





# Foreword

The pressure on financial institutions (FIs) and retailers to modernize payment systems and infrastructure is immense. The payments environment is evolving rapidly with a range of new payment alternatives and channels competing for market share; new technologies like contactless payments and QR payments are gaining traction (particularly in emerging markets); and new ancillary services like Buy Now, Pay Later (BNPL) are growing in popularity.

That is putting pressure on FIs and retailers to deliver on shifting customer expectations. Customers want payment alternatives. They are looking for fast, convenient and secure payment options. And they expect their retail and FI providers to deliver seamless experiences across channels and payment platforms.

While the triggers for modernization might differ between retailers and financial institutions, we believe it is important to view this topic comprehensively. A fragmented approach risks amplifying challenges such as fraud, cybersecurity threats, and increased costs. Conversely, a cohesive strategy can unlock opportunities to attract new consumers, enhance engagement and loyalty, and generate richer customer insights.

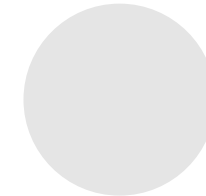
For retailers, this includes a clear governance structure around payment modernization. Determining the right ownership

model — whether centralized within treasury, driven by e-commerce teams, or delegated to individual business units — is crucial to help with effective decision-making and execution.

At the same time, payment leaders and executives recognize that the transformation of payments is only just starting. The introduction of quantum computing, generative AI and tokenization suggest that the payments space will continue to disrupt and be disrupted. As this report clearly demonstrates, many FIs and retailers are looking to get ahead of the disruption with newer, more agile payments platforms and tools.

This report provides a snapshot of the progress made by FIs and retailers on modernization. It offers key insights into the challenges that organizations are struggling with and how they overcome them, as well as a detailed analysis of what they hope to achieve. Above all, it reveals that payments modernization remains very close to the top of the C-suite agenda.

It's not just about keeping pace with the present; it's about preparing for the future of commerce. We encourage you to delve into the insights and recommendations presented to help navigate the complexities of payment modernization and seize the opportunities that lie ahead.



**Francisco Uriá**

Global Head of  
Banking and Capital Markets  
KPMG International



**Isabelle Allen**

Global Head of  
Consumer and Retail  
KPMG International





# Contents

04

Introduction

05

Global  
overview

Financial  
institutions 06  
Retail 09

12

Overview:  
North America

United States 15  
Canada 18

21

Overview:  
ASPAC

Australia 25  
Japan 28  
China 31

34

Overview:  
Europe

United Kingdom 38  
Germany 41  
France 44

47

Conclusion and  
recommendations

48

Methodology

50

Authors

51

How KPMG  
can help





# Introduction

In today's rapidly changing financial landscape, payment modernization has become a critical priority for financial institutions (FIs) and retailers worldwide. Indeed, a staggering 93 percent of FIs and 87 percent of retailers are either currently involved in payment modernization programs or have plans to initiate one.

This report finds that FI and retail executives are acutely aware of the multiple benefits that payment modernization can bring. Customer experience improvements are front and center. But FIs and retailers also reveal their aspirations for efficiency gains, faster transaction processing and enhancing their current data and analytics capabilities. The most successful modernization programs are anticipated to deliver a substantial competitive advantage.

Yet modernization is not straightforward. These initiatives require significant staffing and financial resources and represent major exercises in change management. FIs and retailers alike are focused on innovating without compromising business-as-usual operations. More critically, they are maintaining security, which is a key priority and a source of reassurance for the future.

This report is intended for transaction and payment leaders at financial institutions and retail organizations. With a global perspective, regional analysis and country spotlights, it was developed to provide actionable insights into the key trends, challenges and opportunities that are shaping payment modernization around the world.

The findings are based on a survey of **810** financial institutions and **690** retailers, conducted by KPMG International in September 2024, to assess **current payment modernization programs** and progress. Here are the key takeaways of that survey.



## Urgency

The vast majority — 93 percent of financial institutions and 87 percent of retailers — are either currently modernizing their payments infrastructure or are planning to do so (on average, they will begin within the next six to eight months).



## Motivation

Changing customer expectations ranks as the top driver for FIs and retail organizations. FIs are motivated by regulatory requirements and the need to update legacy systems, while retailers are motivated by competitive pressures and cost considerations.



## Resources

FIs and retailers are allocating significant resources towards modernization. On average, FIs plan to spend around US\$18 million and allocate 36 people to their programs. Retailers expect to spend an average of US\$4.1 million and allocate 23 people to their programs.



## Benefits

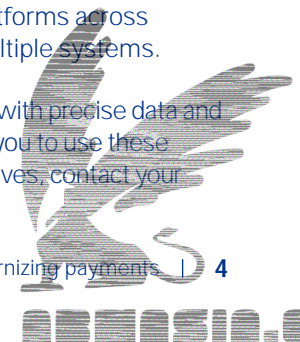
Respondents (both FIs and retailers) agree that payment modernization will deliver improved customer experiences, faster transaction processing and long-term cost savings. Retailers' top expected benefit is customer experience improvements, while FIs are primarily anticipating cost savings.



## Challenges

FIs and retailers are concerned about the cost and potential disruption of implementing new payment systems. Retailers are also worried about training staff to manage the transition, while FIs are concerned about the complexities of integrating new platforms across multiple systems.

This report explores these findings at a regional and country-level to provide financial institutions and retail executives with precise data and insights on the challenges and opportunities driving payment modernization in their region and sector. We encourage you to use these insights to inform your organization's payment modernization strategies. To discuss your unique modernization objectives, contact your local KPMG member firm.





# Global overview





## Global overview

# Financial institutions

## Financial institutions in detail

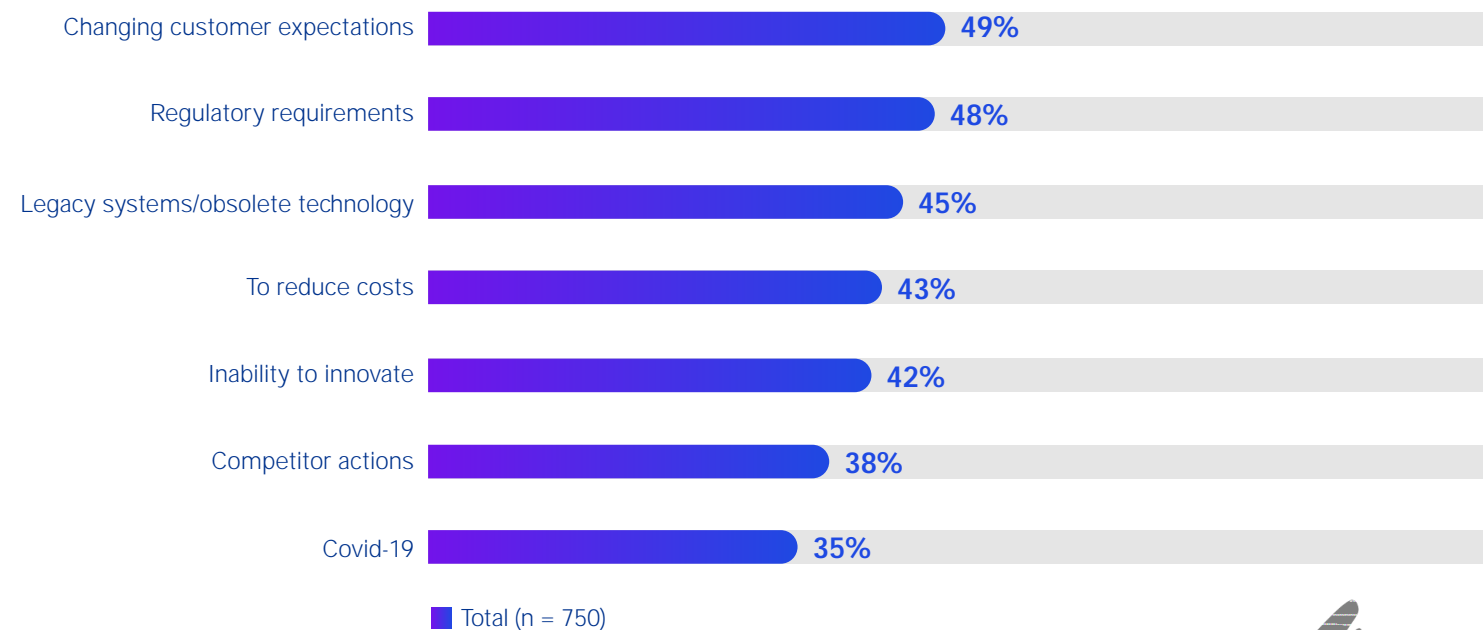
The competition to deliver modern payment systems never ends. Half of the financial institution respondents in our survey say they completed their last significant modernization program within the last year. Yet 93 percent say they are either currently undertaking or planning another significant modernization program right now.

What is driving this breakneck pace of change? Our FI respondents cite changing customer expectations, regulatory requirements and legacy systems as key drivers.

Dig down into the subsector data, however, and interesting nuances emerge. For example, investment banks and challenger banks are particularly likely to point to regulation as a driver of their modernization work whereas wholesale banks are focused on the problems they currently face as they seek to innovate and are more likely to be concerned about their legacy technologies.

KPMG professionals' work indicates that modern platforms can deliver important benefits as banks seek to deliver on customer expectations. They can deliver faster, more convenient and more secure payment experiences. They can incorporate advanced security features to protect against fraud and cyberattacks. And they can help streamline operations and improve efficiency, leading to cost savings.

## Key factors triggering payments modernization for FIs



Source: KPMG International, "Modernizing payments" January 2025.





## Global overview

There is no single lever to unlock payments modernization and, as such, the scope of payments modernization programs varies. More than six-in-ten FIs include their payment engine in the scope of their project, with digital channel upgrades, customer experience improvements, application programming interface (API) implementations and changes to core banking systems all commonly included in FIs' modernization plans.

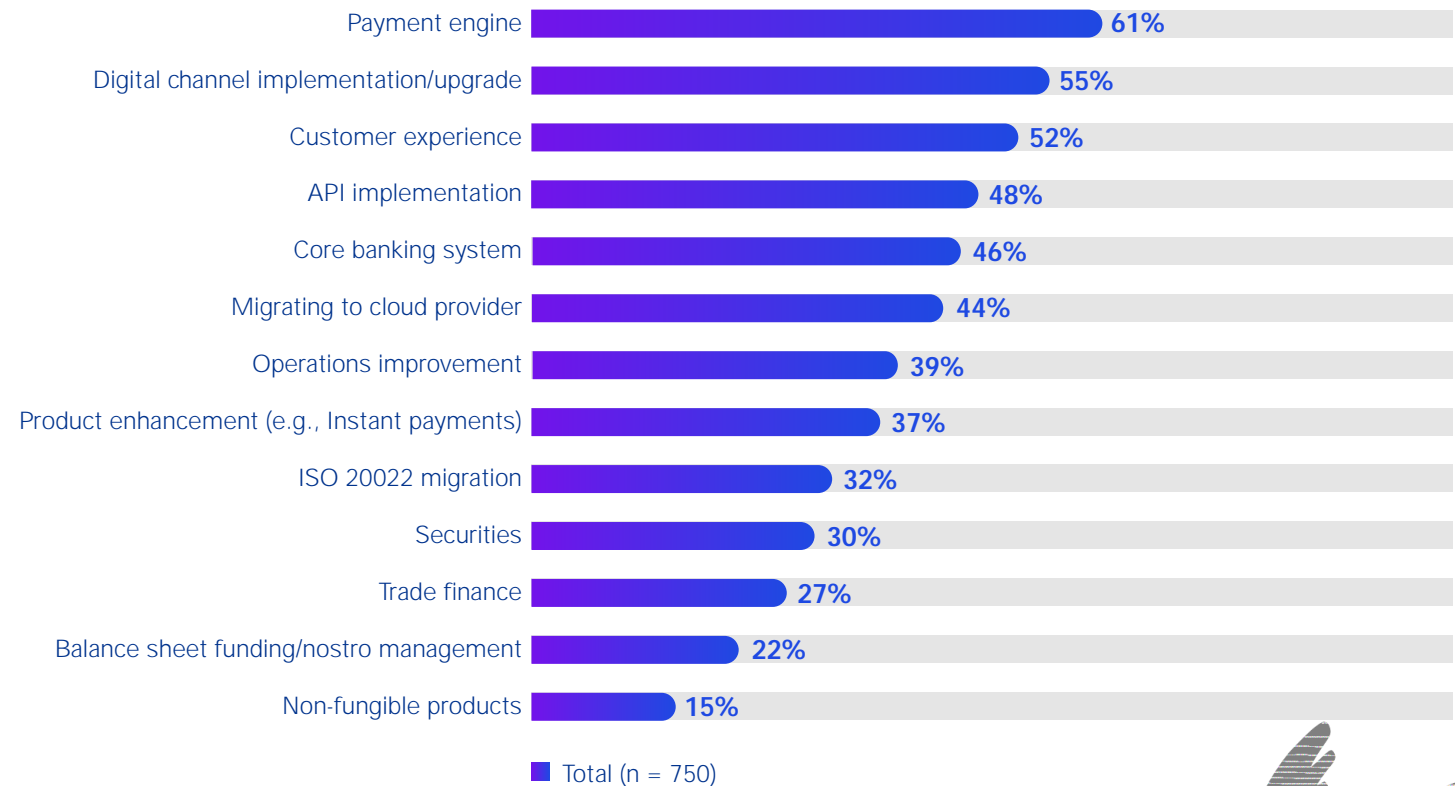
Inevitably, given the wide scope of these projects, many are expected to take some time to complete. While 35 percent of FIs have set a one- to two-year timescale for their payments modernization programs, 54 percent think two to three years is a more realistic target. And in some cases, modernization is expected to take even longer.

This likely reflects the reality that these programs are not without their challenges. Integrating new platforms into existing systems can be challenging and time-consuming. Modernization projects can be expensive, requiring significant investment in technology and resources. Additionally, transitioning to new platforms can be disruptive to business operations and can require significant change management efforts.

However, data from Volante Technology's Big Survey of banking executives suggests that the pace of modernization has not stopped banks from bringing new products to market at a rapid pace. Their survey shows that three-quarters of banks say they can launch a new solution into market within three months.<sup>1</sup>

<sup>1</sup> *Payments Modernization: The Big Survey 2024*, Volante Technologies, June 2024

### Scope of payment modernization program for FIs



Source: KPMG International, "Modernizing payments" January 2025.





## Global overview

System modernization can be more challenging than new solution development. In our survey, FIs pointed to a range of difficulties experienced during modernization projects. The majority of FIs say that integrating multiple systems causes them the most trouble as they pursue payments modernization. This is the most cited challenge for every single type of FI taking part in our research, other than wholesale banks.

Other challenges include the need to deploy new payment infrastructure with no adverse impacts on business-as-usual operations, the high cost of implementing new technologies and systems and the need to ensure regulatory compliance. Wholesale banks are particularly concerned about cost, while compliance is a top issue at investment banks.

However, while regulatory changes drive modernization, they also present challenges, and some smaller financial institutions now report being overwhelmed with the cost of complying.

Nevertheless, the effort required to overcome these difficulties is expected to pay off. Our respondents expect to see a range of benefits flow from their modernization efforts including long-term cost savings, faster transaction processing, improved customer experience and enhanced security (according to the most recent [KPMG 2024 Banking CEO Outlook report](#), cyber security ranks as the top concern for bank executives).

It will be important to monitor closely whether these benefits are achieved. To that end, FIs plan to monitor a range of key performance indicators including cost reduction, transaction speed and fraud reduction. Revenue growth, by contrast, is seen as less important, with only 24 percent selecting it as a key metric.

### Top 5 challenges impacting payment modernization for FIs



Source: KPMG International, "Modernizing payments" January 2025.







## Global overview

# Retail

## Retail in detail

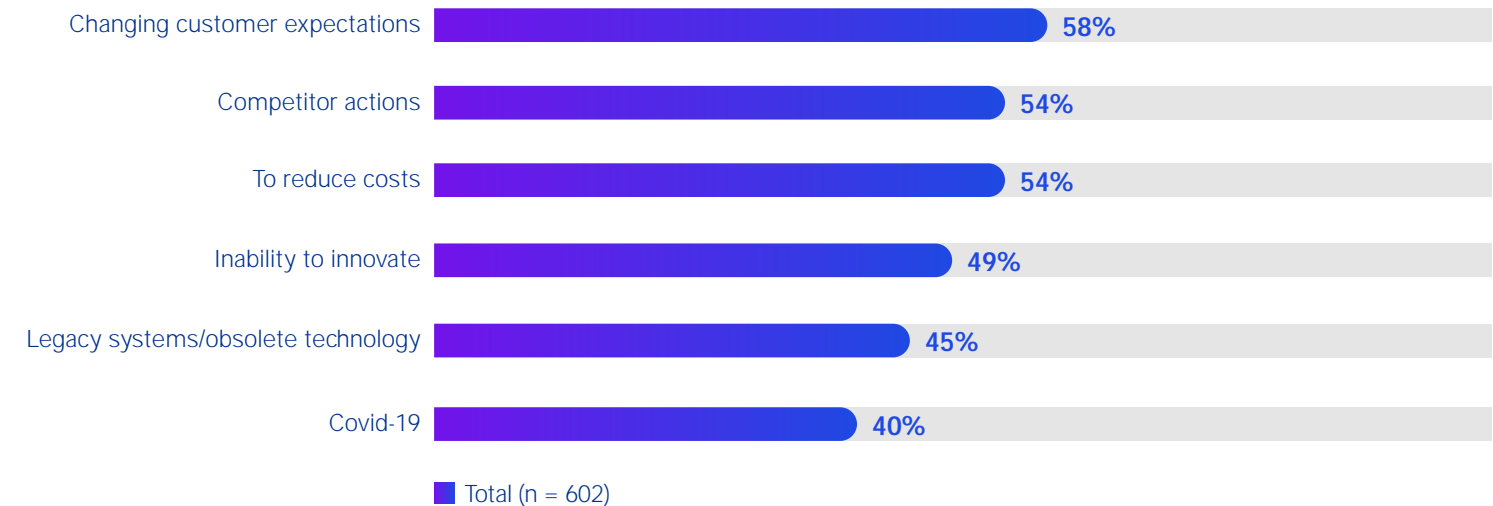
Facing changing customer expectations, stiff competitive pressures and rising costs, retailers are maintaining a continuous focus on payment modernization. Indeed, 56 percent of the retail respondents in our survey say they have completed a major payments modernization program within the past year. Yet 83 percent of retailers say they are now once again modernizing their payments infrastructure or are planning to do so in the near future.

Interestingly, motivations vary from one sub-sector to another. For example, almost two-thirds of luxury retailers say an inability to innovate was an important trigger for payments modernization, whereas half of the discount retailers single out the need to replace legacy systems and obsolete technology.

Online retailers were the most likely to describe cost reduction as a trigger for payments modernization while warehouse clubs are particularly concerned about the actions of their competitors.

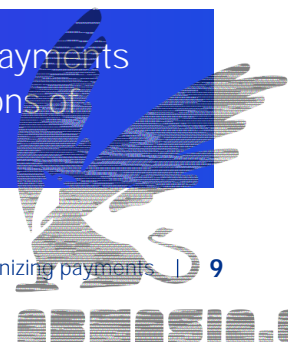
The scope of work planned by retailers is also varied, often reflecting the subtleties of different parts of the sector. Still, overall, implementation (or upgrading) of digital payment capabilities is the most cited priority for retailers, followed by adding new payment methods to existing options and unlocking operational improvements.

## Key factors triggering payments modernization program for retail



Source: KPMG International, "Modernizing payments" January 2025.

Online retailers were the most likely to describe cost reduction as a trigger for payments modernization while warehouse clubs are particularly concerned about the actions of their competitors.





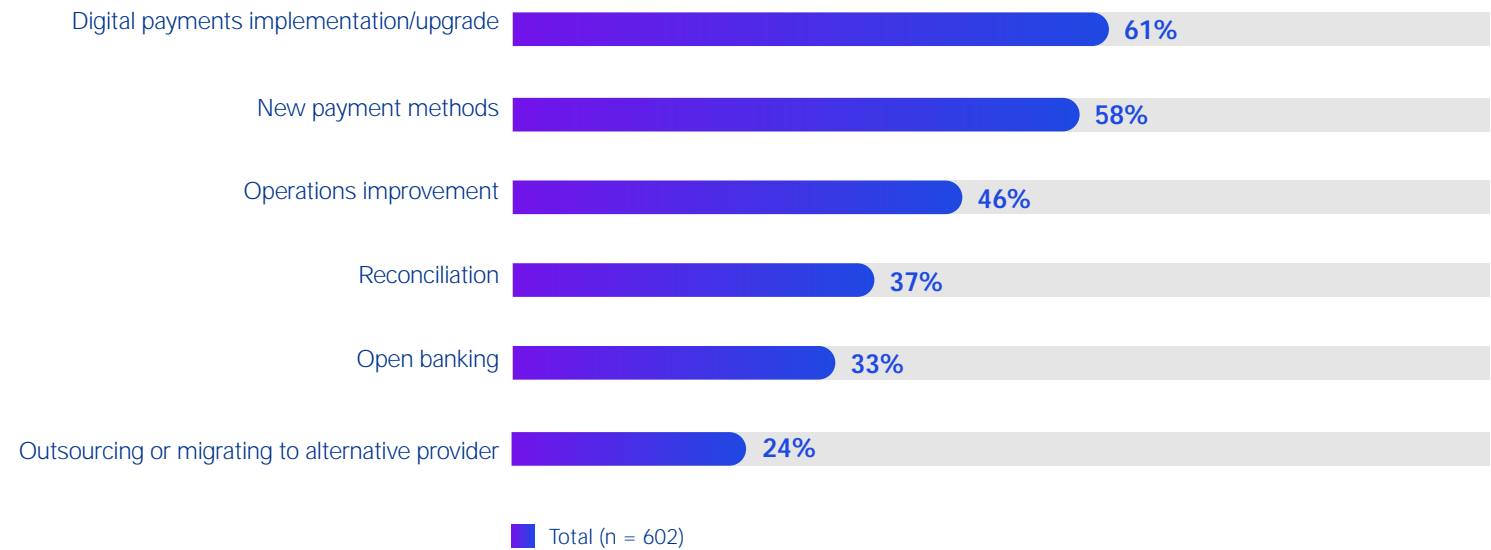
## Global overview

Digital payment capabilities are particularly important to luxury retailers, supermarkets and department stores while online retailers are less likely to stress this goal, perhaps since they already offer such capabilities.

Digital wallets are expected to play a key role. A recent report by Worldpay, a global payments solution provider, found that digital wallets made up 50 percent of ecommerce transaction value in 2023 and 30 percent of Point of Sale (POS) transaction volume.<sup>2</sup> In our survey, more than two-thirds of retailers say they already offer a digital wallet or intend to do so, with the industry taking its lead from the e-commerce sector, where this figure rises to 95 percent.

Similarly, 60 percent of retailers in our survey say they already offer digital apps or plan to launch one. According to [Towards seamless commerce](#), a recent publication by KPMG International which explores how retailers can evolve their seamless commerce strategies to be more responsive to changing consumer behaviors, these options are key to providing customers with a seamless experience across channels.

### Scope of the modernization program for retail



Source: KPMG International, "Modernizing payments" January 2025.

<sup>2</sup> *The Global Payments Report 2024*, Worldpay, 2024





## Global overview

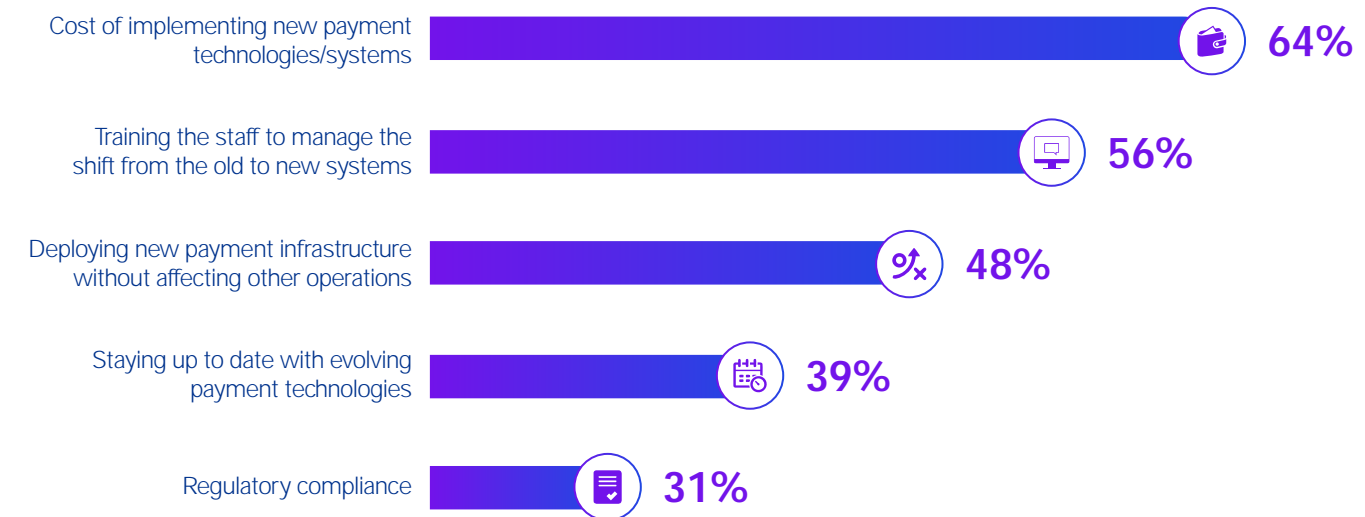
The [KPMG Global Consumer and Retail tech report 2023](#) finds that around a third of retail leaders say their digitization efforts have not returned the value they expected. And achieving payments modernization goals is rarely straightforward, with retailers pointing to several challenges with which they must grapple.

Most are worried about the cost of implementing new payment technologies and systems. More than half point to the need to train staff to manage the shift from old to new systems. Many are also worried about the need to deploy new payments infrastructure without disrupting other operations.

Keeping the end goals of transformation front of mind will likely be crucial in moving past these challenges. Two-thirds of retailers see improved customer experience as a potential benefit from payments modernization, with many excited by the prospect of faster transaction processing and long-term cost savings. Other key benefits are expected to include enhanced security (according to the most recent *KPMG 2024 Consumer and Retail CEO Outlook*, cyber crime and cyber insecurity are a top concern for sector CEOs) and competitive advantage.

Our survey suggests retailers are focusing on measuring the success of their payment modernization programs accordingly. Indeed, 59 percent say they will measure their success based on transaction speed while 55 percent will be keeping a close eye on cost reduction. However, surprisingly, only 28 percent cite fraud reduction as a KPI they will use to measure success.

### Top five challenges in payments modernization program for retail



Total (n = 602)

Source: KPMG International, "Modernizing payments" January 2025.





## Overview:

# North America





## Overview

# North America

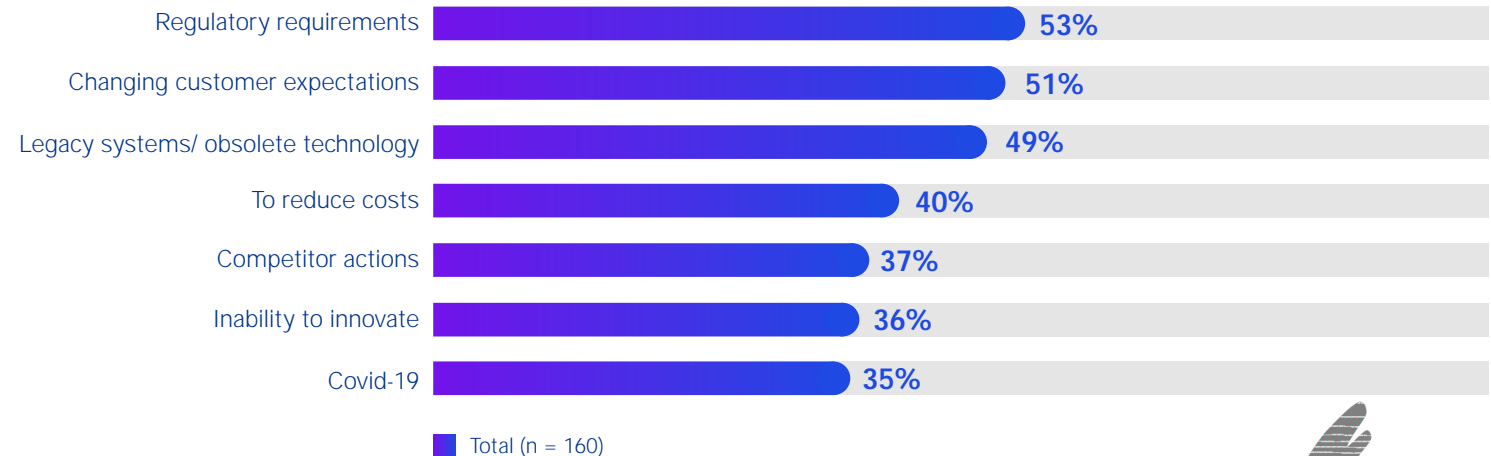


## Financial institution analysis

The financial services market valued at US\$26 trillion in 2023, is a vast and complex sector that encompasses a wide range of services and products. The US market alone was worth more than US\$5.4 trillion in 2023<sup>3</sup> — and employs 9 million people.<sup>4</sup>

Across the region, the payments landscape is undergoing a significant transformation driven by several key factors. ISO 20022, a new messaging standard, is pushing banks to modernize their wire transfer systems. Growing demand for instant payments is encouraging the adoption of real-time payment systems. And internal cost pressures are driving the need for more modern and efficient platforms.

## Key factors triggering FI payment modernization in North America



Source: KPMG International, "Modernizing payments" January 2025.

<sup>3</sup> Coin Law. "Financial Services Industry Statistics 2025: The Future of Digital Payments, AI, and Fintech Innovations" November 2024.

<sup>4</sup> U.S. Bureau of Labor Statistics. "Employment by major industry sector" September 2024.



## North America

At the same time, technological innovation is creating new opportunities for FI payment leaders. Cloud adoption is enabling banks to benefit from scalability, flexibility and cost savings. Artificial intelligence (AI) is being used to improve fraud detection, risk management and customer service. And Open Banking initiatives are creating new opportunities for innovation and competition.

While North American financial institutions recognize that payment modernization comes with its own set of challenges, this data suggests they are moving forward boldly with their modernization programs.



Implementing and integrating new payments platforms can be complex and time-consuming. Despite these challenges, executives recognize the benefits of payment modernization as a catalyst for growth and innovation”

### Courtney Trimble

Lead of Global Payments  
KPMG International  
Lead of Payment Capability Banking  
KPMG in the US

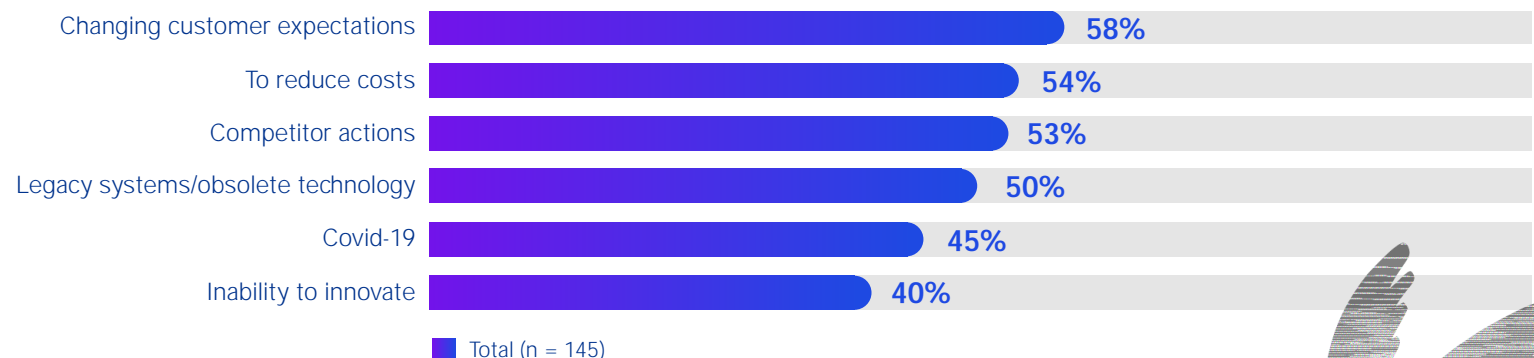
## Retail analysis

The North American retail market continues to undergo significant transformation. The rise of e-commerce means online sales are now expected to account for over 26 percent<sup>5</sup> of total retail sales in North America, while shifting consumer demands are forcing change. Consumers, particularly the younger generation, want convenience and are opting for contactless cards and mobile wallets.

However, with demand for greater convenience and rising expectations of personalized and sustainable experiences, retailers increasingly recognize the need for data analytics and new technologies as key enablers of customer insights and experiences.

KPMG professionals’ view suggests that the need to overcome legacy systems, data security and privacy concerns will demand significant investment by retailers. Data regulation will likely also be an area, especially in Canada, that should be considered and addressed to be able to take advantage of the opportunities.

### Key factors triggering retailer payment modernization in North America



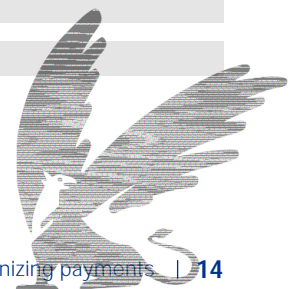
Source: KPMG International, “Modernizing payments” January 2025.



Delivering a seamless payment experience across all channels is critical to enhancing customer satisfaction, improving operational efficiency and providing insights into customer behavior.”

### Duleep Rodrigo

National Sector Leader, Consumer and Retail  
KPMG in the US



<sup>5</sup> Statista. “Regional e-commerce share of retail by region in 2020 with a forecast for 2025.” May 2024.



## North America

# United States

## Financial institution analysis

The US financial institution payments landscape is undergoing a significant modernization push, with 94 percent of institutions having programs underway or planned.

The regulatory burden of ISO 20022 is driving many banks to prioritize payments modernization. Banks are looking beyond compliance and seeing ISO 20022 as an opportunity to leverage data for new products and services. Modernization is not just about technology; it is also about transforming business processes and customer experiences.

Not surprisingly, the top trigger for payments modernization in the US financial sector are these regulatory requirements, with a focus on modernizing payment engines and core banking systems. With budgets averaging between US\$10 million and US\$25 million, many of these programs are expected to begin within the next 3-6 months.

Key success metrics include cost and fraud reduction, with 85 percent of institutions planning to outsource parts of their infrastructure, particularly technology, security and

### US — FI key findings

**93%**

Have a modernization program planned or underway

**\$19 million**

Average expected investment into modernization

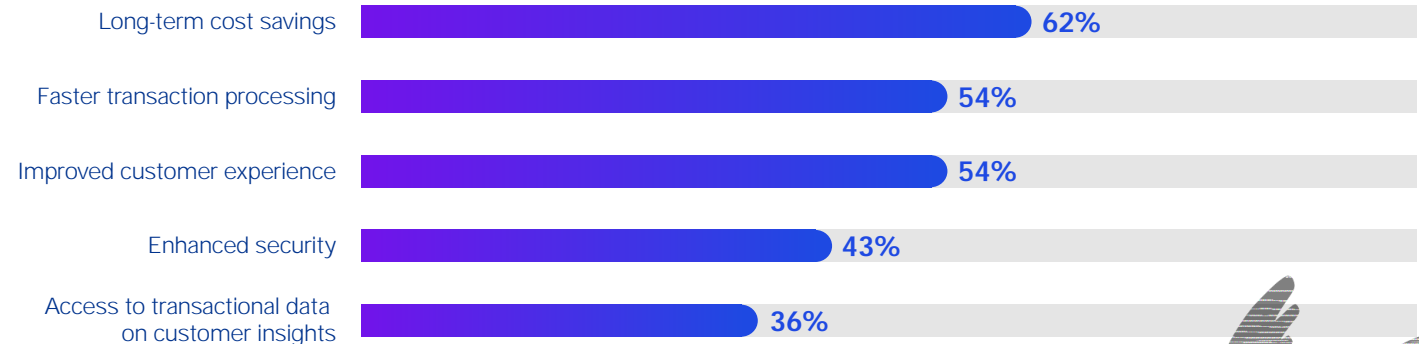
**Regulatory requirements**

Top factor triggering payments modernization

**34**

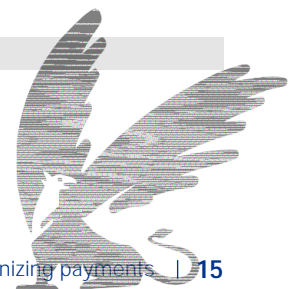
Average number of employees allocated to modernization activities

### Top five benefits of modernization — US FI



■ Total (n = 94)

Source: KPMG International, "Modernizing payments" January 2025.







## North America

# Client story

## Providing a turnkey approach to instant payments platform implementation

The payments landscape is constantly evolving. So when this Top 10 global transaction bank was looking to implement real-time payments (RTP) capabilities to stay competitive, they wanted a partner that could deliver a turnkey approach. They selected KPMG in the US.

The KPMG team worked with the bank's leadership to develop an overarching enterprise payments strategy, and helped them evaluate payments platform vendors across RTP, high value wires and low value automated clearing house (ACH) with a focus on not only helping them select their payments platform for instant payments, but also to prepare for future payment types.

KPMG in the US then provided broad implementation support ranging from detailed requirements definition and vendor fit gap to implementation planning, solution design, platform configuration, testing and operational readiness.

This turnkey approach enabled the bank to successfully launch RTP capabilities, enhancing its transaction banking offering and providing its corporate clients with a new instant payment type.

payment processing. According to Volante Technology's The Big Survey, 97 percent of bank leaders state a preference for a Payments as a Service (PaaS) model, indicating a strategic move towards leveraging third-party expertise and infrastructure.<sup>6</sup>

However, integration challenges and operational disruption remain key concerns. As such, KPMG professionals' view is that the future of payments is likely to be characterized by continued innovation, collaboration and competition.



ISO 2022 and instant payments are driving payments modernization. Banks are focused on meeting the 2025 industry mandate for ISO 2022 while also enhancing real-time payment capabilities. Additionally, they aim to leverage the data from ISO 2022 to create new value-added opportunities for customers."

**Courtney Trimble**

Lead of Global Payments

KPMG International

Lead of Payment Capability Banking

KPMG in the US

<sup>6</sup> *Payments Modernization: The Big Survey 2024*, Volante Technologies, June 2024

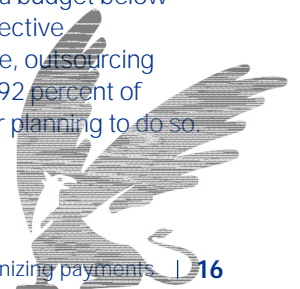
## Retail analysis

With 86 percent of US retailers already modernizing or planning to modernize their payment systems, the US retail sector is seeing a profound transformation driven by evolving consumer preferences and technological advancements.

Payments modernization is a critical aspect of the evolving retail landscape in the US. By addressing the key challenges and leveraging the opportunities presented by new technologies, retailers can position themselves for success in the increasingly competitive and dynamic market. This can enable them to not only meet the evolving needs of their customers but also gain a deeper understanding of their behavior, leading to a more personalized and rewarding shopping experience.

Retailers are investing heavily in upgrading their systems to meet the growing demand for convenience, speed and security. The primary driver for this modernization push is cost reduction, with 61 percent of respondents prioritizing the inclusion of new payment methods and 59 percent focusing on digital payment implementation or upgrades.

Interestingly, 66 percent of programs have a budget below US\$2 million, indicating a focus on cost-effective solutions. Perhaps not surprisingly, therefore, outsourcing plays a crucial role in these initiatives, with 92 percent of respondents either currently outsourcing or planning to do so.







## North America

However, challenges remain. The top two concerns are the cost of implementing new technologies and training staff for the transition. Overcoming these hurdles will be critical for US retailers to successfully navigate the evolving payments landscape. Furthermore, payment modernization presents opportunities for retailers to personalize the customer experience and build stronger customer relationships. This, in turn, can lead to increased sales, improved customer loyalty, and a stronger competitive advantage.



Consumers, particularly younger generations, are increasingly opting for contactless payments, mobile wallets and other digital solutions over traditional cash and credit cards.”

### Duleep C Rodrigo

National Sector Leader, Consumer and Retail  
KPMG in the US

### US — Retail key findings

86%

Have a modernization  
program planned or  
underway

\$2.1 million

Average expected  
investment into  
modernization

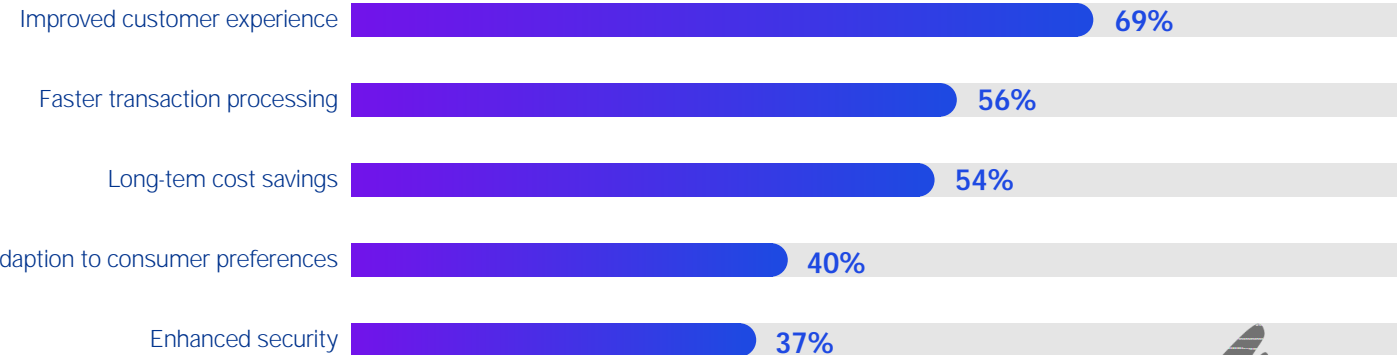
Cost  
reduction

Top factor triggering  
payments modernization

22

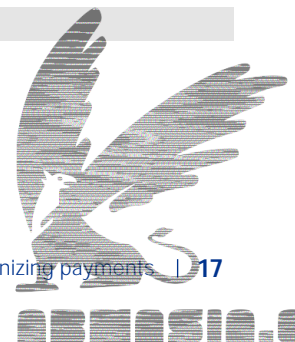
Average number of  
employees allocated  
to modernization  
activities

### Top five benefits of modernization — US Retail



■ Total (n = 90)

Source: KPMG International, “Modernizing payments” January 2025.





## North America

## Canada

## Financial institution analysis

The Canadian financial landscape is evolving rapidly, driven by a confluence of factors. Regulatory deadlines for Swift MX and ISO 20022 are creating pressure, while the Real-Time Rail (RTR) program aims to improve customer experience and efficiency.

Our survey shows that 94 percent of Canadian FIs are either planning or actively engaged in payment modernization programs, reflecting the need to adapt to evolving customer expectations and regulatory requirements.

Canada's financial institutions are facing a multitude of challenges in their efforts to modernize their payments infrastructure. These challenges stem from a combination of external pressures such as ISO 20022 and internal limitations such as complex technical infrastructure or lack of knowledge. Technical complexity, organizational structures and a fragmented vendor landscape also pose significant hurdles. KPMG professionals' work in the market indicates that some Tier 2 and 3 FIs are adopting a wait-and-see approach, while larger institutions are actively pursuing modernization.

## Canada — FI key findings

93%

Have a modernization  
program planned or  
underway

\$19.4 million

Average expected  
investment into  
modernization

Customer  
expectations

Top factor triggering  
payments modernization

35

Average number of  
employees allocated  
to modernization  
activities

## Top five benefits of modernization — Canada FI



■ Total (n = 66)

Source: KPMG International, "Modernizing payments" January 2025.





## North America

Compliance requirements and the desire for efficiency gains are driving modernization efforts, particularly among fintech players and larger organizations. According to our survey, legacy systems and outdated technology are also key drivers for this modernization push, with 67 percent of respondents prioritizing customer experience and 62 percent focusing on payment engine upgrades.

The programs are expected to cost between US\$10 million and US\$25 million, with a significant portion (88 percent) planning to outsource infrastructure components.

While Canada's financial institutions note a range of challenges including deploying new infrastructure without disrupting daily operations and integrating multiple systems, institutions are optimistic, aiming to launch programs within the next 3–6 months and measuring success through transaction speed and cost reduction.



Overall, the payments modernization landscape in Canada is complex and challenging, but it also presents significant opportunities for innovation and efficiency gains. Financial Institutions need to take a proactive approach to remain competitive and meet regulatory requirements.”

**Arul Rajkumar**

Partner, IT Advisory  
KPMG in Canada

### Retail analysis

The Canadian retail payments landscape is shifting in a significant way, with loyalty programs and financial services playing an increasingly important role. Many large retailers are now either issuing their own cards or collaborating with existing card providers to establish closed-loop systems. These systems are designed to capture a substantial portion of customer spending, driven by the high value that Canadian consumers place on loyalty points.

While debit cards and cash remain popular, younger generations are driving the adoption of account-to-account payments. That is catalyzing modernization efforts, with 87 percent of retailers saying they either have a program underway or plan to initiate a program in the future.

The primary driver for this modernization is changing customer expectations, with the majority of retailers looking

to implement or upgrade digital payments and introduce new payment methods. However, with card-centric payment technologies already well-established, many retailers are seemingly not prioritizing their modernization efforts. Most programs have a budget below US\$2 million and are expected to start within the next 6–12 months.

Interestingly, 45 percent of retailers plan to outsource parts of their infrastructure, primarily payment processing services and technology infrastructure. This suggests a growing reliance on third-party expertise to navigate the complexities of payment modernization.

Overall, the Canadian retail payments landscape is poised for significant change. The adoption of loyalty programs, digital financial services and account-to-account payments, coupled with modernization efforts, indicates a shift towards a more digital and customer-centric future.

### Canada — Retail key findings

**87%**

Have a modernization  
program planned or  
underway

**\$1.3 million**

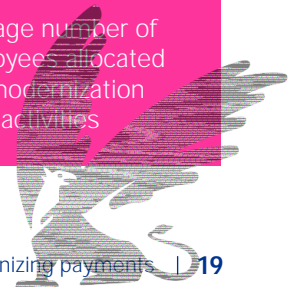
Average expected  
investment into  
modernization

**Customer  
expectations**

Top factor triggering  
payments modernization

**22**

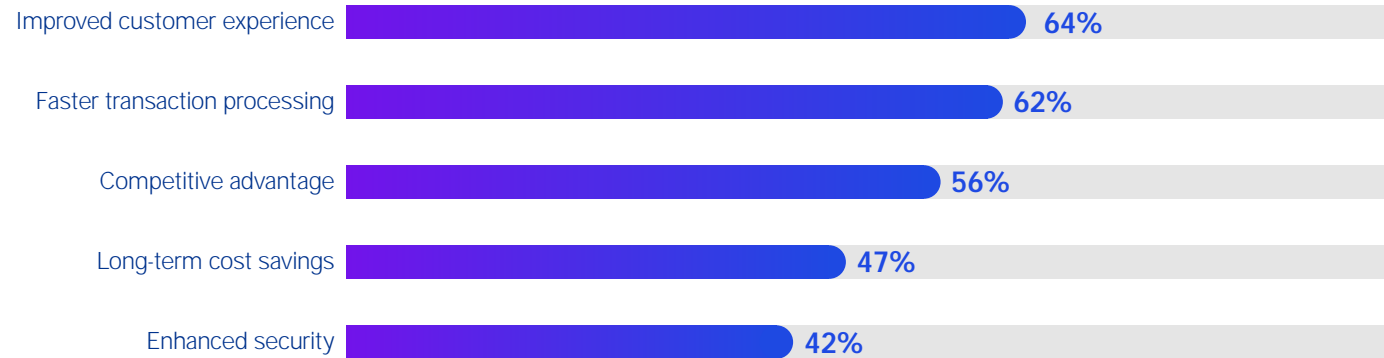
Average number of  
employees allocated  
to modernization  
activities





## North America

### Top five benefits of modernization — Canada retail



■ Total (n = 55)

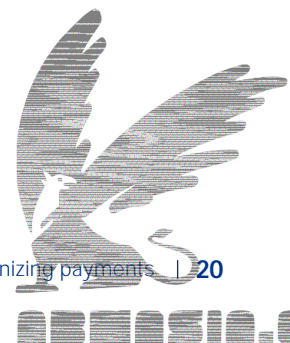
Source: KPMG International, "Modernizing payments" January 2025.



The Canadian retail payments landscape is evolving. However, challenges such as affordability and data maturity need to be addressed for further progress to be achieved."

**Edwin Isted**

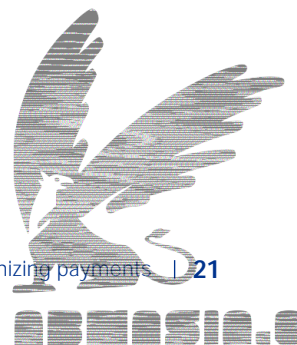
Executive Director, Payments Lead  
KPMG in Canada





## Overview:

# ASPAC





## Overview

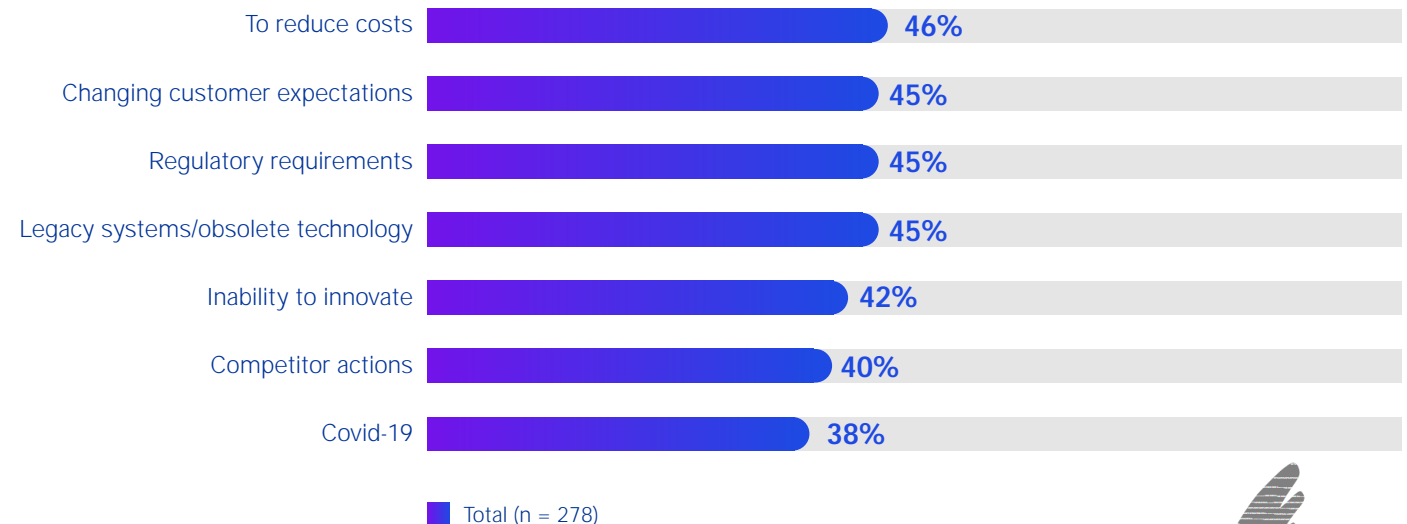
# ASPAC



## Financial institution analysis

The Asia-Pacific (ASPAC) region boasts a rapidly growing financial services market. Many of the region's economies are experiencing growth and governments are promoting financial inclusion and innovation, leading to increasing disposable incomes and greater demand for financial products and services. Improving customer experience also remains a key factor within the region, with a focus on improving turnaround time, liquidity and working capital availability.

## Key factors triggering FI payment modernization in ASPAC



Source: KPMG International, "Modernizing payments" January 2025.





## ASPAC

As a result, the market is becoming increasingly competitive with both traditional and new market players vying for market share. In an overall market estimated to be worth US\$9.9 trillion — China accounts for 33 percent (US\$3.6 trillion) of this<sup>7</sup> — the need for payments modernization is increasingly pressing.

However, legacy systems are a major challenge for banks, hindering their ability to compete with Non-Banking Financial Institutions (NBFIs) and Payment Service Providers (PSPs). KPMG professionals' view suggests banks will need to invest in upgrading their legacy systems to remain competitive and collaborate with NBFIs and PSPs that can help them adapt to the changing landscape.



Customer experience remains a key factor within the region, with a focus on improving turnaround time, liquidity and working capital availability.”

**Antony Ruddenklau**

ASPAC Lead of Payments  
Head of Financial Services Advisory  
KPMG in Singapore

<sup>7</sup> Coin Law. “Financial Services Industry Statistics 2025: The Future of Digital Payments, AI, and Fintech Innovations” November 2024.

<sup>8</sup> Statista. “Regional e-commerce share of retail in 2020, with a forecast for 2025” May 2024.

**Retail analysis**

The Asia-Pacific region is a huge market with retailers serving more than half the world’s population. E-commerce is growing fast and, by 2025, should account for more than 61 percent of total retail sales.<sup>8</sup> That has left retailers in ASPAC wrestling with changing customer demands.

A key issue for retailers is now the extent to which they can create an omnichannel experience that aligns the customer’s offline and online journeys. The good news, however, is that

there is rapid adoption of technologies throughout the region, with a large and growing talent pool available to help retailers drive change and compete in their respective markets.

Interestingly, our survey reveals differences in the measures of success that will be applied; with these ranging from focusing on cost reduction, transaction speed and the ability to offer new payment methods. What is consistent though is that all of these expected benefits help those undertaking modernization programs remain competitive.





# Client story

## Assisting a global bank from strategy to implementation on their ISO 20022 journey

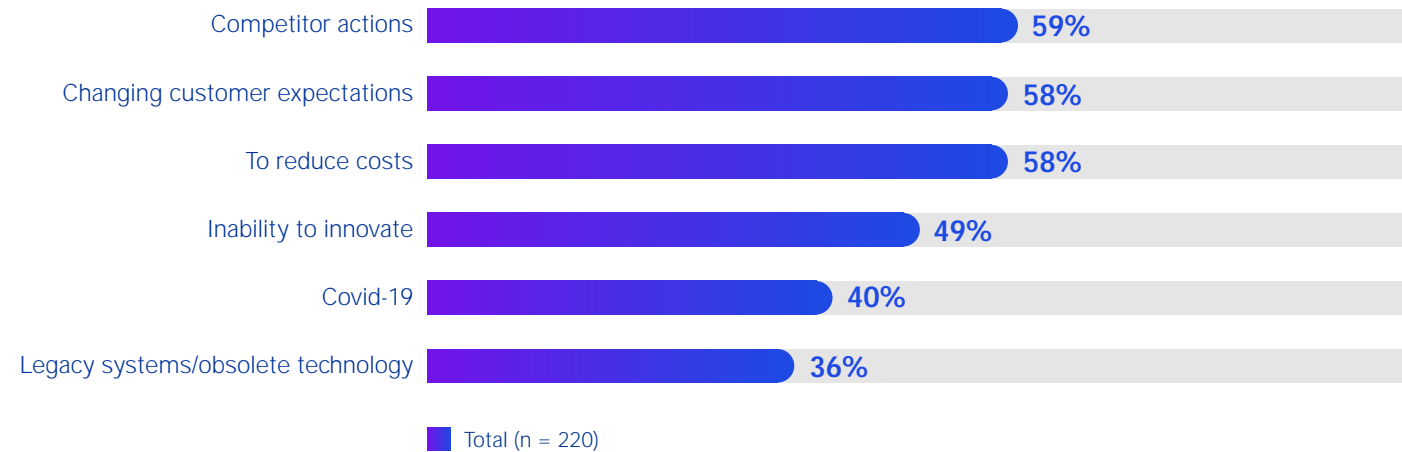
When the US subsidiary of a top 10 global transaction bank wanted to implement ISO 20022, they went to KPMG in the US for support.

Working with the bank's leadership, the KPMG team helped the organization develop their conversion strategy. The team identified and assessed the impacts and gaps of moving to the new ISO 20022 standard, evaluated payment platform providers, and created a strategic implementation roadmap.

Recognizing the complex organization-wide impacts of the overarching ISO 20022 changes, KPMG in the US provided the bank with insights into how these changes would affect the Bank's broader payments ecosystem, including payment processing, interfacing systems, and integration and infrastructure components.

With a detailed view of the ISO 20022 impacts and gaps across their payment ecosystem and a practical roadmap to manage their ISO conversion, the bank has engaged KPMG in the Japan to help manage their global ISO 20022 implementation and roll out of a modernized high value payment platform across the bank's global jurisdictions.

## Key factors triggering retail payment modernization in ASPAC



Source: KPMG International, "Modernizing payments" January 2025.



With the expectation that demand for contactless will increase across the region, retailers recognize the need to move away from outdated systems and strengthen digital offerings."

### Anson Bailey

Head of Consumer and Retail, Asia Pacific  
KPMG China







# Australia

## Financial institution analysis

Banks in Australia are facing increased regulatory pressure to prevent consumer scams and fraud, leading to significant investment in risk and compliance measures. At the same time, they are undergoing long-term digitalization programs, including data rationalization and payment processing optimization initiatives.

Against this backdrop, the Australian financial institutions payments landscape is changing rapidly, with 92 percent of institutions planning or actively engaged in payment modernization programs, driven by regulatory pressures, technological advancements and evolving customer expectations.

Banks are investing in risk and compliance, digitalization and payment processing optimization. The primary driver for this shift is cost reduction, with 70 percent of institutions citing it as a key performance indicator (KPI) for success. Transaction speed and improved customer experience are also high priorities, potentially creating tension for banks as they balance between cost reduction and maintaining a positive customer experience, particularly when adapting legacy systems to modern expectations.

### Australia — FI key findings

**92%**

Have a modernization program planned or underway

**\$17.7 million**

Average expected investment into modernization

**Cost reduction**

Top factor triggering payments modernization

**34**

Average number of employees allocated to modernization activities

### Top five benefits of modernization — Australia FIs

Long-term cost savings

**58%**

Faster transaction processing

**53%**

Improved customer experience

**50%**

Competitive advantage

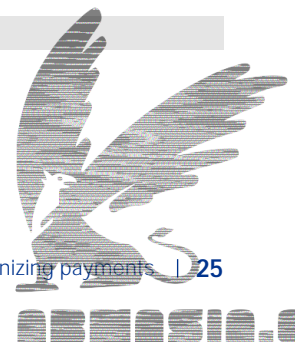
**50%**

Enhanced security

**47%**

■ Total (n = 66)

Source: KPMG International, "Modernizing payments" January 2025.





## ASPAC

Respondents recognize some challenges, however. Implementing new payment infrastructure without disrupting daily operations and managing the cost of new technologies are key concerns. The regulatory landscape is also evolving, with increased focus on operational risk management, open banking, faster payments and public sector payment improvements. Challenger banks are emerging and consolidating, putting pressure on legacy utility models and highlighting the need for harmonization between payment switches. Globally, rapid technology advancements offer potential for transformation in Australia, while the approach to open banking is being rethought.



While Australia's banks face a tension between cost reduction and maintaining a positive customer experience, we see encouraging signs of the Australian financial institutions payments landscape evolving."

**Chris de Wit**

Payments Lead  
KPMG Australia

### Australia — Retail key findings

**83%**

Have a modernization  
program planned or  
underway

**\$5.2 million**

Average expected  
investment into  
modernization

**Cost reduction**

Top factor triggering  
payments modernization

**24**

Average number of  
employees allocated  
to modernization  
activities

### Retail analysis

Australian retailers are actively grappling with outdated payment systems, competing priorities and evolving customer demands. Recognizing that this lack of awareness and inability to innovate can hinder their ability to adopt new payment technologies and meet evolving customer expectations, 83 percent of retailers are either actively modernizing or planning to modernize their payments system.

The primary driver for this modernization push is cost reduction, followed by changing customer expectations and competitor actions. Customers are increasingly demanding more flexible and convenient payment options, including

digital wallets and loyalty programs. Retailers hope that modernizing their payments systems will help them meet these demands and improve customer satisfaction, reduce transaction costs and improve operational efficiency. They also see benefits in helping mitigate cyber security risks and ensuring compliance with evolving regulations.

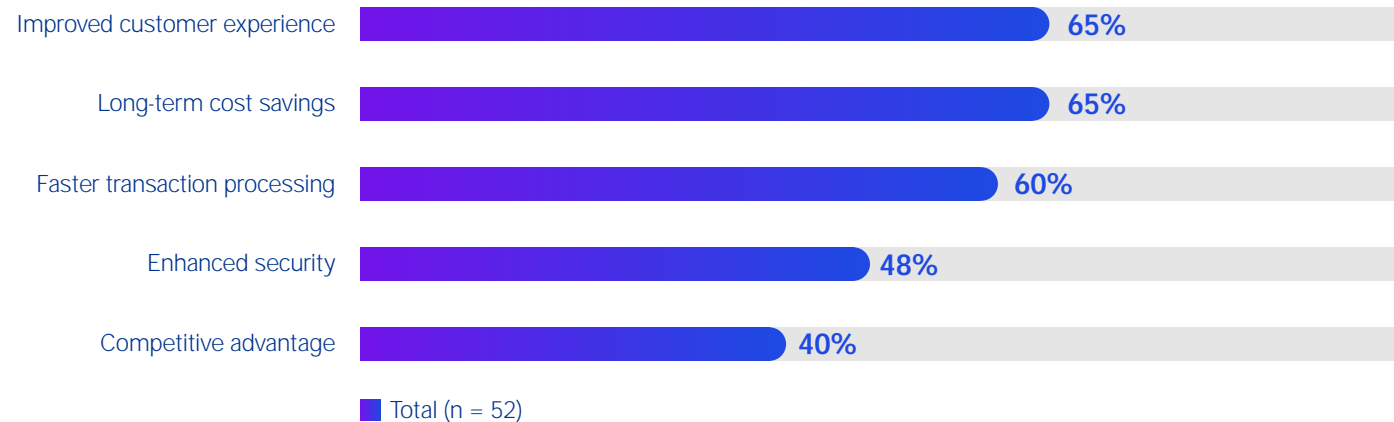
Success will be measured by transaction speed and cost reduction and our survey shows that 50 percent of Australian retailers plan to outsource parts of their infrastructure, with payment processing services and technology infrastructure being the top choices. Ultimately, significant cost benefits are seen as the primary trigger for payment modernization programs in Australian retail.





## ASPAC

## Top five benefits of modernization — Australia retail



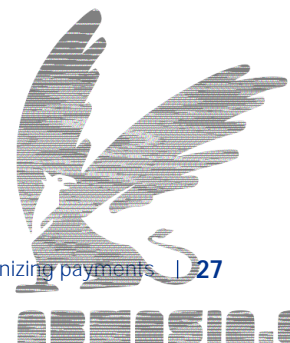
Source: KPMG International, "Modernizing payments" January 2025.



Australian retailers are facing a complex payments landscape characterized by legacy technology, competing priorities and evolving customer expectations."

**Emma Pitfield**

Partner, Finance Advisory Practice  
KPMG Australia





## ASPAC

# Japan

## Financial institution analysis

The Japanese payments landscape is undergoing a rapid transformation, driven by the increasing adoption of new payment methods like QR payments and BNPL.

In some cases, this growth has put pressure on FIs to modernize their payment systems quickly, often at the expense of robust security and operational workflows. While this has led to the successful launch of new payment schemes, many institutions seem to lack clear goals beyond simply releasing products.

Perhaps as a way to bring structure to their investments, our data suggests financial institutions in Japan are actively embracing modernization, with 95 percent either already modernizing or planning to initiate programs in the future. These programs, primarily driven by changing customer expectations, will focus on digital channel upgrades and enhancing the customer experience.

### Japan — FI key findings

**95%**

Have a modernization  
program planned or  
underway

**\$18.4 million**

Average expected  
investment into  
modernization

**Customer  
expectations**

Top factor triggering  
payments modernization

**37**

Average number of  
employees allocated  
to modernization  
activities

### Top five benefits of modernization — Japan FIs



■ Total (n = 67)

Source: KPMG International, "Modernizing payments" January 2025.





## ASPAC

With budgets ranging between US\$10 million and US\$25 million, many programs are set to commence within the next 3-6 months. Success should be measured by transaction speed and cost reduction, with a significant reliance on outsourcing for technology infrastructure and security compliance. This modernization drive, fueled by cost reduction and changing consumer preferences, will likely pave the way for a future where cashless options dominate the Japanese payments landscape.

B2B transactions are emerging as a new area of opportunity for financial institutions. These transactions typically involve larger amounts than B2C transactions and offer the potential for higher profit margins. Quick payments are also becoming increasingly important for B2B transactions, as suppliers need to be paid quickly. Contactless payments are also popular, driven by the use of smartphones and the impacts of the COVID-19 pandemic.



While Japan's mega banks are beginning to implement the ISO 20022 standard for financial messaging, which will facilitate communication with foreign banks, this is not yet a trend among regional or smaller banks."

**Kai Sugihara**  
Senior Manager  
KPMG in Japan

### Japan — Retail key findings

**82%**

Have a modernization program planned or underway

**\$4.7 million**

Average expected investment into modernization

**Cost reduction**

Top factor triggering payments modernization

**21**

Average number of employees allocated to modernization activities

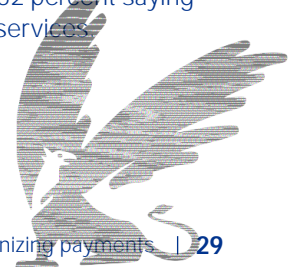
### Retail analysis

The Japanese retail landscape is witnessing a pivotal transformation in its payments ecosystem. Contactless payments are expected to grow significantly in Japan, offering opportunities to increase customer transaction value and improve customer experience. Additionally, payment data can be leveraged for targeted marketing and promotions, further driving topline growth.

However, it is important to acknowledge the unique challenges of the Japanese market. The higher proportion of cash payments and the dominance of credit cards in contactless transactions require tailored approaches. And the proliferation of providers necessitates careful selection and integration to avoid complexity.

Our survey indicates that the vast majority of retailers have already initiated or are planning to launch payment modernization programs. These programs are primarily driven by the need to reduce costs, followed by the desire to implement or upgrade digital channels (57 percent) and introduce new payment methods (51 percent).

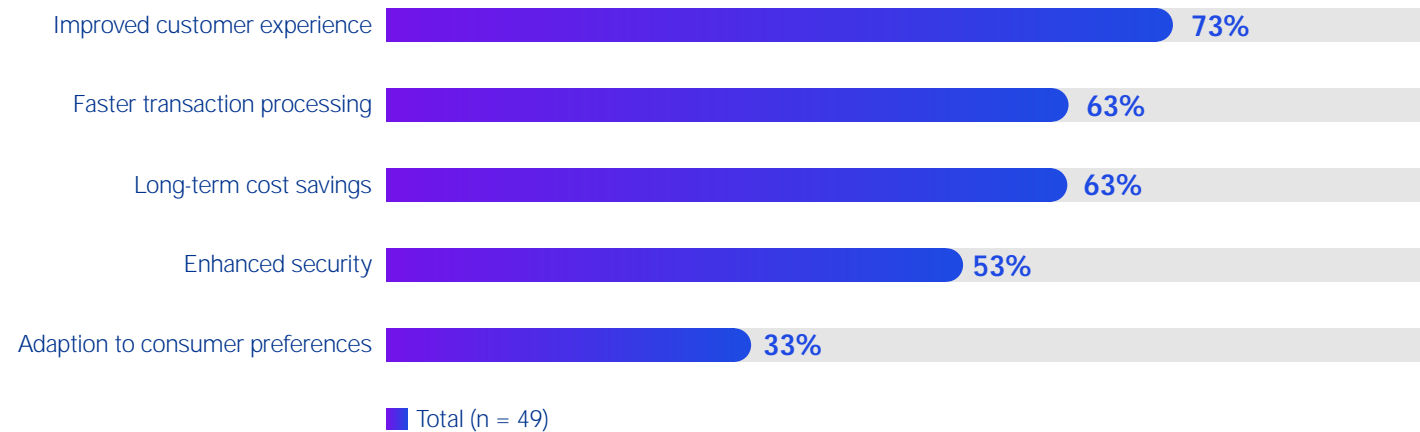
Success should be measured based on key performance indicators such as revenue growth and cost reduction. Interestingly, 98 percent of retailers are currently outsourcing or plan to outsource parts of their infrastructure as part of modernization efforts with 56 percent saying they will outsource technology infrastructure and 52 percent saying they will outsource payment processing services.





## ASPAC

## Top five benefits of modernization — Japan retail



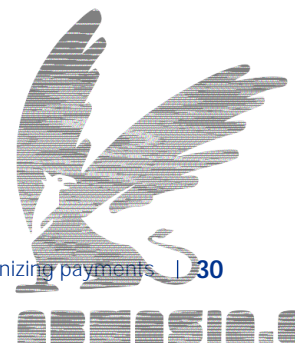
Source: KPMG International, "Modernizing payments" January 2025.



While cost reduction remains a key driver for payments modernization in Japan's retail sector, the initial investment required often poses a challenge."

**Yuji Ito**

Retail Sector Leader, Consumer and Retail  
KPMG in Japan





## ASPAC

# China

## Financial institution analysis

China's financial institutions (FIs) face intense competition and evolving regulatory demands, driving a focus on customer experience, new products and data privacy. While large corporates remain the primary focus, retail consumers are increasingly served by platforms like Alipay and Tencent, demanding convenience and near field communication (NFC)-based payments.

Modernization programs are a top priority for 91 percent of FIs, with competitor actions being the key driver. These programs will focus on digital payment upgrades, payments engine enhancements and outsourcing of infrastructure components like payment processing, technology and security.

The budget for these programs ranges between US\$10 million and US\$25 million, with most starting within the next 3–6 months. Success will be measured by cost reduction and transaction speed.

### China — FI key findings

**91%**

Have a modernization program planned or underway

**\$17.5 million**

Average expected investment into modernization

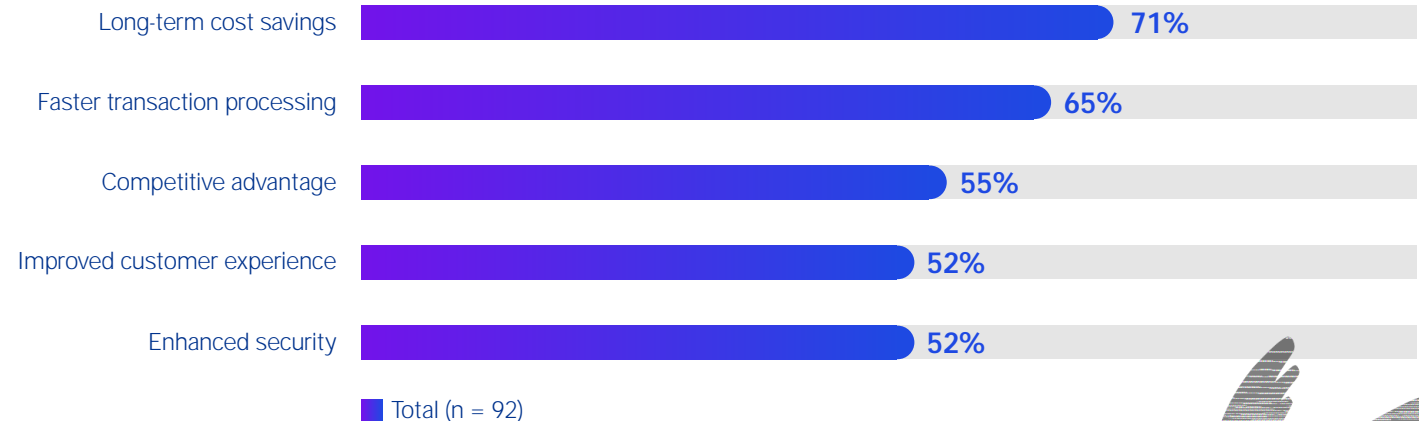
**Competitor actions**

Top factor triggering payments modernization

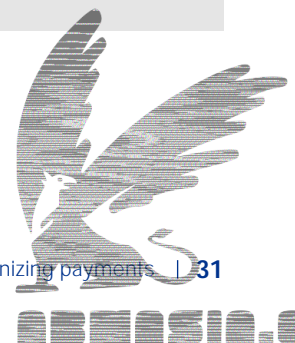
**34**

Average number of employees allocated to modernization activities

### Top five benefits of modernization — China FIs



Source: KPMG International, "Modernizing payments" January 2025.





## ASPAC

Challenges include system integration and operational disruption, but FIs are leveraging AI and data to improve anti-money-laundering (AML)/fraud prevention and meet regulatory expectations. One area that continues to see progress is the reduction of friction for those who visit China and want to invest. It is expected that some resources will be allocated to help overcome challenges related to verifying these customers as part of many payment modernization programs.

Overall, China's financial Institutions are navigating a complex landscape, balancing modernization with competition and regulation to deliver a seamless and secure payments experience for all.



Intense competition from peers drives the payments market in China, with retail consumers demanding a better, quicker customer experience and new products or services."

**Andrew Huang**

Partner, Financial Services  
KPMG China

### China — Retail key findings

**85%**

Have a modernization  
program planned or  
underway

**\$4.9 million**

Average expected  
investment into  
modernization

**Competitor  
actions**

Top factor triggering  
payments modernization

**23**

Average number of  
employees allocated  
to modernization  
activities

### Retail analysis

China's retail landscape is dominated by digital wallets like WeChat Pay and Alipay, driving a shift towards contactless payments and convenience. To meet customer demands, retailers are prioritizing digital payment integration, reducing reliance on cards with high commissions. This focus on cost reduction extends to supply chains, with e-commerce playing a crucial role in maximizing revenue.

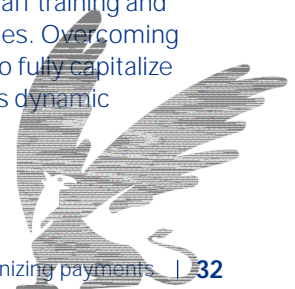
The high use of digital wallets creates an opportunity for retailers in China and KPMG professionals active in the market see the desire to utilize payments data as a source for consumer analysis, combining with new technologies to deliver enhanced benefits.

With 85 percent of retailers having or planning payment modernization programs, the focus is on digital payment upgrades and new methods. Customers in China demand

convenience and retailers' integrated platforms are helping them to deliver convenience while reducing costs in a very competitive environment.

The budget for these programs ranges between US\$2 million and US\$5 million, with most programs starting within the next 3-6 months. Outsourcing plays a significant role with 40 percent currently outsourcing and 47 percent planning to do so. Payment processing services, technology infrastructure and security and compliance are the main areas outsourced. Success will be measured by transaction volume, cost reduction and adoption rate.

However, challenges remain, including staff training and the cost of implementing new technologies. Overcoming these hurdles will be crucial for retailers to fully capitalize on the opportunities presented by China's dynamic payments landscape.

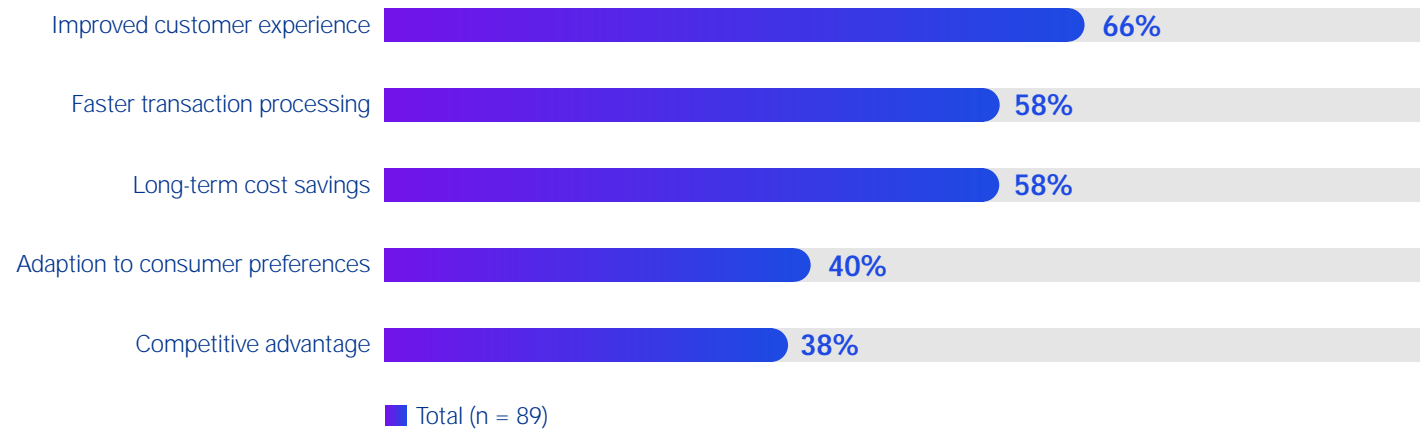






## ASPAC

## Top five benefits of modernization — China retail



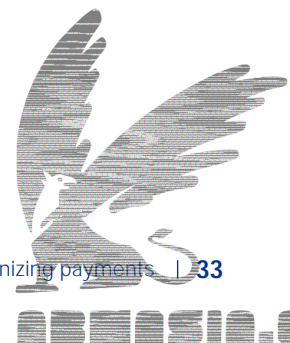
Source: KPMG International, “Modernizing payments” January 2025.



Customers in China demand convenience, and integrated platforms are helping China’s retailers reduce costs in a very competitive environment.”

**Willi Sun**

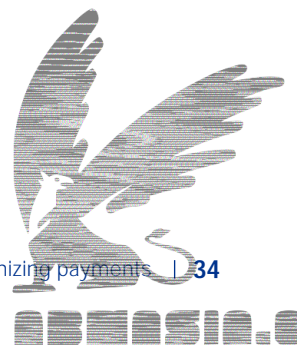
Head of Advisory, Consumer and Retail  
KPMG China





Overview:

# Europe





## Overview

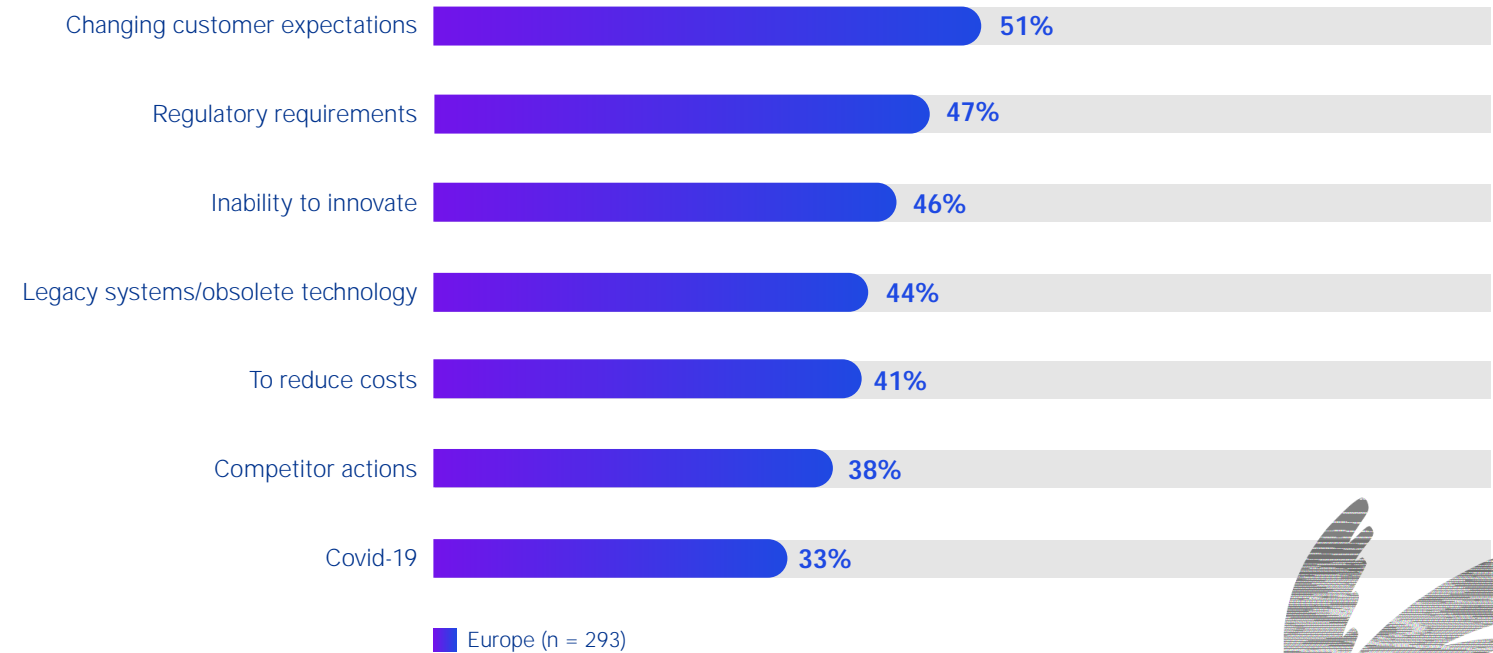
# Europe



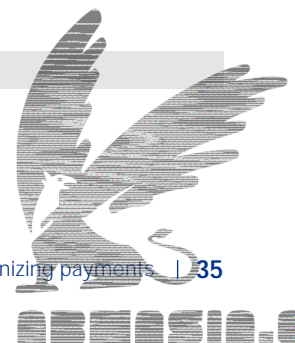
## Financial institution analysis

The European region represents a massive financial services market. Yet it is also highly fragmented between traditional large-scale banks, regional providers and newcomers looking to gain market share — often through strong customer offerings, be that through technology or products.

## Top factors triggering FI payment modernization in Europe



Source: KPMG International, "Modernizing payments" January 2025.





## Europe

Challenges differ by region. Regulatory changes in Europe have spurred modernization programs within FIs as they strive to comply with new requirements, such as instant payments. Payment Services Directive 3 (PSD3), while still in its early stages, is already influencing the development of payments accounts and fostering a more open ecosystem for financial products.

The research highlights that financial Institutions' budgets are broadly aligned across the different countries of Europe. They also share many of the key drivers for modernization — notably changing customer expectations and regulatory requirements — and cite similar challenges, including the difficulties of system integration and deployment into BAU.



The European Digital Agenda aims to reduce reliance on US payment providers and enhance European autonomy, with initiatives like the digital euro playing a crucial role in this effort."

**Martijn Berghuijs**

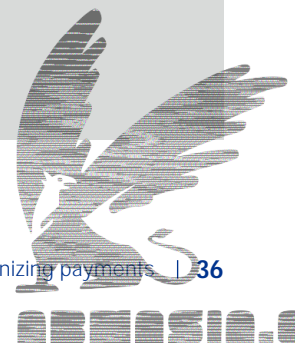
Partner, Fintech and Payments Lead  
KPMG in the Netherlands

## Retail analysis

Retailers across Europe are experiencing massive change on the back of shifting consumer expectations around convenience, value and speed of payments. European retailers are also looking for new payments options and that is providing significant opportunity for Payment Service Providers (PSPs) and other technology companies to gain a foothold in the market.

In many markets across the region, growth in online shopping has prompted retailers to invest in the development of robust e-commerce platforms, leading to a significant increase in digital payment transactions. However, KPMG professionals are noting a growing shift from bank payment solutions towards PSPs and other technology companies. Merchants want payments platforms that require minimal integration and have low technical complexity, something PSPs allow that traditional banks struggle to do.

While keeping up with this amount of change is a challenge — modernization will be costly for retailers and staff must be trained to manage the shift — the growth of e-commerce and the changing expectations of consumers offer significant potential for retailers that can adapt and embrace new technologies.





## Europe

# Client story

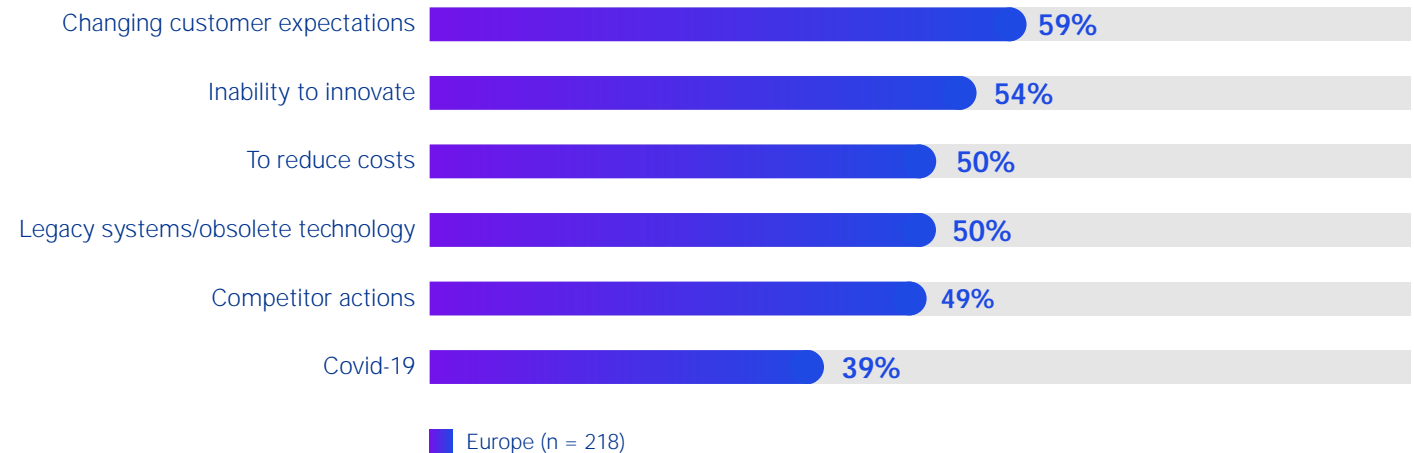
## Payments infrastructure — supporting a Tier 1 bank on uplift and enhancement.

Managing risks within payments processing environment is crucial for maintaining reliable and consistent service. A major UK bank selected KPMG in the UK to lead and implement a modernization program to remediate key risks within their payments-supporting infrastructure.

KPMG in the UK migrated legacy infrastructure to private and public cloud hosting solutions, remediating technical obsolescence, and enhancing their payment processing capabilities. KPMG in the UK's approach combined program management, risk management, process optimization, and control documentation to ensure regulatory compliance and operational efficiency.

This resulted in reduced risk of critical application outages supporting payments, improved visibility and oversight of payment processes, enhanced risk and control culture, and increased efficiency and cost savings.

## Top factors triggering retail payment modernization in Europe



Source: KPMG International, "Modernizing payments" January 2025.



In Europe, the modernization of payment methods is more visible online than offline, with few real signs of card replacement by any other payment method in-store."

### Guillaume Petipas

Partner, Financial Services Advisory  
KPMG in France



Modernizing payments | 37

ABEASIA.ORG



## Europe

# United Kingdom

## Financial institution analysis

The UK payments market is at an inflection point with the publication of the Future of Payments report in 2023 and implementation of the new National Payments Vision a priority for FIs in 2025. With further planned change on central infrastructure capability, financial institutions need to continue to invest to keep up.

Historically, the UK payment regulators have driven mandated change, directing those operating in the space to meet certain requirements with the overall aim to benefit users. This approach has been identified by FIs as a barrier to innovation and, like other markets, big tech has entered and created new dynamics to consider.

However, the UK now has clear direction and support from government to build and deliver world leading payments services. With the government's publication of the National Payments Vision, resources are being allocated quickly to support the short and medium term priorities for industry. And many payment modernization programs are already underway with 86 percent of FIs reporting programs in progress or planned.

### UK — FI key findings

**86%**

Have a modernization program planned or underway

**\$18.4 million**

Average expected investment into modernization

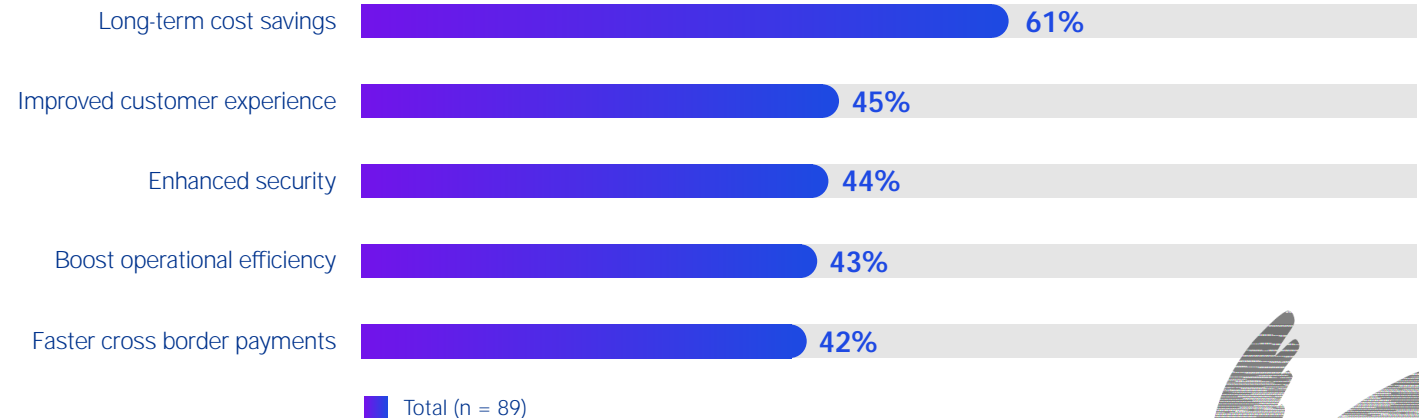
**Regulatory requirements**

Top factor triggering payments modernization

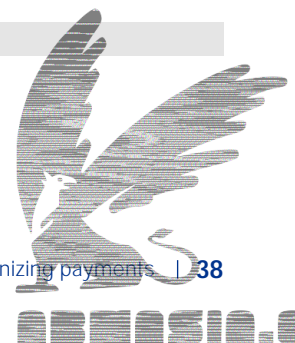
**38**

Average number of employees allocated to modernization activities

### Top five benefits of modernization — UK FIs



Source: KPMG International, "Modernizing payments" January 2025.





## Europe

Not surprisingly, regulatory requirements are the primary driver for these programs, with FIs reporting a focus on payment engine upgrades and digital channel implementation/upgrades. UK FIs plan to spend between US\$10 million and US\$25 million on their program and 53 percent of FIs expect to start within the next 3-6 months.

With key concerns around integrating multiple systems and deploying new payment infrastructure without disrupting business-as-usual operations, 80 percent of UK FIs plan to outsource at least part of their infrastructure, particularly fraud prevention and detection, security and compliance and technology infrastructure.



Banks will be keen to see how the government approaches the decision on the faster payments scheme (FPS) and what products or services they can offer, or how they will need to adapt.”

**Peter Harmston**  
Head of Payments  
KPMG in the UK

### UK — Retail key findings

**78%**

Have a modernization  
program planned or  
underway

**\$3.9 million**

Average expected  
investment into  
modernization

**Customer  
expectations**

Top factor triggering  
payments modernization

**24**

Average number of  
employees allocated  
to modernization  
activities

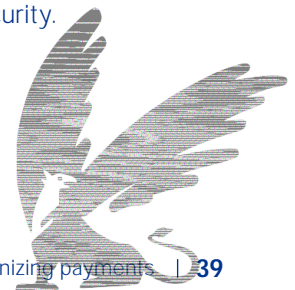
### Retail analysis

Rising costs are the headline challenge for UK retailers today. Supply chain increases driven by geopolitical upheaval and increases in labor costs through minimum wage rises have reduced margins across the sector. The challenge to remain competitive on price means retailers have had to go ruthlessly through a line-by-line review of their P&L to identify value opportunities.

As consumers demand faster, more secure and convenient experiences, many retailers are implementing payment modernization programs. Indeed, our survey reveals that 78 percent of retailers already have such programs underway or planned, with a focus on digital payments and new

methods. The main driver for this shift is changing customer expectations, with competition for consumers driving firms to look at ways to grow revenue and their existing customer base where possible.

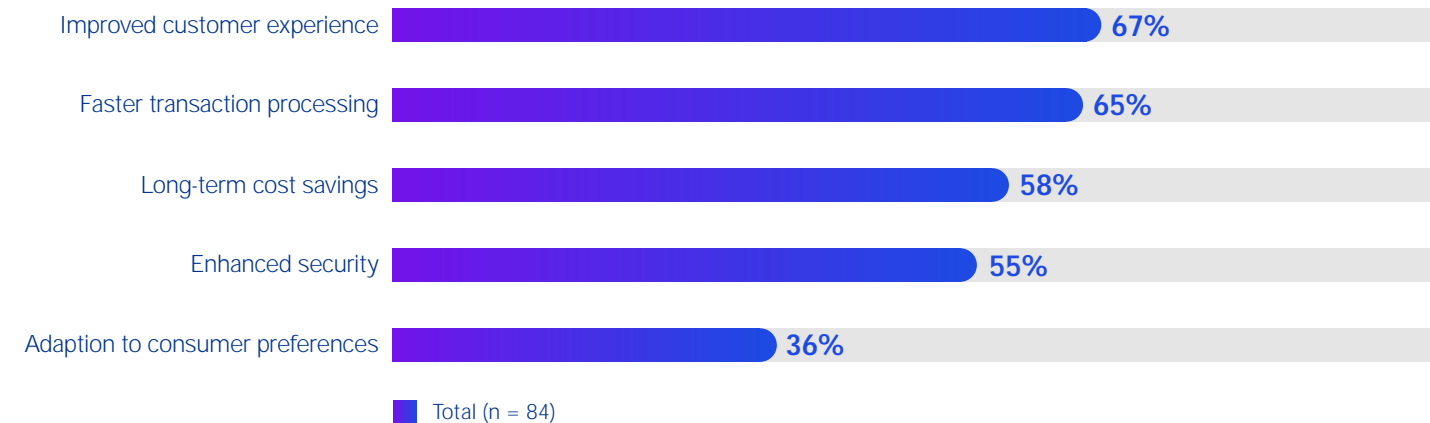
While concerns about implementation costs and staff training remain high, UK retailers are hoping their programs will deliver measurable improvements in speed and operating costs going forward. Perhaps not surprisingly given that most UK retail firms have already outsourced everything possible to protect their margins and pricing, our survey suggests that 81 percent of retailers plan to outsource parts of their payments infrastructure, mainly payment processing, technology and security.





## Europe

### Top five benefits of modernization — UK retail



Source: KPMG International, "Modernizing payments" January 2025.



Historically, retailers have focused on the customer interfaces and invested in the digital front end. However the neglect of the back-end technologies has led to creaking infrastructure, and an enormous upgrade is going on across UK retail."

**Linda Ellett**

Head of Consumer, Retail and Leisure  
KPMG in the UK







## Europe

# Germany

## Financial institution analysis

A deep desire to upgrade and modernize legacy systems is driving transformation across Germany's financial services payments sector with 91 percent saying they are now planning a payments modernization program. And our data suggests they expect to achieve cost savings, faster transaction processing and improved customer experience by doing so.

With most respondents reporting budgets ranging from US\$10 million to US\$25 million, Germany's FIs say they plan to focus on payment engine modernization and API implementation alongside customer experience. The majority expect their programs to kick off within the next 3 to 6 months.

Yet key concerns are front and center. Many German FIs say they are worried about their ability to integrate multiple systems — particularly without disrupting business as usual operations. Regulatory compliance is also a worry for more than half of our respondents.

### Germany — FI key findings

**91%**

Have a modernization program planned or underway

**\$20 million**

Average expected investment into modernization

**Legacy systems**

Top factor triggering payments modernization

**36**

Average number of employees allocated to modernization activities

### Top five benefits of modernization — Germany FIs

Long-term cost savings

**68%**

Faster transaction processing

**57%**

Enhanced security

**52%**

Faster cross border payments

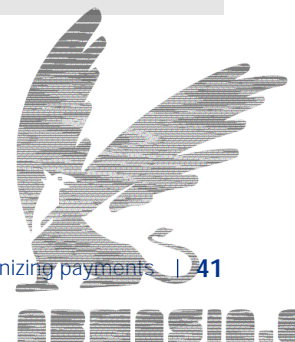
**49%**

Improved customer experience

**45%**

■ Germany (n = 65)

Source: KPMG International, "Modernizing payments" January 2025.





## Europe

Our survey shows that German FIs are hoping to achieve measurable cost savings from their modernization programs, as well as reduce instances of fraud and increase transaction speed. And nearly nine-in-ten respondents say they will outsource a part of their payments infrastructure to a third party as part of their modernization efforts.



Payments modernization offers numerous opportunities: financial companies that set the course now for a successful future can emerge stronger from this inevitable transformation.”

**Sven-Olaf Leitz**

EMA Region Lead, Financial Services and Banking  
KPMG in Germany

### Germany — Retail key findings

**76%**

Have a modernization  
program planned or  
underway

**\$4.9 million**

Average expected  
investment into  
modernization

**Competitor  
actions**

Top factor triggering  
payments modernization

**22**

Average number of  
employees allocated  
to modernization  
activities

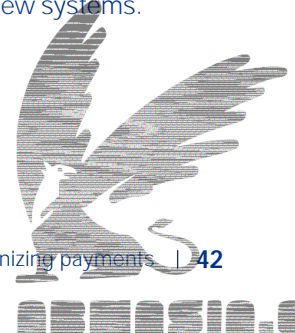
### Retail analysis

German retailers are actively seeking ways to optimize their payments landscape, aiming to reduce costs and leverage technology to become more competitive and customer centric. Real-time payments and settlement are being explored, though regulatory hurdles remain.

Payments are increasingly viewed as a key customer touchpoint, driving technology decisions. Retailer apps are gathering valuable data on customer behavior, enabling personalized offers and operational insights. Cash remains strong, but demographics are shifting, and retailers are expected to adapt.

Modernization programs are high on the agenda, with 76 percent of retailers planning such initiatives. Competitor pressure is the main driver, with digital payments implementation and new payment methods being key priorities. Budgets range from US\$2 million to US\$5 million, with most programs starting within the next 6 months. Success will be measured by cost reduction and transaction speed.

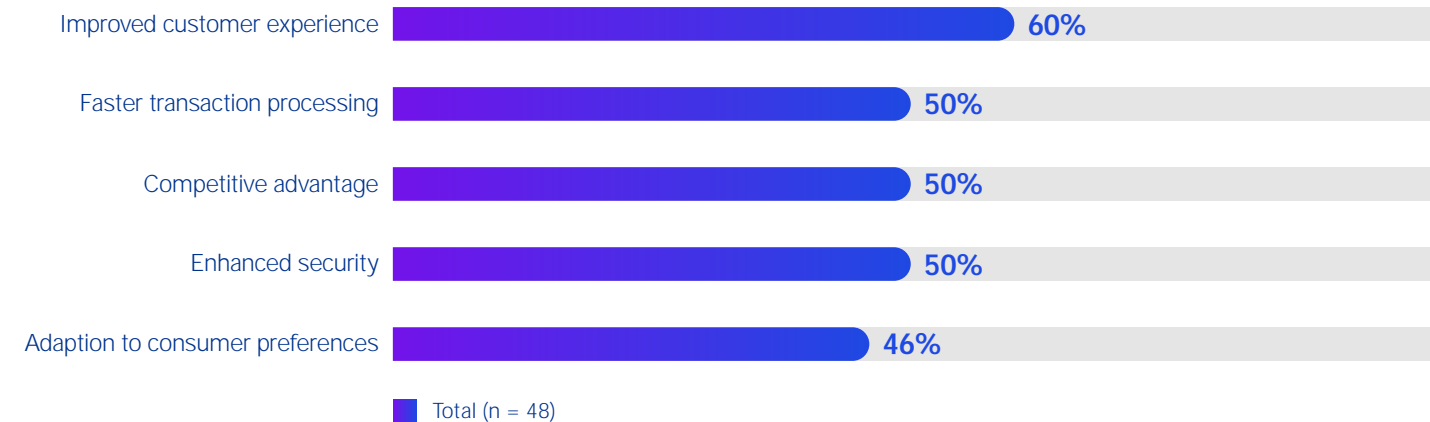
Outsourcing is common, with 44 percent planning to do so, mainly for payment processing, technology infrastructure and security. Top challenges for retailers in Germany include the cost of implementing new payment technologies and training staff to manage the shift from the old to new systems.





## Europe

### Top five benefits of modernization — Germany retail



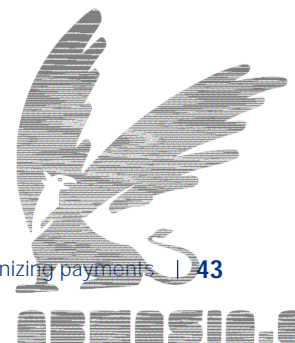
Source: KPMG International, "Modernizing payments" January 2025.



We have seen efforts by retailers to reduce their cost base, and look to identify opportunities where they could move their payments value chain responsibility, and benefits, away from the banks."

**Stephan Fetsch**

Head of Consumer and Retail, EMA  
KPMG in Germany





## Europe

# France

## Financial institution analysis

Driven by consolidation, a focus on customer needs and regulatory requirements, 85 percent of France's financial institutions (FIs) are already engaged in or planning payment modernization programs with banks investing in new technologies and partnerships to improve efficiency, reduce costs and offer innovative payment solutions.

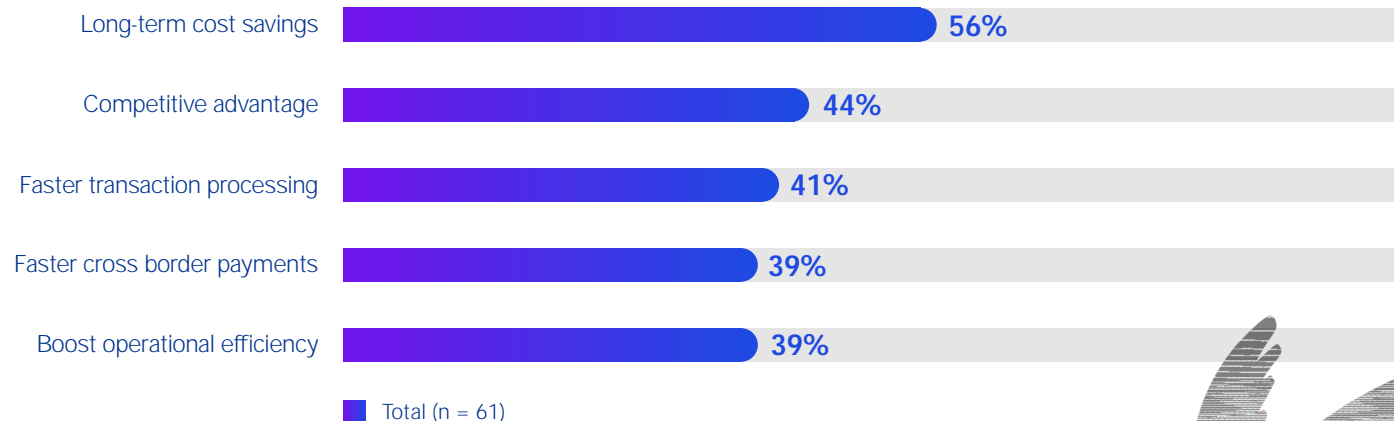
However, the strong culture of risk aversion and compliance within French banks, and local features (such as local scheme co-branding) are hindering innovation by slowing the adoption of new technologies and creating regulatory bottlenecks, especially for disruptors. KPMG professionals in the market note that French banks are increasingly turning to partnerships with fintechs and Payment Service Providers (PSPs) in order to adapt to evolving customer demands and accelerate innovation.

With the primary driver for modernization being cost reductions, our survey shows FIs in France are focused on payment engine upgrades and enhancing the customer experience, allocating budgets of between US\$10 million and US\$25 million for the program.

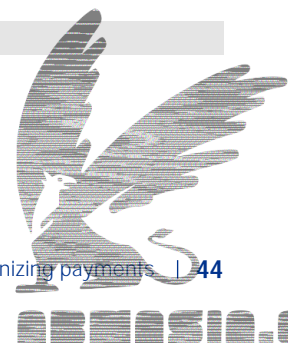
### France — FI key findings



### Top five benefits of modernization — France FIs



Source: KPMG International, "Modernizing payments" January 2025.





## Europe

While FIs in France report challenges such as slow innovation, risk aversion and competition, they also recognize opportunities exist for cross-selling, end-to-end solutions and data analytics. The leaders are focusing on the intersection between program scope, regulatory impact and cross-selling potential to develop effective strategies to modernize their payments offerings and remain competitive.

Our respondents in France say they will measure their success primarily through cost reduction and fraud reduction outcomes. And 93 percent say they plan to outsource at least part of their infrastructure, with fraud prevention, security compliance and integration services being the main areas.



Recognizing the need to adapt to evolving customer demands and accelerate innovation, French banks are increasingly turning to partnerships with Fintechs and Payment Service Providers (PSPs)."

**Zakaria Bouazzaoui**

Director, Advisory  
KPMG in France

### France — Retail key findings

**82%**

Have a modernization  
program planned or  
underway

**\$5.7 million**

Average expected  
investment into  
modernization

**Inability to  
innovate**

Top factor triggering  
payments modernization

**25**

Average number of  
employees allocated  
to modernization  
activities

### Retail analysis

French retailers are prioritizing customer experience and digital options in their payment propositions, echoing global trends. In fact, over half of the surveyed retail firms from France emphasized enhancing customer experience through digital options like tokenization and new payment methods.

Interestingly, while the pandemic accelerated contactless transactions, reducing cash and cheque usage, account-to-account solutions haven't gained traction yet.

Our survey suggests that 82 percent of retailers plan to initiate a payments modernization program, primarily driven by as a way to encourage innovation. The focus will be on new payment methods and digital payments implementation/upgrades with planned budgets estimated between US\$5 million and US\$10 million.

KPMG professionals in the market see many retailers now developing comprehensive plans to address challenges related to acceptance rates, fraud prevention and revenue generation. These efforts are crucial for maintaining competitiveness and driving the agenda of payments modernization.

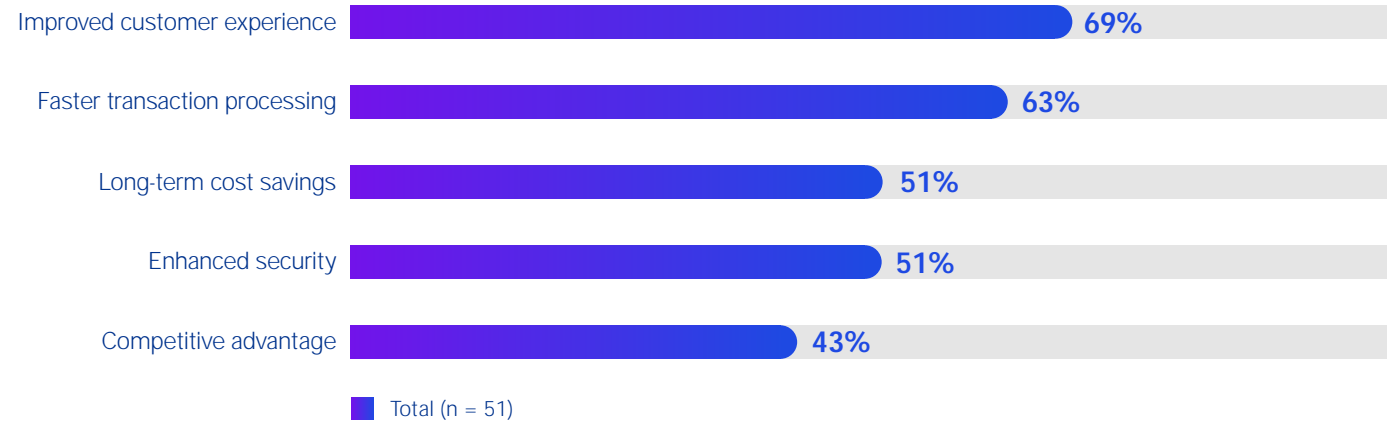
The use of outsourcing for payments capabilities is prevalent amongst French retailers, with 51 percent saying they currently outsource and 41 percent planning to do so. Payment processing services and technology infrastructure are the top areas to be outsourced. However, French retailers also recognize key challenges in the cost of implementing new technologies and deploying new infrastructure without operational disruption.





## Europe

### Top five benefits of modernization — France retail



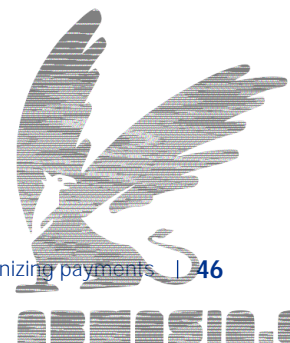
Source: KPMG International, "Modernizing payments" January 2025.



Encouragingly, French retailers have demonstrated a commitment to enhancing their payment expertise, with a growing number of senior positions being filled by payment specialists."

**Guillaume Petipas**

Partner, Financial Services Advisory  
KPMG in France





# Conclusion and recommendations

As consumer expectations shift, regulation evolves and new technologies emerge, payment modernization will become increasingly key to survival in the retail and financial services sectors.

As this report reveals, FIs and retailers are keenly aware of the need for modernization. And they recognize that significant benefits — better customer experiences, more streamlined operations, long-term cost savings and enhanced security, for example — can flow to players that are able to remain competitive in the payments landscape.

Yet continuous modernization isn't easy. And many of the executives in our survey of FIs and retailers say they face significant challenges as they strive to modernize their payment systems to meet customer expectations and regulatory requirements.

Based on the findings of this report, here are four conclusions that payments decision-makers at financial institutions and retail organizations should take away from this report:

01

**Put the customer first.** Customer expectations are the leading driver for payments modernization. The companies that succeed will likely be the ones that listen to what their customers want, deliver products and services their customers expect and plan for what their customers will need. For a sharper defense against competition, organizations need to shift from their agendas and budget priorities being driven solely by regulatory requirements and keep customer expectations at the top of their agendas.

02

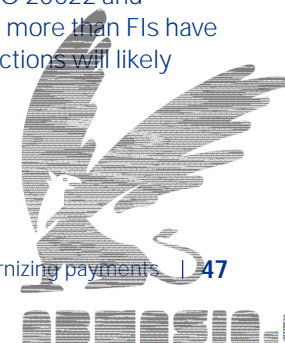
**Design a practical journey.** There is a reluctance to rip-and-replace these systems due to cost pressures, key person dependencies and the spaghetti of connections across the architecture. A sequenced journey, supporting partial functionalities being transitioned to newer technology, could speed up this move through transition states. Payments-as-a-service, public/ private/ hybrid clouds and component-based architectures may provide a solution to payments modernization.

03

**Resource teams appropriately.** Undertaking modernization programs while 'keeping the lights on' is difficult. Often the resources needed for modernization are the same as those that understand business-as-usual (BAU). Resourcing modernization teams to the right size is critical for successful modernization programs. Agile operating models have proven to be successful in helping balance resources across both modernization efforts and BAU.

04

**Data is the new frontier.** Payment data presents a gold-mine of information for firms. Leveraging ISO 20022 and harnessing data presents an opportunity to form a holistic picture of the customer's needs. Retailers more than FIs have done this with some success to date. The clout of smarter technology, AI and increased digital interactions will likely further improve this and present data monetization opportunities.



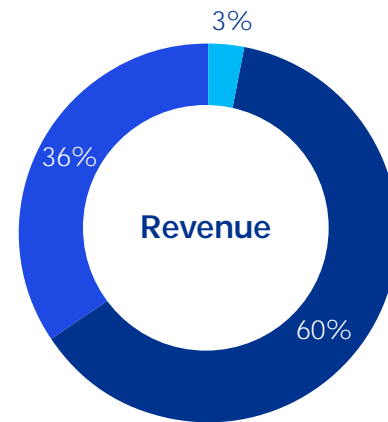


# Methodology

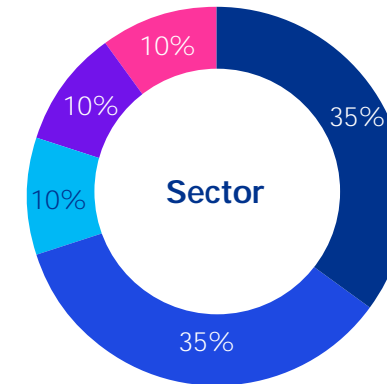
This report is based on quantitative research carried out in September 2024.

In total, **810 financial** institutions took part. These spanned four categories with respondents from: established mainstream banks, building societies, challenger banks, wholesale banks and private banks.

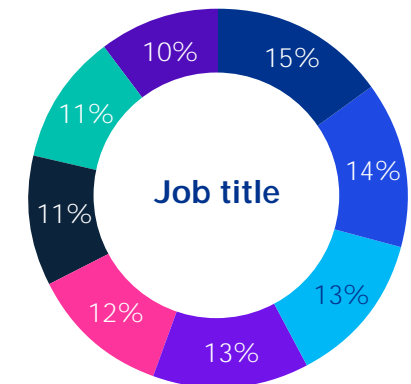
## Respondents profile FIs



- Between US\$ 500m and US\$ 1bn
- Between US\$ 1bn and US\$ 5bn
- More than US\$ 5bn

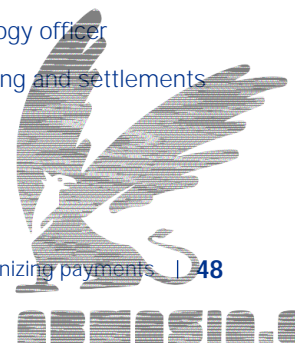


- Established mainstream bank
- Building society/Regional bank
- Wholesale bank (Private bank, Corporate bank)
- Challenger bank
- Investment bank



- Director/Head of finance
- Director/Head of IT
- Chief finance officer
- Director/Head of technology
- Director/Head of payment
- Chief information officer
- Chief technology officer
- Head of clearing and settlements

Source: KPMG International, "Modernizing payments" January 2025.

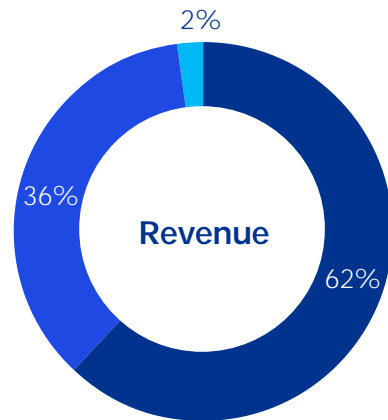




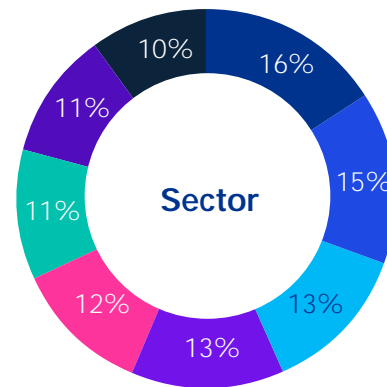


In addition, the research includes responses from 690 retailers spanning sectors including supermarkets, ecommerce, department stores and discount retailers.

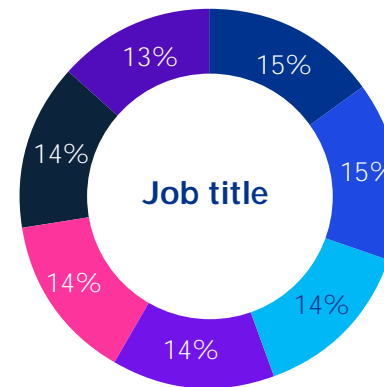
## Respondents profile retailers



- Between US\$ 500m and US\$ 1bn
- Between US\$ 1bn and US\$ 5bn
- More than US\$ 5bn



- Supermarket and grocery chain
- E-commerce/Online retailer
- Department store
- Hypermarket
- Warehouse club
- Discount retailer
- Luxury retailer
- Speciality store

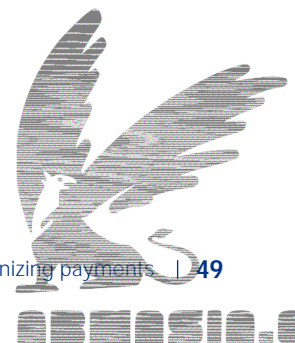


- Director/Head of technology
- Director/Head of finance
- Director/Head of IT
- Chief information officer
- Chief finance officer
- Chief technology officer
- Director/Head of payment

In both sectors, respondents included leaders from Europe (France, Germany, Italy, the Netherlands, Spain, Switzerland and the UK), Asia Pacific (Australia, China, Hong Kong (SAR, China)), India, Japan, Singapore) the Middle East (UAE and the Kingdom of Saudi Arabia) and North America (the US and Canada).

The quantitative survey was augmented with a series of qualitative interviews conducted with KPMG firm subject matter professionals on the ground in local markets with deep experience and insight into regional and national trends.

Source: KPMG International, "Modernizing payments" January 2025.





# Authors



## Courtney Trimble

Lead of Global Payments  
KPMG International  
Lead of Payment Capability Banking  
KPMG in the US

Courtney is the Lead of Global Payments for KPMG International within the Banking and Capital Market's practice and leads the Payments capability for KPMG in the US. Her area of specialization includes driving large scale payments transformation efforts for global banking clients and financial institutions spanning payments strategy, operating model and solution development through technical implementation.



## Peter Harmston

Head of Payments  
KPMG in the UK

Peter leads Payments Consulting for KPMG in the UK. With extensive experience in payments strategy, product innovation, payments program design as well as deep experience in the delivery of large-scale payments and payment related programs, Peter focuses on helping organizations navigate complex transformations across payments, regulatory change, remediation, cost reduction and productivity enhancements.

# Acknowledgements

The authors would like to acknowledge the KPMG in the UK Payments team including Imran Ali, Connor Clark, Abbie Wright, Martin Low, Rajesh Gosain and Faisal Alvi for their extensive contributions to this report.

We would also like to thank the following KPMG professionals around the world who participated in the development of this report.

## Americas

**Duleep C Rodrigo**  
KPMG in the US

**Arul Rajkumar**  
KPMG in Canada

**Edwin Isted**  
KPMG in Canada

## ASPAC

**Antony Ruddenklau**  
KPMG in Singapore

**Chris de Wit**  
KPMG in Australia

**Emma Pitfield**  
KPMG in Australia

**Kai Sugihara**  
KPMG in Japan

**Yuji Ito**  
KPMG in Japan

**Andrew Huang**  
KPMG in China

**Willi Sun**  
KPMG in China

## Europe

**Guillaume Petipas**  
KPMG in France

**Imran Ali**  
KPMG in the UK

**Don Williams**  
KPMG in the UK

**Stephan Fetsch**  
KPMG in Germany

**Zakaria Bouazzaoui**  
KPMG in France





# How KPMG can help

The global payments landscape is rapidly changing. New formats and standards. Changing customer expectations and payment options. Emerging technologies and competitors. Financial institutions and retailers need to adapt or perish.

From payment modernization and accelerated digitalization through to ISO 20022 conversion and regulatory compliance, the KPMG network of payments professionals takes a holistic approach to your payments challenges to deliver tailored, future-ready approaches and ideas.

The KPMG network of payments professionals leverage the global organization's extensive technology and change capabilities to support the delivery of leading payments solutions. And they are embedded into the KPMG global organization's financial services and retail practices, allowing them to leverage industry best practices and new ideas from around the world.

The KPMG organization of firms has worked with some of the world's leading banks and retailers to deliver modernized payment environments. Contact your local KPMG firm to find out how we can help your organization.





# Contacts

## Banking and Capital Markets

### GLOBAL

#### Francisco Uriá

Global Head of Banking and Capital Markets  
KPMG International  
E: furia@kpmg.es

#### Courtney Trimble

Lead of Global Payments  
KPMG International  
Lead of Payment Capability Banking  
KPMG in the US  
E: chtrimble@kpmg.com

### AMERICAS

#### Peter Torrente

Americas Region Lead, Banking and Capital Markets  
National Sector Leader, Banking and Capital Markets  
KPMG in the US  
E: ptorrente@kpmg.com

#### Edwin Isted

Executive Director, Payments Lead  
KPMG in Canada  
E: eisted@kpmg.ca

### ASPAC

#### Chris Foster

ASPAC Region Lead, Banking and Capital Markets  
Partner, Financial Services  
KPMG Australia  
E: cfoster@kpmg.com.au

#### Chris de Wit

Partner, Payments Lead  
KPMG Australia  
E: chrisdewit@kpmg.com.au

#### Andrew Huang

Partner, Financial Services  
KPMG China  
E: andrew.huang@kpmg.com

#### Antony Ruddenklau

ASPAC Lead of Payments  
Head of Financial Services Advisory  
KPMG in Singapore  
E: antonyruddenklau@kpmg.com.sg

### Kunal Pande

Partner, Payments Lead  
KPMG in India  
E: kpande@kpmg.com

### EMEA

#### Sven Olaf-Leitz

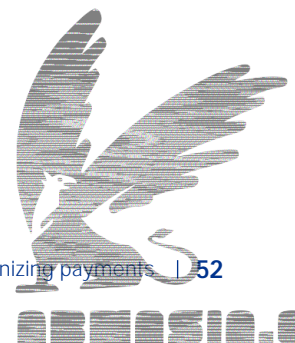
EMA Region Lead, Financial Services and Banking  
Member of the Managing Board,  
Divisional Director Financial Services  
KPMG in Germany  
E: sleitz@kpmg.com

#### Martijn Berghuijs

Partner, Payments and Fintech Lead  
KPMG in the Netherlands  
E: berghuijs.martijn@kpmg.nl

#### Peter Harmston

Head of Payments  
KPMG in the UK  
E: peter.harmston@kpmg.co.uk





## Consumer and Retail

### GLOBAL

**Isabelle Allen**

Global Head of Consumer and Retail  
KPMG International  
E: [isabelleallen@kpmg.com](mailto:isabelleallen@kpmg.com)

### AMERICAS

**Duleep Rodrigo**

National Sector Leader, Consumer and Retail  
KPMG in the US  
E: [drodrigo@kpmg.com](mailto:drodrigo@kpmg.com)

**Kostya Polyakov**

National Industry Leader, Consumer and Retail  
KPMG in Canada  
E: [kpolyakov@kpmg.ca](mailto:kpolyakov@kpmg.ca)

### ASPAC

**Anson Bailey**

Head of Consumer and Retail, Asia Pacific  
KPMG China  
E: [anson.bailey@kpmg.com](mailto:anson.bailey@kpmg.com)

**Yuji Ito**

Sector Leader, Consumer and Retail  
KPMG in Japan  
E: [yuji.ito@jp.kpmg.com](mailto:yuji.ito@jp.kpmg.com)

**James Stewart**

National Sector Leader, Consumer and Retail  
KPMG Australia  
E: [jhstewart@kpmg.com.au](mailto:jhstewart@kpmg.com.au)

**Willi Sun**

Head of Advisory, Consumer and Retail  
KPMG China  
E: [willi.sun@kpmg.com](mailto:willi.sun@kpmg.com)

### EMEA

**Stephan Fetsch**

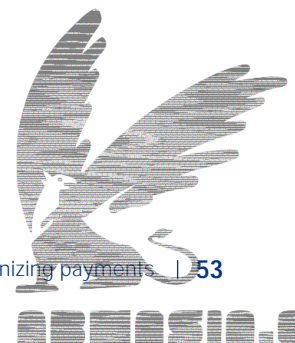
Head of Consumer and Retail, EMA  
KPMG in Germany  
E: [stephanfetsch@kpmg.com](mailto:stephanfetsch@kpmg.com)

**Linda Ellett**

Head of Consumer, Retail and Leisure  
KPMG in the UK  
E: [linda.ellet@kpmg.co.uk](mailto:linda.ellet@kpmg.co.uk)

**Eric Ropert**

Head of Consumer and Retail  
KPMG in France  
E: [eropert@kpmg.fr](mailto:eropert@kpmg.fr)





kpmg.com



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Throughout this document, “we”, “KPMG”, “us” and “our” refers to the KPMG global organization, to KPMG International Limited (“KPMG International”), and/or to one or more of the member firms of KPMG International, each of which is a separate legal entity.

©2025 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited (“KPMG International”), each of which is a separate legal entity.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit [kpmg.com/governance](https://kpmg.com/governance).

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

Designed by Evalueserve.

Publication name: Modernizing payments | Publication number: 139761-G | Publication date: January 2025

