdraft fees in 2019, so offering customers a bigger cushion before applying these fees would likely drive significant interest, especially among consumers who were hit hard by the economic fallout of the coronavirus pandemic. This is a double-edged sword for banks — which will be shrinking a significant revenue source — but the combination of better customer acquisition prospects and heightened loyalty from grateful existing customers, with the added benefit of goodwill from regulators that will likely be cracking down on customer abuses during pandemic recovery, may make it worth the hit to the bottom line.

The second biggest incentive would be a personal finance management (PFM) offering that offers proactive insights to help customers save.

A suite of PFM tools that use AI and analytics to help customers maximize their savings could drive significant interest among consumers in the wake of the coronavirus.

If a bank's offering can go beyond simply analyzing the current state of a customer's finances by making predictive observations or even by allowing customers to automate recommended actions based on those observations, it would help the bank stand out even more.

A feature that monitors subscriptions and helps clients switch or cancel them could also drive customer acquisition.

The ability to get a high-level view of the recurring subscription charges they are dealing with and cancel those they deem unnecessary is another feature that consumers could find especially useful for reassessing their finances post-pandemic. Demand for this functionality existed even before the coronavirus pandemic: 59% of mobile banking users who responded to Business Insider Intelligence's 2019 US Mobile Banking Competitive Edge Study (Enterprise only) said the ability to cancel subscription services within their mobile banking app is "extremely valuable," but only seven of the top 20 banks (35%) offered this capability.

Our 3 biggest predictions for Connectivity & Tech in H2

The coronavirus pandemic has ushered in a period of rapid change and uncertainty across the industries we cover within Connectivity & Tech, which means our outlook for the second half of the year has evolved since we made our initial 2020 predictions back in December. Here are three predictions for the rest of the year, along with our thoughts on how the predictions reflect the "new normal" in each sector. →

1.

More than 80% of Fortune 500 companies will expand their employee-monitoring capabilities in 2020 to contend with shifts in the workplace.

Business executives have had to confront two significant questions during the coronavirus pandemic:

- *How does my company remain productive amid the forced shift to remote work?*
- *Once employees return to offices, how can we make sure they do so safely?*

For many executives, employee-monitoring technology has provided answers to both of these questions. For instance, Hubstaff —a service that logs employees' computer activity and GPS location—reported that the number of companies using its service more than doubled during the pandemic. And to help facilitate a safe return to offices, Salesforce and PwC have developed contract tracing apps for corporations, giving employers access to employee interaction information and health data. Factory automation has also increased in response to the pandemic, and companies have adopted "connected worker" tools that monitor both productivity and location to enforce distancing protocols. With public health threats remaining top-of-mind and remote work policies here to stay for many workers, we expect:

More than

80%

of Fortune 500 companies will expand their employee-monitoring capabilities by the end of 2020.

The norms surrounding acceptable use of employee-monitoring tools are still very much unsettled, however, which means companies that develop or use the technology face serious consequences for making a false step. Facebook, for instance, was working on a tool within Workplace to help monitor employee conversations for the buzzword "unionize"—this sparked internal backlash and resulted in the company halting the development of the feature. Similarly, Zoom experimented with a feature that would alert meeting hosts if a participant clicked away for more than 30 seconds. The feature also drew fierce criticism, and Zoom retracted the functionality. Even though both Facebook and Zoom responded to the criticism of their tools, their missteps have tarnished the perception of their respective remote collaboration tools, highlighting the stakes of navigating this emerging landscape.

2.

Video conferencing service providers that emphasize social interactions will gain a competitive edge as enterprises look for centralized platforms that can fully support their employees' communication, collaboration, and productivity needs.

The first half of 2020 saw video conferencing services become central to enterprises' strategies for navigating the disruptions from the coronavirus pandemic. These services were at the top of global IT decision-makers' lists for planned tech investment as a result of the pandemic, according to a March survey from S&P Global Market Intelligence. We expect that as companies look for avenues to cut costs and enhance productivity while working remotely during the remainder of the year — especially among the many employers now embracing remote work accommodations that will extend beyond the pandemic — they will or have already accelerated plans to review their services with a mind toward consolidation. A fall 2019 survey of senior executives from Forbes Insights and Zoom found that nearly two-thirds (64%) of respondents believed they need better strategies to ensure their companies are making the most effective choices in their platforms and more than half (54%) of respondents were beginning or in the process of reviewing their platforms with an eye toward consolidation.

As enterprises begin to consolidate their communication and collaboration platforms throughout the remainder of the year, we think that video conferencing platforms that encourage social interaction and help maintain workplace culture and rapport while remote will have an edge. Loneliness was most frequently cited (tied with collaboration and communication) by remote workers worldwide as their biggest struggle with working remotely, according to a survey conducted by Buffer and AngelList in early 2020 — issues that almost certainly have been exacerbated by the coronavirus pandemic.

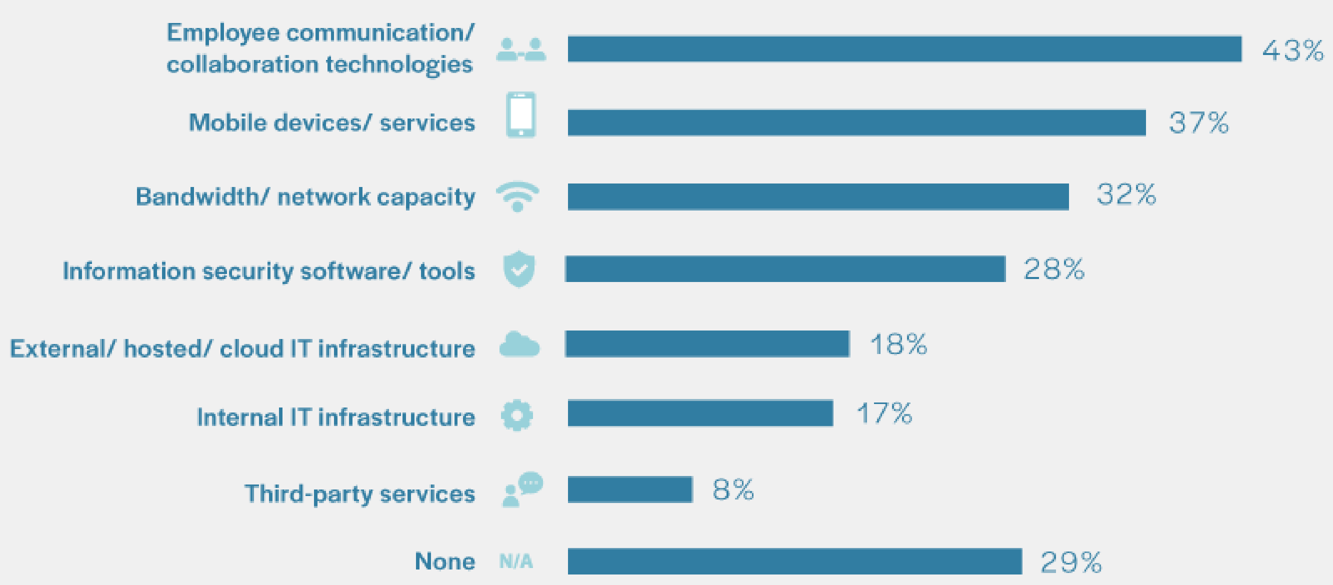
60%

of respondents to a May survey from Blue Fountain Media cited that they find it difficult to maintain healthy work relationships while working remotely.

Video conferencing services are currently engaged in a features arms race, but as we move into the second half of 2020, we expect a new battleground will emerge in the video conferencing space, with differentiation coming down to the ability to facilitate a remote environment that more closely mirrors the in-office experience.

Employee Communication and Collaboration Tech Top The List For Expected Spending Increases As A Result Of The Pandemic For Expected Spending Increases As A Result Of The Pandemic

Q: Which, if any, of the following technology products or services do you expect your organization to spend more on as a result of the circumstances surrounding the coronavirus outbreak? Please select all that apply.



Source: S&P Global Market Intelligence, "The Voice of the Enterprise: Digital Pulse, Coronavirus Flash survey," n=662 global IT decision-makers, March 2020

3.

The second half of 2020 will signal a breakthrough for automation technology, with coronavirus-driven deployments persisting regardless of how the pandemic plays out.

The coronavirus pandemic was the start of a fundamental shift in the willingness of companies and cities to implement automation technology like robots, autonomous vehicles, and drones.

In an effort to combat the spread of the virus and maintain essential operations, companies across industries turned to automation tech, which has an array of forms and applications ranging from cleaning and disinfection, security, transportation, and medical care.

For instance:

- Boston Dynamics' Spot robot has been deployed by hospitals like Brigham And Women's Hospital of Harvard University for remote triage of patients suspected to be infected withq the virus, and by municipal authorities in Singapore to promote social distancing
- AMP Robotics has seen a significant increase in orders by cities to use its AI-infused automated robots to continue recycling programs that would otherwise be suspended due to workforce limitations
- Robotics delivery startup Nuro teamed up with CVS for a pilot program to deliver prescriptions and other essential items via autonomous Prius vehicles to customers in Houston, Texas

We expect that the rapid adoption of automation technology will be a continuing trend into the second half of 2020 and that automation technology implemented in response to the coronavirus pandemic will persist in the year ahead — regardless of how the pandemic plays out.

For example, while autonomous robots that perform environment disinfection are in demand now, we expect that they'll continue to have utility in helping to prevent the spread of other pathogens.

And once companies make the upfront investment in automation tech that aims to help workers, they will be positioned to realize long-term savings on operational costs and thus are not likely to turn back post-pandemic. Throughout the remainder of the year, we expect to see automation tech firms adapt their offerings to new niches and prioritize use cases in demand as a result of the coronavirus, which will play a role in accelerating growth in the market for automation technology. For instance, we recently reported that the robotics startup Mira Robotics tailored its robot, which previously automated household chores, to meet pandemic-specific needs by adding a feature that allows it to perform environmental disinfection using UV light.

Our 3 biggest predictions for Digital Health in H2

The coronavirus pandemic is disrupting priorities across the digital health industry: We've seen providers rapidly turn to telehealth to retain business, big tech spearhead myriad pandemic-focused initiatives, and insurers swiftly update their policies to accommodate their members' remote care needs. This means our outlook for 2020 has shifted since we initially made predictions back in December. Considering the impacts of the coronavirus, here are our three biggest predictions for the second half of 2020, and what we think the new normal will look like in digital health. →

1.

Digital therapeutics (DTx) and telehealth firms seeing success now — namely Livongo and Teladoc — will see spikes in membership and revenue through the end of 2020.

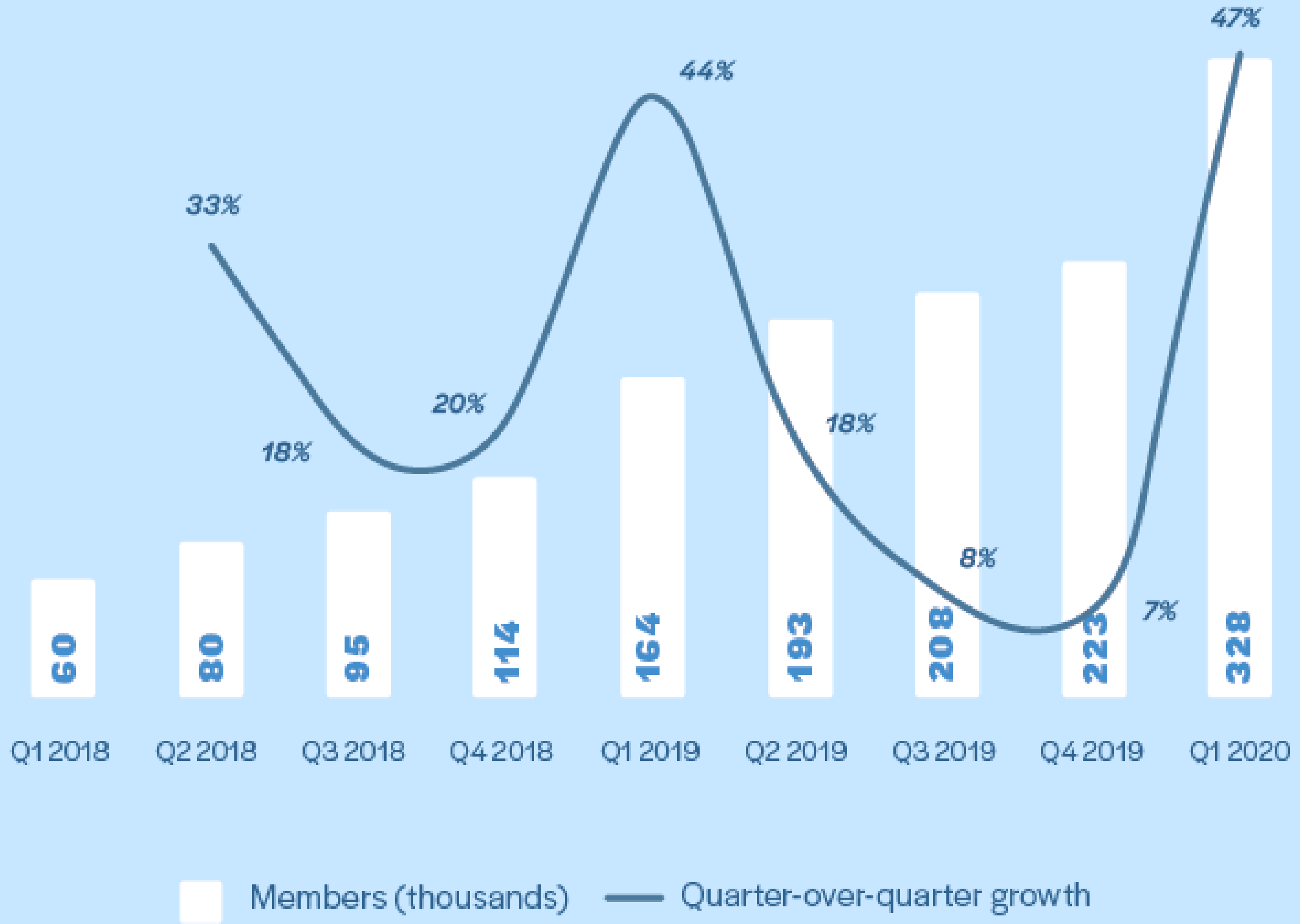
As the coronavirus pandemic has been emphasizing the importance of DTx and telehealth solutions given their ability to enable remote visits and monitoring, some DTx and telehealth firms have been seeing success since the pandemic hit the US. For example:

> DTx vanguard Livongo beat expectations for Q1 when it saw **revenue spike to $69 million — up 115% year-over-year (YoY) from $32 million in Q1 2019 —** and the number of Livongo for Diabetes members **doubled from 164,000 in Q1 2019 to 328,000 in Q1 2020.**
>
> And US telehealth leader Teladoc saw a **41% YoY surge in revenue** and **61% spike in visit volume** in Q1 2020.

With a second wave of outbreaks of the coronavirus looming — and the potential for stay-at-home orders to be reinstated across the US — we expect to see both Livongo and Teladoc experience surges in membership and revenue that continue through the end of the year.maker HMD, perCnet. As consumers see prices for premium 5G phones increase and begin to question the devices' functionality, 5G midtier phones will become a much more attractive option.

Growth will be driven by patients' increased reliance on DTx and telehealth — tech we expect to become part of healthcare's new normal in care delivery post-pandemic. The rapid spread of the coronavirus across the US has catalyzed a greater need for technologies that enable clinicians to remotely monitor patients' health and provide them care from afar. As patients increasingly rely on DTx and telehealth amid the pandemic given the techs' ability to facilitate remote care, limit in-person interactions, and mitigate the spread of the virus, we think they'll become accustomed to the convenience both technologies afford. As such, we expect DTx and telehealth will become a more central element in patients' care journeys beyond the pandemic, considering 51% of consumers cited convenience as the most important factor informing their healthcare decision-making pre-pandemic.

Livongo Membership



Note: Includes members for Livongo's diabetes program
Source: Livongo Q1 2020 earnings

2.

The Big Four tech giants have been influential players in combating the coronavirus, and we think these efforts will add a layer of validity to their expanding health plays, hauling them — specifically Amazon and Microsoft — toward the forefront of healthcare.

Alphabet, Amazon, Apple, and Microsoft have been racing to capture a piece of the $4 trillion US healthcare market for several years — and this year, they've each been presented with the opportunity to lend their tech and analytics prowess to help healthcare organizations better manage the pandemic. Google and Apple are using their domination of the smartphone market to track the coronavirus's spread with their joint contact-tracing initiative, Microsoft is making it easier for doctors to conduct telemedicine visits with patients through its widely used workplace communication platform Teams, and Amazon is extending the reach of its employee-facing telehealth platform Amazon Care to facilitate access to care. We think that because the latter two firms are narrowing in on the burgeoning telehealth space, they'll be well suited to broaden their healthcare plays post-pandemic.

Amazon

Back in December, we predicted that Amazon would roll out Amazon Care to the broader public in 2020 — leveraging its now 118 million US Prime subscriber base to reach consumers. And while it's only extended the service to a larger portion of its employees thus far, we're doubling down on our forecast, considering the rapid rate at which the telehealth market is swelling. We think to do so quickly and meet high demand of even a fraction of its subscribers with enough providers and sturdy tech infrastructure, it could acquire a telemedicine vendor that's seeing success amid the pandemic.

Microsoft

Microsoft's decision to add easy-to-navigate telemedicine functionalities to its Healthcare Cloud service, which includes its Teams platform, should help it stretch its footprint in hospitals in a huge way: It's expected that the virtual care boom we're witnessing is paving the way for telehealth to account for $250 billion of US healthcare spending this year — a colossal boost, considering telehealth players in the US amassed an estimated $3 billion in annual revenue pre-pandemic. Given that hospitals will likely be contributing to a sizable portion of the increased spending — and are also eyeing heftier investments in areas like cloud and streamlined workplace communication — Microsoft's offering could be a no-brainer.

Big Tech In Healthcare

	Alphabet			
Strengths	Google Cloud Verily Life Sciences AI data analytics	Amazon Web Services HIPAA-eligible voice assistant Amazon Care PillPack	Apple Watch Research functions Apple Health Records iPhone consumer base	Azure Microsoft Genomics Health Bot
Weaknesses	Initiatives fragmented across divisions	Many projects still in nascence	Mixed clinical effectiveness of Apple Watch Limited to iOS	Lack of consumer-facing services
Opportunities	Remote patient monitoring or research via Fitbit EHR market disruption Precision medicine	Health insurance disruption Broad-scale telehealth service Medical supplies delivery	Remote patient monitoring Health system partnerships Healthcare payments	Precision medicine Population health Clinical decision support Chatbot market dominance
Threats	Consumer trust Data security Competition in the wearables space Cloud competition	Consumer trust Data security Cloud competition Healthcare voice tech market competition	Consumer trust Data security Competition from low-cost wearables	Consumer trust Data security Cloud competition

3.

We think telemental health startups will ride out the pandemic-induced recession and retain payer and investor interest through the end of 2020.

Telemental health firms have witnessed unprecedented growth since the start of the year:

- Digital mental health firms raised a high of $576 million in funding in Q1 2020 –– superseding Q1 2019's record by more than 60%.
- Virtual mental health firm Mindstrong bagged $100 million in May, while mental health benefits startup Lyra health secured $75 million in new funding.
- And downloads of mental health apps hit 4 million over the course of April alone — up 29% from 3.1 million in January.

Telemental health firms have been nabbing tie-ups with insurers seeking to boost access to mental health services — and we think payers will keep pursuing these alliances, especially with players like Mindstrong that are attracting significant investor attention.

For context, the pandemic has dramatically worsened mental health in the US: One-third of US individuals now exhibit signs of clinical anxiety or depression — which has doubled since previous years, according to the Census Bureau. Payers have been reacting to a heightened need for mental health services by ensuring their members can access behavioral services digitally. Less than one month ago, health insurance giant Cigna struck a deal with behavioral therapy startup Talkspace to allow members access to its digital therapy services; private insurer Aetna partnered with mental well-being app Wysa; and Kaiser Permanente partnered with Livongo to offer its virtual behavioral health therapy services in April. The US is bracing for a mental health crisis that will likely outlast the pandemic, and as the surge in demand for digital mental health services continues, we don't expect the pattern of private insurers leveraging partnerships with digital mental health startups to slow down. We think payers will eye tie-ups with telemental health firms that are attracting investor attention, in particular: For example, virtual mental health startup Mindstrong's funding haul in May could signify it's ready to provide a host of services to private insurance members.

Our 3 biggest predictions for Digital Media in H2

The coronavirus pandemic has disrupted the media and marketing world: We've seen livestreaming explode, live sports disappear, and ad budgets shrink. As a result, our outlook for 2020 has shifted since we initially made predictions back in December. Considering the impacts of the coronavirus, here are our three biggest predictions for the second half of 2020, and what we think the new normal will look like in digital media. →

1.

Digital video will become a fixture of TV ad campaigns as advertisers shift more spend into connected-TV (CTV) and OTT buys to make up for the diminishing reach and inflexibility of linear TV.

As cord-cutting hits record highs in the US, and likely worsens in the second half of 2020, advertisers will face an even steeper imperative to make up for lost reach on TV. That shift in video ad budgets is likely to carry into 2021, given that the decline of traditional TV is unlikely to reverse, while usage on ad-supported OTT like YouTube, Hulu, CBS All Access, and Peacock grows.

Outside of TV's diminishing reach, a significant driver of this shift is a desire for greater targetability and flexibility in ad spending due to pandemic-driven uncertainty.

While we expect TV ad dollars to rebound in the second half of the year, broader market uncertainty will continue to drive advertisers to seek greater flexibility in their ad buys. TV is not a medium that typically affords this flexibility, given that most inventory is sold through relatively rigid upfront commitments — and TV upfront sales are suffering as a result.

Upfront spending for the 2020-21 TV year is estimated to drop to $14.78 billion, down from its previous estimate of $21.64 billion, according to an eMarketer forecast updated in June. On the other hand, CTV and OTT advertising is typically transacted programmatically, meaning ads can be bought or pulled on short notice.

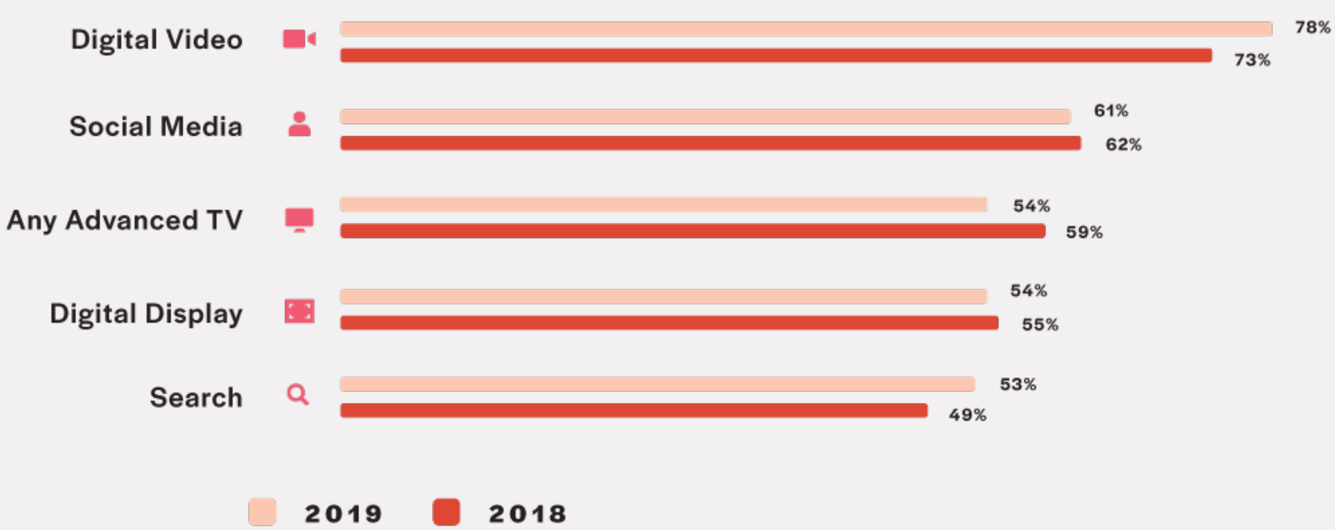
While the pandemic will speed up advertisers' move from TV to streaming video, it was already in motion before the crisis hit.

A majority (59%) of marketers now believe that linear TV ad spend is less effective than it was five years ago, up from 41% in 2018, according to a January Viant survey of 500 marketing decision-makers at US companies.

As a result, brands and ad buyers have increased their investment in premium OTT video — and in particular on CTV devices, where video is consumed on TV screens. Already, the vast majority (78%) of marketers and agency execs use digital video to add incremental reach to their TV ad campaigns, per a FreeWheel survey of 300 US marketers and agencies conducted by Advertiser Perceptions in October 2019.

Media Types That US Agency/ Marketing Professionals Are Most Likely to Use to Add Incremental Reach to Their Linear TV Campaigns

Percentage of respondents



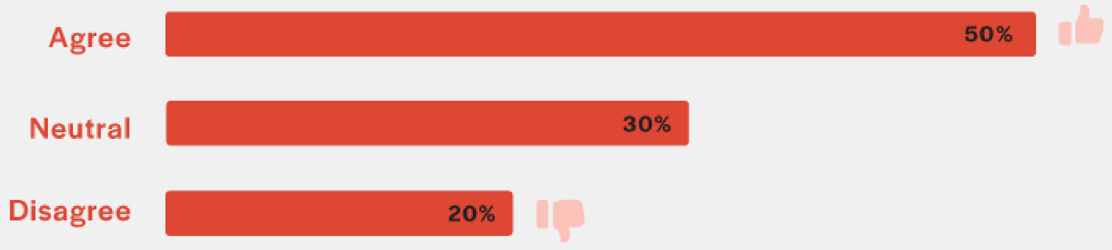
Source: FreeWheel, n=301 US marketing and agency leaders, October 2019
Methodology: Data is from the January 2020 FreeWheel study "The Changing Face of TV Advertising." 301 US marketing and agency leaders were surveyed by Advertiser Perceptions during October 2019

And CTV and OTT inventory sources will become a more critical — not just complementary — part of omnichannel TV campaigns.

As ad buyers experience uncertainty around the return of live sports and the availability of other premium TV inventory amid production slowdowns, half (50%) indicated that they believe they can make up necessary gross ratings points (GRPs) from TV using OTT, CTV, or digital video advertising inventory, according to a recent Advertiser Perceptions survey of media buying executives provided to eMarketer. Even though OTT will remain an incremental opportunity compared with linear TV, which still accounts for about 80% of total TV usage in the US, this suggests that many advertisers expect to directly move some of their traditional TV budget to digital video channels — and further, that incremental reach they can access there is significant enough to make a difference in overall campaign reach and effectiveness.

TV Advertisers Agree That Linear TV GRPs Can Be Replaced By OTT, CTV, and Digital Video

Q: How much do you agree with the following statement?
"Necessary GRP weight can be achieved by substituting OTT/CTV and digital video for linear TV." Percentage of TV advertiser respondents



Source: Advertiser Perceptions, n=151 ad executives, May 2020

Methodology: Survey was fielded during May 1-5, 2020. Among respondents, 34% were marketers, and 66% were agency professionals. 74% of total respondents were involved in programmatic advertising using demand-side platforms (DSPs). All (100%) of respondents were involved in media planning decisions. Respondents came from marketer and agency contacts from the Advertiser Perceptions Ad Pros proprietary community, which represents the brands and agencies that are spending the most on advertising and marketing in the US.

2.

E-commerce channel advertising will become a higher priority for brands as shifting consumer behavior brings a larger share of spending online.

Stay-at-home orders have shifted a greater share of consumer spending to e-commerce, a trend that will have a lasting impact on the range of products purchased digitally.

> E-commerce spending will reach
>
> **14.5%**
>
> of total retail sales in 2020, according to eMarketer's revised estimates — an all-time high, and the biggest ever share increase in a single year.

And this uplift will likely permanently alter how both consumers and businesses approach shopping habits post-pandemic. In fact, about two-thirds (66%) of US SMB owners expect to increase their reliance on e-commerce after the pandemic, according to an April PYMNTS survey cited by eMarketer. Meanwhile, many consumers expect to continue newly developed e-commerce habits: For example, 45% of US adults said they intend to continue with online grocery deliveries post-pandemic, according to a McKinsey survey, while 38% said they would do the same with store curbside pickup.

With this in mind, the pandemic will usher e-commerce channel advertising into the mainstream as advertisers look to reach consumers where they're already shopping. Prior to the pandemic, major retailers like Walmart, Target, and eBay were developing their own digital ad business, following in the footsteps of Amazon, the largest player in the e-commerce channel advertising space. For context, e-commerce channel advertising refers to ad placements made on e-commerce sites (Amazon, eBay) or retail ad networks (Walmart, Target). The pandemic has motivated greater investment into the development of these marketplaces, with new players like Instacart and CVS launching their own ad platforms. This emphasis has been in response to resilient demand from advertisers for placements on such platforms despite a general pullback in advertising: For example, while ad giants like Google and Facebook revised down their ad revenue projections in Q1 2020, Amazon reported that its ad business's growth rate of 40% was consistent with what it saw in Q4 2019.

3.

By the end of 2020, social media marketers will need to prioritize spending on TikTok — it will no longer be enough to view it as an experimental channel.

TikTok's US user base has exploded during the pandemic, in part due to an influx of comparatively older users. TikTok not only added 12 million US users in March alone — bringing it up to 52.2 million total US users, per Comscore — but also recently expanded its popularity beyond its Gen Z sweet spot.

> In the US, the share of TikTok visitors ages 25-34 grew by 5 percentage points from January to April, and visitors ages 35-44 grew by just over 3 percentage points over the same time frame.

Meanwhile, users ages 18-24 shrank by almost 6 percentage points, although they still make up the plurality of the app's user base at 35%. The increased presence of millennial and Gen X users will further broaden TikTok's appeal to marketers, at least in part because these users are likely to have comparatively more immediate purchasing power than younger users.

And TikTok has not only expanded its US user base, but also significantly deepened user engagement with the app.

> In March, US users ages 2+ spent an average of 476 minutes total on TikTok's app, website, and mobile website, per Comscore — a 10.8% uptick from January 2020.

Even more impressively, TikTok isn't just topping its own engagement records, it's beating out rival platforms too: For example, on average US users spent a total of 383.5 minutes on Snapchat in March, 319.5 minutes on Instagram, 92.4 minutes on Twitter, and just 7.6 minutes on Pinterest. In terms of average time spent per US user, TikTok trailed only Facebook (563.8 minutes) in March 2020.

US TikTok Metrics, Oct 2019- March 2020

	TikTok.com*		TikTok*	
	Total unique visitors (mil)	Average minutes per visitor	Total unique visitors (mil)	Average minutes per visitor
Oct 2019	27.0	305.9	18.6	442.9
Nov 2019	29.0	366.7	20.1	526.1
Dec 2019	32.9	383.8	22.4	561.2
Jan 2020	35.2	429.8	22.2	680.0
Feb 2020	40.0	425.6	23.2	731.6
Mar 2020	52.2	476.0	28.8	858.0
% change Oct- March	93.2%	55.6%	55.0%	93.7%
% change Jan- March	48.3%	10.8%	30.1%	26.2%

Notes: *ages 2+, includes desktop, mobile website and app, **ages 18+, includes mobile app only
Source: Comscore Media Matrix Multi-Platform, April 17, 2020

TikTok has already been making strides to expand its ad offerings as it looks to effectively monetize its ever-growing user base.

> As a result, certain TikTok ad prices jumped by as much as 50% quarter-over-quarter from Q4 2019 to Q1 2020, per Adweek.

And TikTok has moved to further capitalize on that advertiser demand: Since late April, TikTok built out AR effects, partnered with adtech firm Sprinklr to open up its ad API for the first time, and developed features to help advertisers partner with its growing creator base. While TikTok's ad options are predominantly platform-wide as of now, moves like its Sprinklr partnership — which features a targeting component that allows marketers to tailor their ad creative in real time based on anything from social media conversations to the weather — foreshadow that the company is working to enable ad targeting on par with incumbent social platforms.

Our 3 biggest predictions for Fintech in H2

The coronavirus pandemic has drastically disrupted the fintech industry in the first half of 2020: Global fintech funding plummeted in Q1 amid investor uncertainty, lockdowns enforced by countries worldwide have accelerated financial institutions' need to digitize, and consumers and businesses have become much riskier for fintechs to lend to. Due to the upheaval, our outlook for the rest of 2020 has changed significantly from when we made predictions for the upcoming year in December. Considering the impacts of the pandemic, here are our top three predictions for the second half of 2020, and what we think the new normal will look like in fintech. →

1.

Global fintech funding for 2020 will stand between $21.7 billion and $24.1 billion depending on the severity of the pandemic, down from $34.5 billion last year.

The pandemic has made investors more cautious when it comes to making new investments, as the global economic downturn strains fintechs' operations and their chances of future success. If the pandemic follows a moderate course and subsides in Q3 — with nonessential shops reopening, and workers returning to their jobs:

> We predict that funding will dip 30% from 2019, though fintechs globally will still be able to raise $24.1 billion this year.

With many economies already making moves to exit lockdown, we think a moderate scenario is likely to occur. However, if the pandemic turns out to be more severe and lockdown measures can't be lifted by Q3 or are reinstated, fintech funding will take a much bigger hit this year, dropping by 37%, and we expect fintechs to only raise $21.7 billion.

Fintech funding in Asia, and especially China, will bounce back the fastest, while emerging hubs like South America will lose out on capital injections for longer.

Asia's fintech funding recovery will be driven by its high fintech adoption rates and its position in a later stage of overall crisis recovery. In Q1 2020, funding for Asia-based fintechs, which is largely driven by China, dropped 69% quarter-over-quarter, marking the steepest drop across major fintech markets, per CB Insights, likely as the outbreak hit China first and was most prominent there throughout the first quarter of the year. However, now China is further ahead in terms of resuming operations than Europe and the US, which could boost investor confidence in fintechs in the country. Additionally, China continues to be a big market for fintech and boasts the highest fintech adoption globally at 87%, which increases the likelihood of uptake for China-based fintechs and should heighten investor interest in those startups.

Meanwhile, South America's more prolonged funding dip will be caused by investors focusing on existing portfolio companies in proven markets rather than venturing out to new geographies. South America is still an emerging fintech center and may struggle to garner attention from investors who don't currently have a portfolio in the region. Some investors have stated that their primary focus amid the pandemic is supporting their existing portfolio companies, likely to keep them operational and to see a return on their investments after the crisis. As a result, they'll be less likely to branch out into new markets like South America this year.

Despite the bleak outlook for 2020, funding will recover to pre-pandemic funding levels over the next few years. Fintech funding for this year and 2021 will still be much lower than in 2019, but as countries start to recover from the crisis, the pace of funding will accelerate: In 2022, we expect funding to reach $37 billion in a moderate scenario and $32 billion in a severe one, giving fintechs access to similar levels of funding as they did prior to the crisis, while from 2023 onward we predict higher levels of funding compared with 2019 under both scenarios.

Global Yearly Fintech Funding Foreast

Billions

Note: Excluding Ant Financial's $14 billion funding round in Q2 2019. The moderate case assumes that the pandemic subsides during Q3. The severe case assumes that the present situation persists through the end of the year, until a vaccine is found
Source: Business Insider Intelligence, 2020; CB Insights, 2020
Methodology: Business Insider Intelligence considered third-party data and historical data to forecast fintech funding.

2.

Direct written premiums (DWPs) for usage-based auto insurtechs Metromile and Root in the US and Zego in the UK will grow at a stronger rate in 2020 compared with 2019, propelled by the shortcomings of traditional auto insurance laid bare by the lockdown.

Lockdown measures worldwide have forced drivers to stay home, which in turn has led traditional auto policyholders to overpay on their premiums. In response, several incumbent insurers, including Liberty Mutual and Geico, have offered blanket premium refunds and reductions — this may appease policyholders in the short term, but the enforced reduction in driving has highlighted the benefits of personalized, pay-as-you-go coverage. As such, we anticipate demand for usage-based auto coverage to accelerate this year as lockdown measures continue to ease. Established insurtechs in the space — Metromile, Root, and Zego — will benefit the most from this shift, and we expect they'll record a faster DWP growth rate in 2020 versus 2019.

And incumbent insurers will turn to partnerships with B2B insurtechs to offer similar services and fend off the threat, further contributing to making usage-based insurance a more prominent business model across the auto industry.

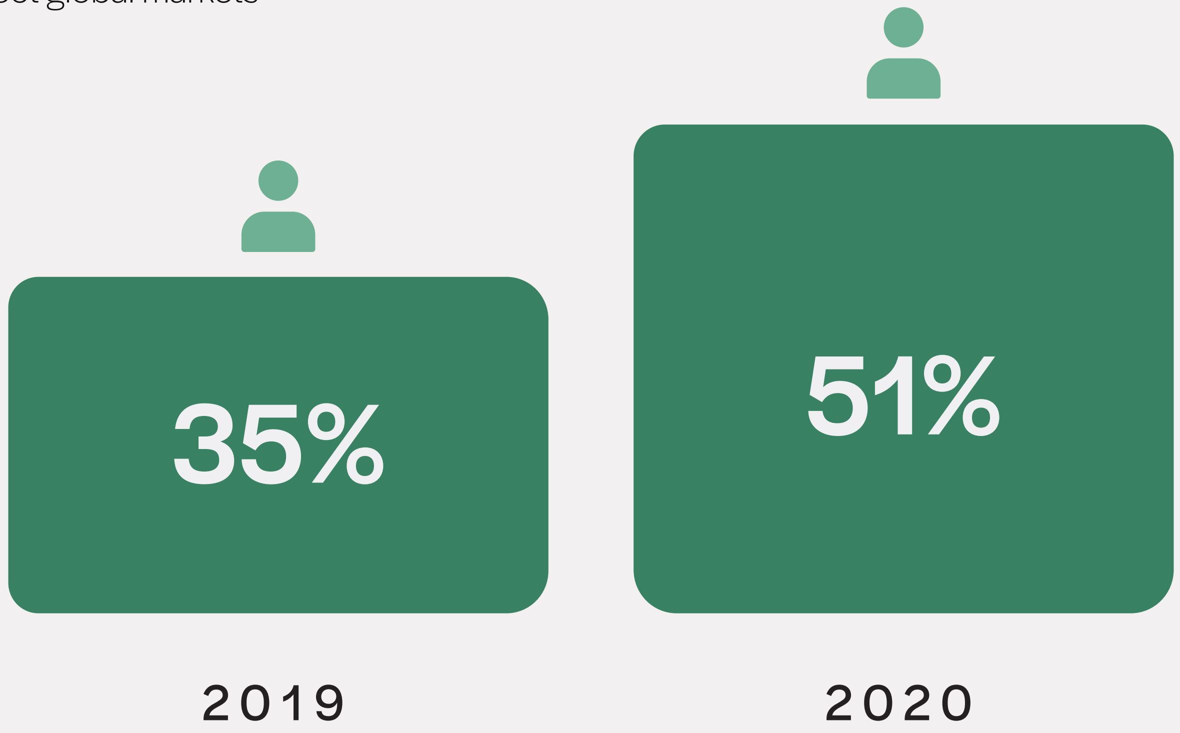
> Demand for usage-based products surged from 35% to 51% between 2019 and 2020, per Capgemini, and the global market is expected to reach $125.73 billion by 2027, up from $25.01 billion in 2019, marking a CAGR of 23-24%.

We expect the CAGR to be higher than this pre-pandemic estimate, as the crisis has shone a light on the benefits of the solution. Although several large incumbents such as Progressive have rolled out usage-based products, half of global insurers still do not offer such policies, per Capgemini. Incumbents will need to ramp up such offerings quickly in order to meet demand and fend off the insurtech threat, and leveraging ready-made solutions from B2B insurtechs is the most viable way to do so.

Partnerships provide a way to both expedite the time to market of a new product and reduce costs, alongside providing an enhanced customer experience, in line with shifting customer demands. Consequently, we expect to see usage-based coverage to become increasingly common in the auto insurance market in the next few years, as more insurtechs see their solutions adopted and incumbents partner with insurtechs to roll out usage-based insurance to respond to competitive pressures.

Global Customer Demand For Usage-Based Insurance

Select global markets



Source: Capgemini and Efma, 2020

Methodology: The World Insurance Report 2020 draws on insights from two primary sources- the 2020 Global Insurance Voice of the Customer Survey and the 2020 Global Insurance Executive Interviews. Together, these primary research sources cover insights from 32 markets.

3.

A number of alt lenders, particularly in the peer-to-peer (P2P) space, will fold, while others will drive consolidation — and RateSetter will be one of the first to be scooped up.

The economic downturn is causing a rise in delinquencies and risk of defaults, making both retail and business borrowers riskier to lend to, thus making it more difficult for alt lenders to extend credit. This has been exacerbated by the lack or slow process of alt lender accreditation to SMB government support schemes — the Coronavirus Business Interruption Loan Scheme (CBILS) in the UK and the Paycheck Protection Plan (PPP) in the US, respectively — which limits the ability of alt lenders to continue serving their customers via those schemes. In addition, the significant drop in fintech funding earlier this year is also limiting their cash runway. As a result, we expect some smaller lenders with limited resources will fold — and larger players will look for buyers, thereby increasing M&A activity.

The struggle is particularly acute for P2P lenders, as they rely on continuous investor interest in lending to borrowers rather than issuing loans themselves, and many investors are now looking for safer investment options. For example, LendingClub recently reported that 6% of its retail investor customers requested early access to their funds, while Ratesetter also experienced a spike in investor withdrawal requests.

> The ensuing shortage of loan supply is shrinking revenue — with P2P marketplace LendingClub reporting a net loss of $48.1 million for Q1 2020 compared with $19.9 million in Q1 2019 — and leading some P2P lenders to explore M&A options.

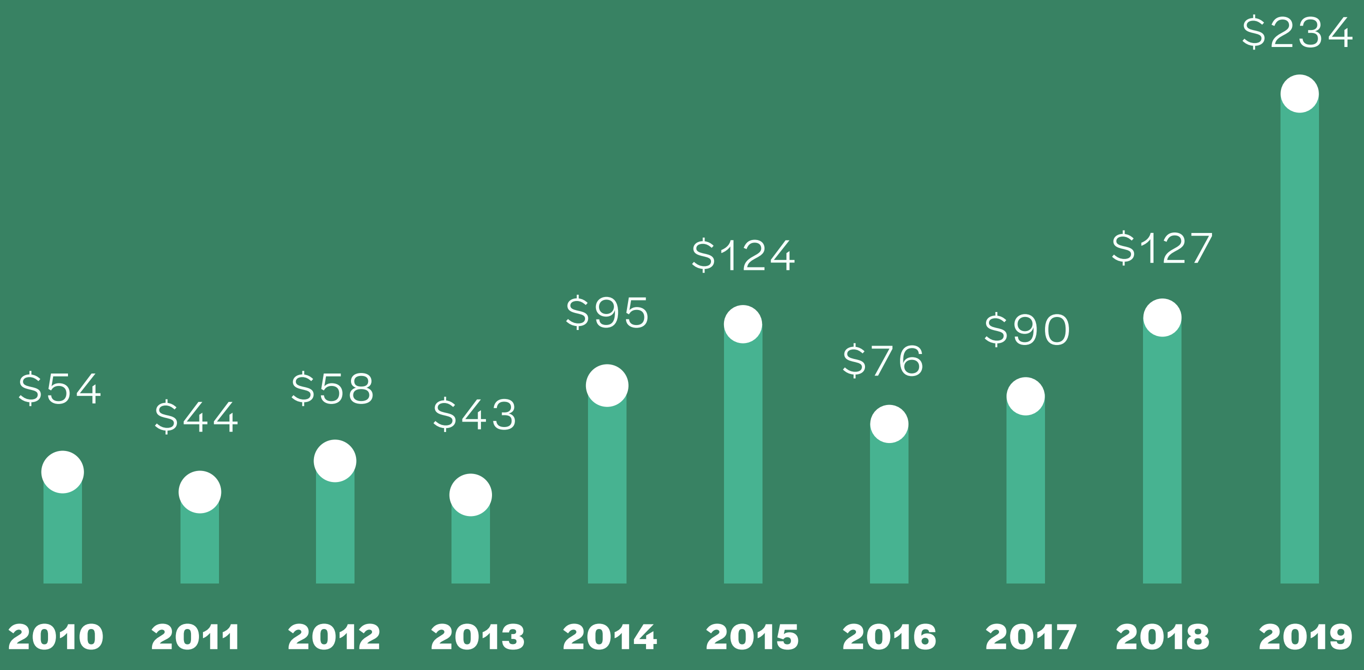
Although market uncertainty could make it difficult to find prospective buyers, we think UK-based P2P lender RateSetter will be among the first to be scooped up in 2020, as it is among the biggest players in the country and has taken steps to mitigate the downturn, such as reducing lending and launching a provision fund to buffer investors against missing payments.

The ensuing rise in closures and M&A activity will present an opportunity for incumbents to acquire alt lenders' tech capabilities, while those that merge or remain independent will broaden their product suite to mitigate risk exposure. Large financial institutions will be able to acquire struggling alt lenders on the cheap. This will enable incumbents to improve their digital loan processes, such as with the use of alternative data sets for more accurate credit assessment, and remove some fintech competition in one fell swoop.

Meanwhile, remaining or newly merged alt lenders — and especially P2P lenders — will aim to diversify revenue sources, so as to reduce reliance on retail investors and borrowers' liquidity. The rebundling of financial services would also make them more enticing to consumers, as they can handle all their financial matters on one platform, boosting user engagement and accelerating alt lenders' recovery. We've seen similar diversification in other fintech sectors: Fintech SoFi, which initially focused on student loan refinancing, has since launched investment products, for example.

Global Fintech M&A Volume

Billions



Source: FT Partners Research, "2019 Annual Fintech Almanac," 2020
Methodology: This data is reported yearly by FT Partners.

Our 3 biggest predictions for Payments & Commerce in H2

The onset of the coronavirus pandemic in early 2020 upended the payments and commerce industries: Stay-at-home orders and store closures surged e-commerce volume, record unemployment contracted consumer spending and shifted volume toward essential goods, and demand for low- or no-contact technology became top of mind for front- and back-end players looking to slow the spread of the virus. Because the pandemic has accelerated the existing digitization of the payments and commerce space, our outlook for the second half of 2020 is drastically different than when we initially made predictions last December. Considering the impacts of the coronavirus, here are our three biggest predictions for the second half of 2020 and what we think the new normal will look like in payments and commerce. →

1.

Amazon will have several deals in the works by the end of 2020 to acquire stores from bankrupt and struggling retailers so it can offer same-day omnichannel fulfillment.

The coronavirus pandemic has surged US e-commerce sales: US nonstore retail sales grew 21.6% year-over-year (YoY) in April while overall retail sales plunged 17.8% YoY. But Amazon struggled at times to deliver Prime orders in its standard one- or two-day windows as it prioritized delivering essential products and had to adjust its supply chain and logistics processes to accommodate new safety concerns, limiting its ability to make the most of booming e-commerce sales.

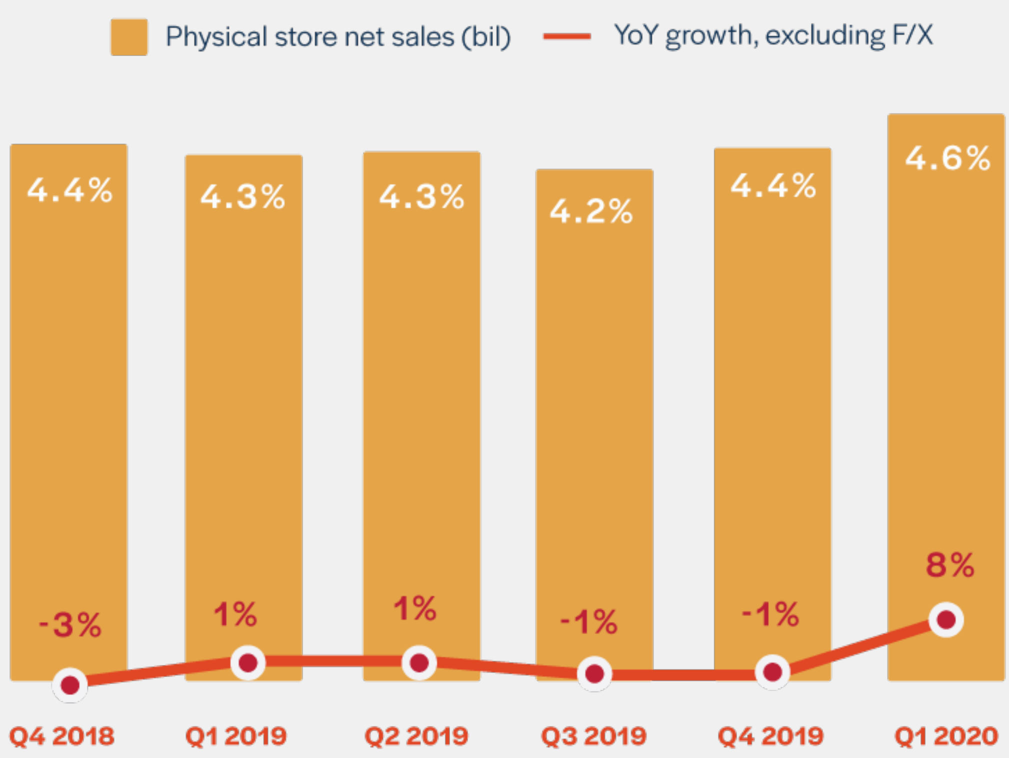
Buying up brick-and-mortar real estate will enable the e-tailer to offer omnichannel fulfillment services, like curbside pickup, that are better positioned to quickly fulfill orders when external factors slow warehouse operations. Adding more stores should also allow Amazon to build on its already impressive e-commerce performance in Q1 2020and its longstanding command of the US e-commerce market.

Amazon's lack of brick-and-mortar stores allowed competitors to stand out during the pandemic by still offering speedy fulfillment through their own stores. While Amazon had difficulty completing deliveries quickly, retailers like Target and Walmart were able to get consumers products same-day by utilizing their expansive brick-and-mortar networks to offer in-store and curbside pickup, in addition to shipping products from nearby stores for speedy delivery. Amazon hasn't been able to replicate this advantage because it doesn't have a number of stores stocked with products to draw from, besides groceries from Whole Foods. And now that consumers might have tried same-day pickup from a nearby retailer — approximately 2 million consumers used Target's curbside service for the first time in its fiscal Q1 2020 (ended May 2, 2020) — they may return to that retailer going forward if they need a product quickly, rather than waiting for an Amazon order to arrive.

But with a number of retailers closing stores, Amazon can use empty retail real estate to re-establish itself as the leader in e-commerce convenience. To make sure it can match its competitors' fulfillment capabilities, we expect Amazon to address its relative lack of omnichannel offerings by acquiring stores from the many retailers facing difficulties during the pandemic. It has already acquired leases for two stores from bankrupt grocer Fairway and may be looking to obtain more of these locations.

Additionally, Amazon has reportedly held talks with AMC Entertainmentand JCPenney about acquiring them. While Amazon might continue to operate these locations as consumer-facing retail stores, it could also turn them into mini-warehouses that focus on speedy delivery and omnichannel fulfillment. We expect Amazon to focus these stores on omnichannel fulfillment to optimize its e-commerce operations, while still making some in-store sales to maximize stores' potential and justify real estate costs.

Amazon Physical Store Net Sales



Note: This segment includes product sales where Amazon's customers physically select items in a store and not online orders placed for delivery or pickup at stores
Source: Amazon, 2020
Methodology: These figures are from Amazon's Q1 2020 earnings release, published on April 30, 2020.

2.

Most ultra-premium issuers will add nontravel rewards as a stopgap amid the coronavirus pandemic, but customers will demand they remain even as the pandemic recedes.

Over the past several years, as debt exceeded pre-2008 highs, issuers scrambled to attract customers and earn primary card status. To do so, many leveraged high-cost, high-value cards often focused on travel and entertainment (T&E) spending, like Chase Sapphire Reserve and Amex Platinum, which have become extremely popular. But T&E spending has plummeted nearly 100% annually during the pandemic, with the worst impact in April, per Amex and Discover, which could sink usage of these cards. And high annual fees could turn off customers who are struggling financially, in turn hindering new customer acquisition and retention.

To make the most of their portfolios for the year, issuers focused on travel rewards will have to innovate. After several years of decline, credit cards' return on assets (ROA) was expected to tick up in 2020 before the pandemic, marking a turning point for issuers, per Mercator. Issuers will need to rethink rewards offerings to come close to that growth — and those changes will likely outlast the immediate crisis and could reshape the picture of a top-tier rewards card.

- **Several issuers have retooled rewards to better match current spending patterns — and we expect more to follow suit this year as the pandemic stretches on.** American Express has added new

Cards for Travel and Entertainment (T&E)

DISCOVER CHASE AMERICAN EXPRESS

e-commerce pay-with-points options, doubled rewards for takeout and delivery, and brought grocery rewards to travel cards in response to the pandemic. And Chase changed rewards redemption and added benefits for streaming and grocery services as well. These tactics could encourage customers to keep these cards at the top of their wallet as spend in these categories increases and travel remains depressed — particularly because rewards are the main determinant of primary card status. As the pandemic stretches on, we expect more issuers to follow suit and add benefits in top categories.

- **For now, these changes are temporary solutions, but the pandemic's lasting nature and the popularity of these changes will push issuers to keep them.** Some of Amex's and Chase's rewards changes have already expired and others aren't set to outlast the year, even though the pandemic will likely continue until at least mid-2021, and its effects even longer, as the economy takes time to recover.

As consumers continue to focus spending on essentials through H2 2020, it'll be hard for issuers to maintain spend and consumer favor unless they offer rewards in alignment — so they likely will.

While these changes won't fully render ultra-premium travel cards obsolete, introducing a wider array of rewards to top-tier products could change the face of what a lucrative rewards card looks like longer term and might force issuers to find ways beyond rewards categories to effectively differentiate these cards from mid-tier, no-annual-fee products.

3.

Although consumers are looking to limit face-to-face contact during the pandemic, autonomous checkout providers will miss out on the opportunity to rapidly gain adoption for their solutions this year due to technical limitations.

Consumers have been trying to limit their exposure to the coronavirus when shopping in-store by reducing interactions with other people, like cashiers, and limiting contact with shared services, like payment terminals. Autonomous checkout technology, which enables consumers to skip physical checkout by tracking consumers in-store, noting what they pick up, and charging them when they exit, represents an existing solution to address these concerns, and as such could've seen widespread interest and adoption from both consumers and merchants if it was ready for widescale use in H2 2020.

But the tech won't rise to prominence just yet, despite its appeal, because providers like Amazon, Grabango, and Standard Cognition still haven't been able to widely retrofit existing stores with their technologies. Autonomous checkout providers are likely still struggling to track consumers across various store layouts because each store requires a unique retrofit, and larger locations can be particularly difficult since the technology needs to track many more products and consumers.

Because autonomous checkout solutions largely won't be ready in H2 2020, consumers will turn to tech that limits contact for the time being — but that will make it easier to popularize autonomous checkout in the years to come.

- **Until concerns about the coronavirus are eradicated by new treatments or a vaccine — the latter of which could take at least a year — consumers will use tools that can help them try to avoid infection in stores.**

> 54%
>
> of global consumers agree or strongly agree that they'll be using contactless payments more in the short term due to concerns about cash and terminals, per a survey from Paysafe.

- **And the pandemic could heighten concerns about contact in-store even after the threat subsides — pushing customers, especially those who've adopted contactless payments, to autonomous checkout stores when they become available.** When autonomous checkout providers overcome technical limitations and bring their tech to more stores, something many firms are working on through partnerships with major retailers like Giant Eagle and Tesco, consumers will flock to those locations because they remove all potential points of contact in a store besides picking up products, improving on contactless payments' appeal. If there hadn't been a pandemic, stores that added autonomous checkout likely would have simply been creating a faster shopping experience for their existing customers — but now we expect the technology to draw in customers, driving sales.

BUSINESS INSIDER INTELLIGENCE

Business Insider Intelligence is a research service delivering analysis on the biggest trends and decisions shaping the future of your industry. Our research is fast and nimble to reflec the speed of developments in today's business, and we provide actionable insights that enable smarter and better-informed decisionmaking. We publish research reports, daily email briefings, and an exhaustive library of charts and data focusing on key industries: Connectivity & Tech, Banking, Payments & Commerce, Digital Health, Fintech, and Digital Media.

How your organization can learn more about our service:

Contact us and a member of our team will reach out with more information about an Enterprise membership.