What's driving the US financial sector?

It seems financial sector trends are pretty universal. A new study shows that the US market has been largely driven by the technological developments such as data analytics, social networks and increased penetration of the smartphone.

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These contributors have led to the emergence of newer models such as marketplace funding, people-based marketing and several others. Digital connectivity, faster payment options, lower customer acquisition costs through referrals on the social networks have all contributed to the growth and innovation in fintech in the US.

Digital payments

The digital payment segment (consisting of digital commerce, mobile wallets and P2P money transfers) is by far the most revenue-generating segment, with maximum customer interest and participation.

Ecommerce is the major driver in this market, with PayPal, Authorize.Net, Stripe and Square dominating as the most popular payment gateways used by online retail merchants for the purpose of receiving online payments.

Apple Pay, Android Pay, Samsung Pay and PayPal wallet are the most used mobile wallets used by customers for making online and in-store payments in the US. Advanced payment security, faster checkout, loyalty rewards and customer ease have been the major factors driving the mobile wallets market in the country.

However, delay in adoption of the required infrastructure such as NFC terminal by retail merchants have prevented mobile wallets from achieving mainstream adoption.

P2P money transfer

Dwolla, Venmo and Chase QuickPay pioneered the P2P money transfer space, a payment method that has become increasingly popular in the US due to the absence of a common network across all financial institutions. Peer-to-peer payment apps have made it highly convenient for customer transfer money and their services usually are accompanied with very nominal charges or even free of cost.

Robo advisors

This sub-segment of personal finance sector has grown stupendously from 2010 to 2015. Technologies such as the big data, machine learning and others have attracted considerable investment and attention and have allowed robo advisory space to flourish.

The technology leverages algorithms and client information to develop preset portfolio distribution and suggestions for investments particular to the individual clients. The advisors can be accessed via rich digital user interface and at very low fees. The robo advisors offer higher transparency as compared to the traditional investors and hence attract more investments. Major players in the market include Vanguard, Charles Schwab Intelligence Portfolio, Betterment, Personal Capital and Wealthfront among others.

Changing funding models

Funding models for start-ups and established businesses has changed considerably, providing access to both accredited and non-accredited investors.

Several business lending companies have emerged in the last five years which approve funds to applicants within no time. Funding Circle, On Deck, Kabbage, CAN Capital and Lending Club are some of the major companies operating in this space.

While crowdfunding is now a billion-dollar industry. EquityNet, Fundable, Angel List and Crowdfunder are some of the key companies that have the first mover advantage in this space.

According to the research report, the US fintech market is anticipated to grow at a rapid pace to $8trn in 2020.

“Evolution of new tech-savvy startups that have been able to do thingss better, faster and in a cheaper way than conventional financial institutions has redefined traditional businesses such as lending, payments and investments. The skyrocketing growth of the industry has created numerous opportunities for every stakeholder of the fintech ecosystem,” the report says.