

Everything you need to know about what Amazon is doing in financial services

2022



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From payments and lending to insurance and cash deposits, Amazon is attacking financial services from every angle without even applying to be a conventional bank. In this report, we break down how these efforts impact merchants and consumers. We also dive into various initiatives Amazon is pursuing, ranging from cashierless payment terminals to health insurance for sellers.

In 2017, [Andriessen Horowitz](#) general partner Alex Rampell said that of all the tech giants that could make a major move in financial services,

“Amazon is the most formidable. If Amazon can get you lower-debt payments or give you a bank account, you’ll buy more stuff on Amazon.”

While the anticipation for Amazon's plunge into banking builds each year, it's important to first understand Amazon's existing strategy in financial services — what Amazon has launched and built, where the company is investing, and what recent products tell us about Amazon's future ambitions.

Based on our findings, it's hard to claim that [Amazon](#) is building the next-generation bank. But it's clear that the company remains very focused on building financial services products that support its core strategic goal: increasing participation in the Amazon ecosystem.

As a result, the company has built and launched tools that aim to:

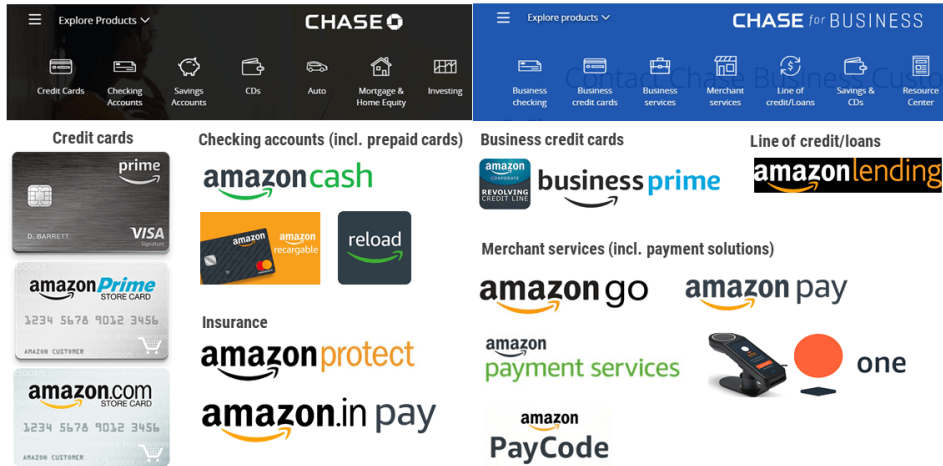
1. Increase the number of merchants on Amazon, and enable each merchant to sell more.
2. Increase the number of customers on Amazon, and enable each customer to spend more.
3. Reduce any buying/selling friction.

In parallel, [Amazon has made several fintech investments](#), mostly focused on international markets (India and Mexico, among others), where partners can help serve Amazon's core strategic goal.

In aggregate, these product development and investment decisions reveal that Amazon isn't building a traditional bank that serves everyone. Instead, Amazon has taken the core components of a modern banking experience and tweaked them to suit Amazon customers (both merchants and consumers).

In a sense, Amazon is building a bank for itself — and that may be an even more compelling development than the company launching a deposit-holding bank.

All the ways Amazon is unbundling the bank



The image shows a side-by-side comparison of Chase's personal and business banking offerings. The left side is the Chase personal website, and the right side is the Chase for Business website. Both pages feature a navigation menu with icons for various services. Below the navigation, the products are categorized into several groups:

- Credit cards:** Includes Prime Visa Signature, Amazon Prime Store Card, and Amazon.com Store Card.
- Checking accounts (incl. prepaid cards):** Includes Amazon Cash, Amazon Recargable, and Reload.
- Business credit cards:** Includes Amazon Business Prime and Amazon Business Revolving Credit Line.
- Line of credit/loans:** Includes Amazon Lending.
- Merchant services (incl. payment solutions):** Includes Amazon Go, Amazon Pay, Amazon Payment Services, and Amazon PayCode.
- Insurance:** Includes Amazon Protect and Amazon.in Pay.

Note: Merchant services includes payment solutions; checking accounts include prepaid cards function  CBINSIGHTS

This report is a collection of everything we know about Amazon's foray into banking, financial services, and fintech. We will be updating this brief on an ongoing basis as more relevant data, investments, news, and products are released.

Product strategy: Amazon takes on financial services

Amazon is notorious for spreading its bets before going all in on a new product, and the financial services space is no exception. Through trial and error, the company has set up key financial pillars across payments, cash deposits, and lending. As we'll explore below, all are related to Amazon's broader growth and product strategies.

AMAZON PAYMENTS

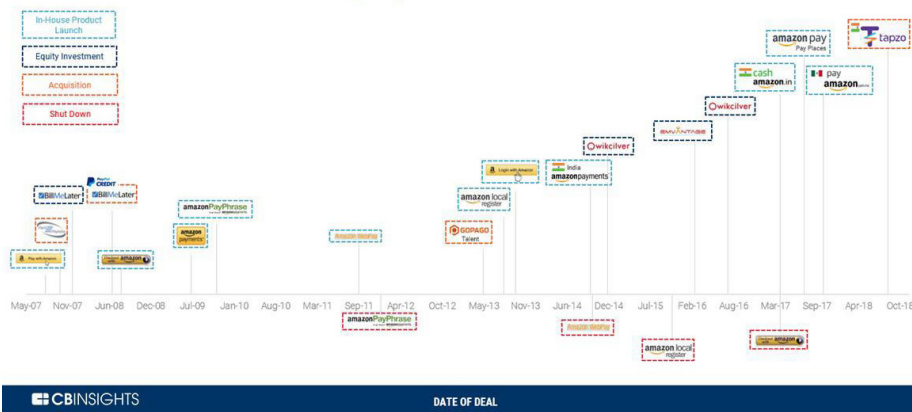
Amazon has aggressively invested in payments infrastructure and services over the last few years. That's unsurprising, given that the payments experience is so close to Amazon's core e-commerce business. Making payments more cash-efficient for Amazon and frictionless for customers is a key priority.

Amazon Pay: a digital wallet and a payments network

Today, Amazon Pay has evolved to include a digital wallet for customers and a payments network for both online and brick-and-mortar merchants. Since 2019, Amazon has invested in growing Amazon Pay's marketplace, including forming a partnership with acquiring bank [Worldpay](#).

While Amazon Pay is the company's latest iteration on payments, Amazon has experimented with payments functionality for over a decade. Below is a timeline of some of the major Amazon Pay milestones:

Amazon Pay has evolved into a digital wallet for customers and a payments network for merchants



Amazon's first known payments product, Pay with Amazon, launched in 2007. That same year, the company acquired [TextPayMe](#), a peer-to-peer (P2P) mobile service that was re-launched as Amazon Webpay in 2011.

Webpay failed to gain user traction and was shut down in 2014, unlike up-start [Venmo](#) (now a part of rival payments processor [PayPal](#)). It's likely that Amazon was too early to P2P payments.

In 2007, the company also invested in [Bill Me Later](#) (fka I4 Commerce). Bill Me Later was one of the earliest fintech payment platforms on the market and gave big retailers the ability to offer flexible financing programs. Although Bill Me Later was scooped up by PayPal in 2008, Amazon remained ever focused on reducing payment friction for customers.

Over the last few years, Amazon has used a variety of techniques to strengthen its payments experience, including launching digital wallets through Amazon Pay, acquiring tech talent of failed mobile payments startup [GoPago](#), building a variety of tech in-house, and most recently opening up to partnering with merchant acquirers outside of Amazon's marketplace.

Today's iteration is Amazon Pay, a digital wallet for customers and a payments network for both online and brick-and-mortar merchants and shoppers.

Amazon Pay's traction and metrics

In addition to serving Amazon's core customers, payments is an attractive revenue line when thinking about the scope of the payments market. Swipe fees paid by US merchants alone are more than a \$110B-a-year business for banks, card networks like [Visa](#), and payment processors like [Stripe](#).

Amazon is finding ways to attract merchants to the Amazon Pay network beyond its experimentation with swipe fees. The company announced it would pass on the special card savings Amazon gets from card networks (because of the volume of purchases they can guarantee) to retailers that adopt Amazon Pay. Leveraging scale and competing on fees is a classic customer acquisition strategy in Amazon's playbook.

And while the company is famously secretive about reporting customer growth and business metrics, a 2021 survey revealed that Amazon Pay has grown into a major online payment provider with a 24% user share in the US. Payments made with Amazon Pay spiked following service expansion to new geographies – France, Italy, and Spain – and to new verticals, including government payments, travel, insurance, entertainment, and charitable donations.

However, Amazon has had some missteps with Amazon Pay. Its most famous failure was Amazon Local Register. With the talent acquired from GoPago, Amazon launched Amazon Local Register, a card reader for small- and medium-sized businesses (SMBs) in August 2014. At the time, the company charged competitive rates (a full percentage point less than [Square](#)). Each reader cost \$10, and it seemed like a formidable rival to PayPal's and Square's readers.

But in October 2015, the company announced it would be shut down. Despite charging lower fees, the company failed to gain enough traction with merchants who feared giving Amazon detailed data on their overall business operations.

RIP

Amazon's payments misses



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Eventually, Amazon launched a "Pay with Amazon" button for mobile and created a team with the goal of expanding payments across the web and on apps.

To lead this team, Amazon hired ex-PayPal employee Patrick Gauthier. In reference to failed payments projects, Gauthier said:

"What people never realize or truly understand about Amazon is that part of the recipe for success is daring to try things you have no idea whether will succeed or not, and if you think that you have a notion of how to succeed ... you try again."

Future developments of Amazon Pay: pivoting from e-commerce to omnichannel enablement

In March 2019, Amazon announced an integration with Worldpay, which serves as a back-end intermediary between banks and credit card companies and is one of the largest payment processors in the world.

It is a notable pivot from Amazon's IP strategy, where the playbook has been to build, patent, and keep proprietary technology in-house to fuel Amazon's marketplace. However, keeping Amazon's customer-centric "day one" philosophy in mind, Amazon Pay's top priority is reducing payment friction for customers to buy goods and services and for merchants to sell more things. This is also a second attempt to build distribution with merchants, picking up where Amazon Local Register failed to gain trust.

To achieve this, Amazon Pay set up a rare independent domain and is expanding from e-commerce to omnichannel — across web, mobile, and IoT devices.

The partnership is significant because of its potential to put Amazon's Quick Payment button in front of millions of consumers and boost distribution with merchants.

At the time of the deal, Worldpay processed more than 40B transactions worth about \$1.7T annually, supporting more than 300 payment types across 120 currencies. In July 2019, FIS announced it was acquiring Worldpay in a \$43B cash-and-stock deal, indicating a strategic move to grow its merchant solutions business. Patrick Gauthier, VP of Amazon Pay, was reserved about the implications of the partnership:

“Today the announcement is about the extension of our footprint. It will lead us into more opportunities to grow the value proposition for buyers and merchants, but I will reserve discussion about that for the future.”

For Amazon, the combination of FIS and WorldPay is aligned with the company's goal of reducing friction in payments for consumers and merchants, subsequently boosting commerce.

FIS could also be valuable for financial services pursuits as its suite of technologies ranges from POS systems to integrated card payments to cross-border payments, and covers both online and offline commerce. FIS is also one of the biggest providers of core banking processing and has integrations with Q2 technologies. Both are key elements that non-bank-chartered tech firms in the US have been leveraging to launch banking services, like checking and savings accounts.

Commerce has expanded well beyond desktop into mobile apps, IoT devices such as smart speakers, and other channels where Amazon does not have as formidable a position.

On the web, the infamous one-click patent helped boost the company's payments prowess. But when the patent expired in 2017, it opened up the market for competitors to launch off-marketplace payment solutions.

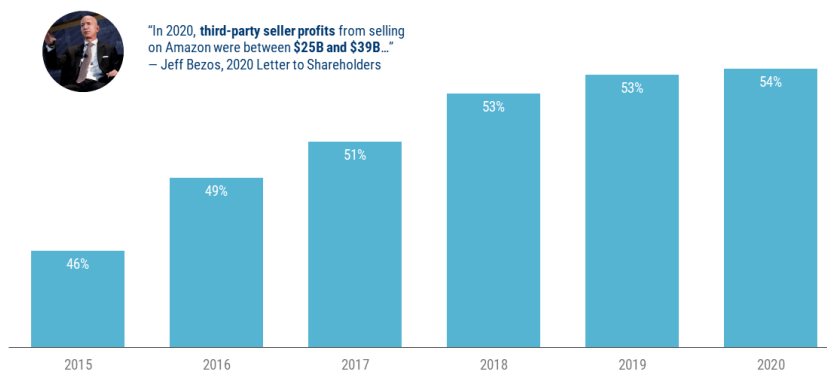
To compete, Amazon is investing in its products, including by hiring product managers for device solutions. This has helped Alexa move from the home and office into brick-and-mortar or point-of-sale (POS) environments.

Further, Amazon recognizes the need to diversify its dependence on third parties for its marketplace, even if that means enabling them off-platform.

While a short-term goal of the partnership seems to be to capture market share and reduce the processing fees charged by incumbents, in the long run, Amazon may look to close the loop and keep customers within the Amazon ecosystem.

Merchant services are a key battleground

Average third-party seller share on Amazon by percentage, 2015 – 2020



"In 2020, third-party seller profits from selling on Amazon were between **\$25B and \$39B...**"
– Jeff Bezos, 2020 Letter to Shareholders

Sources: Jeff Bezos 2020 annual letter, Statista

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Amazon Go and Amazon Fresh: Amazon's secret payments weapon?

Developing its products remains an area of strength for Amazon, especially as it iterates on its in-house biometric payments technology piloted within its expansive [Amazon Go convenience stores](#).

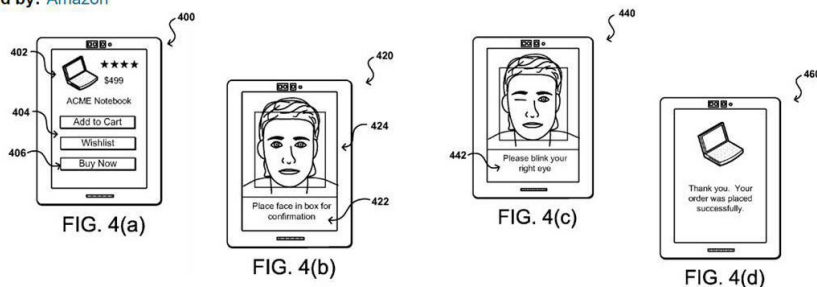
Its [Just Walk Out technology](#) uses computer vision, sensor fusion, and advanced machine learning to enable a frictionless payments experience, and is based on technology that the company has patented in the past.

The future of payments according to Amazon

Image analysis for user authentication

Application date: 2012-01-13 Grant date: 2015-11-30 Status: Grant

Filed by: Amazon



Several patents indicate that Amazon is thinking about what the future of payments looks like. Some include using facial identity and selfies as a means of quickly paying.



Just Walk Out is available through the Amazon app. It grants access to the store and allows customers to grab products and go without needing to stop and check out to pay.

In addition to convenience stores, the company launched the grocery store chain Amazon Fresh in 2020. Customers who pay for their purchases using an Amazon Prime Rewards Visa Signature Card or an Amazon Prime Store Card get 5% cash back. The grocery stores also include Amazon's smart cart – the Dash Cart – which automatically identifies products, allowing shoppers to check out without a cashier or using a self-checkout lane. Inside the store, Amazon's Echo Show devices enable customers to ask Alexa to ask for assistance.

Today, more than 20 Amazon Go stores are live in Seattle, New York, San Francisco, and Chicago. The company has also opened 23 Amazon Fresh locations in D.C. and 6 other states.

In 2021, Amazon's global physical store sales (which include Amazon Go and Fresh) grew steadily to reach \$4.6B in Q4'21. The company is also investing heavily in hiring, with plans to employ 1,500 individuals for 6 new Amazon Fresh stores in Southern California alone.

Again, while the company typically does not make its proprietary technology available commercially, it looks to be taking a different approach with Amazon Go and Amazon Fresh.

In March 2020, Amazon said that it had partnered with OTG to deploy its cashierless technology at CIBO Express stores at airports. Two such stores have been opened at Newark Liberty International Airport. Amazon has also announced plans to introduce cashierless shopping at 2 Whole Foods locations in D.C. and California. The stores are equipped with Amazon One palm reading devices for biometric payments, and customers can use the Amazon or Whole Foods app to shop. Customers will also have access to self-checkout lanes if they don't want to use Just Walk Out technology.



Prime Day: Amazon's plan to adjust payment habits

Amazon Pay is still a niche payment method despite the company's dominance in US e-commerce. This underscores the difficulty of influencing consumer behavior — especially when it comes to payments.

Alongside inventive products like Amazon Go, Amazon is using large-scale sale events like Prime Day to nudge people to use Amazon Pay.

During Prime Day 2019, Amazon offered consumers up to 30% cash back on purchases if they checked out using Amazon Pay. Customers received Amazon gift cards after using Amazon Pay at checkout from a specific list of participating merchants.

Incentives were offered on more than 30 retailers, including [Brooklinen](#) and [Vineyard Vines](#). Offering cash back on an even wider variety of retailers could make sales a powerful technique for Amazon to encourage using Pay in the future.

Payments with a wave of the hand: Amazon's plan to link payments data with biometrics

Alongside its cashierless store plans, Amazon has its eyes on eliminating the need for physical credit and debit cards altogether. In September 2020, the company launched Amazon One, a set of software and hardware technologies that let users pay using their palms.

Customers first have to register to use this service by inserting a payment card in an Amazon One device and scanning one or both of their palms. Once registered, they enter and leave stores by placing their hand above a sensor at the entrance. Smart cameras and shelf sensors detect products customers take. The system then automatically charges customers as they leave the store. Later on, Amazon plans to enable users to assign one card to each palm.

Amazon One was initially introduced at Amazon Go stores in Seattle. Since then, the company implemented the technology in additional convenience stores and Fresh grocery stores.

Amazon One terminals could be placed in any brick-and-mortar location, such as a coffee shop or restaurant. Amazon reportedly tested this system at vending machines in some of its offices and has partnered with [Visa](#). It also has reportedly held talks with [Mastercard](#), [JPMorgan Chase](#), and [Wells Fargo](#).

In September 2021, ticketing company AXS announced it would install Amazon One devices at the Red Rocks Amphitheatre in Denver, Colorado, to allow visitors to enter events by scanning their palm. The partnership marks the first time that Amazon has launched its palm-scanning devices outside of its own stores. The companies also plan to launch the technology in additional venues. Apart from the Denver venue, customers can access Amazon One at over 60 locations in total.

Biometric payments inside Amazon Style

In 2021, Amazon surpassed Walmart to become the biggest apparel retailer in the US. To cement its leading status, the company announced the launch of its first brick-and-mortar apparel store, Amazon Style.

Set to open in 2022, the store blends the traditional and digital shopping experience. By scanning an item's QR code with the Amazon Shopping app, customers can see available styles, sizes, ratings, and other useful information. Then, they can request to try the item on in the fitting room or collect it at the pickup counter.

The clothing featured inside the store are display items, bringing simplicity to the space and making it easier for customers to browse.



When the first location opens in Los Angeles, customers will be able to purchase items using Amazon One palm-scanning devices for contactless payments. The shopping app will automatically save items the customer scans inside the store, which they can later purchase online.

While we have yet to see whether Amazon's dominance in online shopping will translate into brick-and-mortar success, Amazon Style presents another opportunity for the company to popularize innovative payment solutions like Amazon One.

Alexa, pay for gas: Payments through voice commands

Amazon Pay VP Patrick Gauthier believes that, like e-commerce and mobile commerce before it, voice commerce has massive potential. The global voice shopping market is poised to [grow from \\$2B to \\$40B by 2022](#), according to CB Insights' Industry Analyst Consensus.

In September 2020, Amazon launched a new feature that enables customers to pay for gas at over 11,500 Exxon and Mobil gas stations across the US with a voice command to their Alexa-enabled vehicles or other mobility devices. All transactions are processed through Amazon Pay.

Amazon has partnered with [Fiserv](#), a financial services tech company, which will enable the pumps to be activated at the voice command and ensure the payment goes through securely.

The retail giant also offers Alexa-enabled shopping for [Atom Tickets](#), a Santa Monica, California-based company that allows users to purchase movie tickets prior to going to the theater. Shoppers can also pay their utility bills through Amazon Pay by sending out a voice command to their Alexa-enabled devices.

Alexa can also make a charitable donation on the user's behalf. Amazon has partnered with nearly 400 charities to enable voice donations.

While Amazon has not yet announced any other applications of its voice command-based shopping features, a survey it conducted in 2019 showed that 44% of its customers were likely to try voice commerce over the next 3 years. Amazon also launched Paytalks, a webinar that educates merchants on how to use voice strategy to grow their business.

Amazon Payment Services

In December 2020, Amazon launched Amazon Payment Services (APS), a payment service provider that covers the Middle East and North Africa (MENA) region. APS is a rebranded version of Payfort, a fintech startup acquired by Amazon in 2017. Amazon teamed up with a number of leading banks in the MENA region, including Al Rajhi Bank, Mashreq, and First Abu Dhabi Bank, to launch this payment service.



APS is offered to companies in 8 countries. Source: Amazon

Companies using APS can offer online customers the option to pay using global payment methods like Visa and Mastercard as well as local card schemes such as Meeza and Mada. Customers can also pay in monthly installments using cards issued by local and international banks.

APS offers other benefits as well. Businesses can reduce checkout friction by allowing repeat buyers to skip specific authentication steps. APS also provides security solutions that reduce fraud and chargebacks. Companies then get to enjoy a higher percentage of accepted payments. And teams can use APS to build dashboards, merge data from various sources, and keep track of business goals.

In 2021, APS expanded into insurance via a partnership with insurance provider Zurich International Life Limited. As a result, Zurich clients are able to digitally purchase insurance premiums. In February 2022, APS announced a partnership with Dubai-based payment solution provider Network International. The collaboration will allow [Network International](#) merchants in the United Arab Emirates to use APS' payment solutions and gateway. The announcement follows APS' new partnership with American Express in Saudi Arabia, which lets Amex customers pay for goods on merchant websites using APS.

AMAZON CASH

The Amazon Cash program bridges the gap between online commerce (using debit or credit cards as payment) and offline commerce, which relies on “cash on delivery” options like cash and gift cards.

Amazon Cash launched in April 2017 to allow customers to deposit cash, without a fee, to a digital account by showing a bar code (either printed physically or digitally) or their phone number linked with their Amazon account at a partner brick-and-mortar retailer, such as [CVS](#) or [7-Eleven](#).

Amazon Cash is a depository for cash

amazoncash | The fast, no fee way to use cash to shop on Amazon

Get your barcode

Partner	How to Use
	Amazon Gift Cards In Stores Buy Amazon.com Gift Cards in denominations from \$15-\$500 at participating grocery, drug, and convenience stores throughout the U.S.
	Coinstar Claim Codes Turn cash or coins into an Amazon.com Gift Card with Coinstar at over 17,800 locations nationwide.
	Western Union Claim Codes Purchase an Amazon.com Gift Card claim code with cash in any amount from \$25 - \$2,000 at 47,000 Western Union Agent locations across the US.
	MoneyGram Visit participating MoneyGram agent locations to purchase an Amazon.com Gift Card.

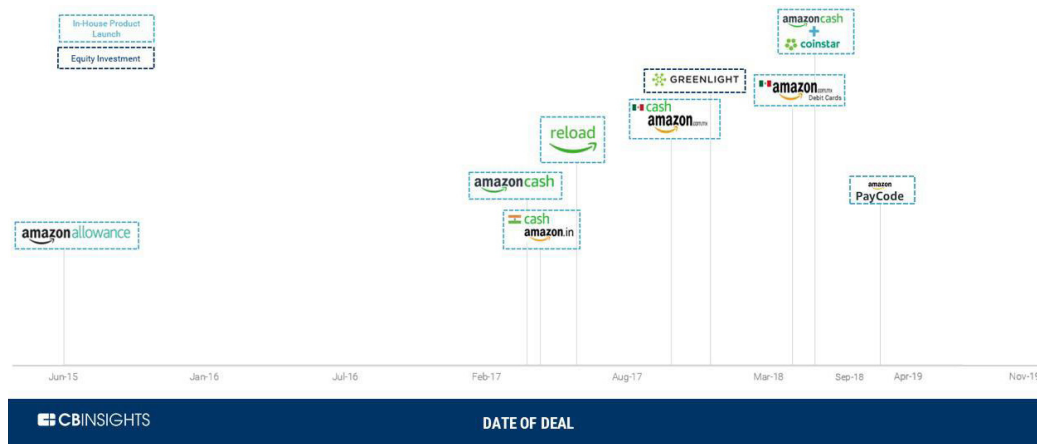
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Amazon Cash fits neatly into Amazon's strategy of appealing to underbanked and unbanked populations — customers only need access to the internet and a printer to open an account, rather than requiring a bank account or a phone.

Prior to Amazon Cash, unbanked and underbanked populations were an unaddressed customer base for the online retailer, as discussed in the Traction section below.

Since Amazon Cash's launch, Amazon has made a few key product developments:

The evolution of Amazon Cash



In May 2018, Amazon Cash extended its partnership with [Coinstar](#) to allow customers to deposit spare change at Coinstar kiosks and cash out digitally with the Amazon Cash app, instead of in cash or physical gift cards.

Coinstar has nearly 20,000 kiosk locations across mass merchants and select financial institutions. The goal at launch was to enable 5,000 kiosks with the new service by the end of 2018, with Amazon looking to roll out services to more kiosks down the road.

The location of kiosks – typically in grocery stores – is a newer cornerstone of Amazon's business following its [acquisition of Whole Foods](#). They are also found in high-traffic areas that Amazon competes with, including rival retailers such as [Walmart](#). This partnership helps Amazon encourage customers to spend more on Amazon.com, and fits Amazon's core strategic goals of strengthening the Amazon ecosystem and increasing participation.

PayCode: Bringing Amazon offline with Western Union's network

A more recent pillar in Amazon's fintech strategy is bringing parts of the world without the infrastructure to support digital payments into the Amazon ecosystem.

With PayCode, Amazon is allowing consumers that haven't previously been able to purchase goods on Amazon to buy items through the site and pay for them in cash via QR codes. Amazon piloted PayCode in countries including Colombia, Chile, Hong Kong, Kenya, Indonesia, Malaysia, the Philippines, Peru, Taiwan, and Thailand. It then expanded the program to Barbados, Costa Rica, Jamaica, Kazakhstan, and Uruguay, before opening it to the US in September 2019. PayCode has also been introduced in the Federated States of Micronesia, Marshall Islands, Mauritius, Palau, Philippines, and Tanzania.

The program is a partnership with [Western Union](#), which is providing Amazon with the financial infrastructure it needs to enable offline cash payments. In these regions, consumers can pay for Amazon purchases by visiting a Western Union location and making a deposit in cash.


PayCode gives Amazon a strategic way of assessing which markets might make the most sense for future expansion of Amazon's core retail platform.

PayCode could also represent a way for Amazon to eventually expand its influence among the underbanked in countries where it already has a live retail market.

Amazon and Greenlight: A kid-friendly solution

In addition to targeting the unbanked and underbanked, Amazon has looked to leverage the Amazon Cash feature to tap into the next generation of consumers.

In mid-2015, the company added Amazon Allowance, which was later brought under the Amazon Cash umbrella. Using Amazon Allowance, and with parental consent, kids were able to set up their own Amazon accounts and make purchases using their Amazon Allowance. Parents could allocate recurring funds to their child's account and get the added control of overseeing what their kids purchased. However, the company discontinued this feature in July 2020.



An easy way to fund shopping on Amazon

Give a recurring or one-time allowance to easily fund shopping on Amazon. Allowances automatically add funds to your recipient's Gift Card Balance that can be used to shop for millions of products.
[Learn more about Amazon Allowances](#)

Allowance Title
Enter a title

Recipient What email address should I enter? Enter an email address

From
Enter your name


Amount \$ 100.00

Frequency Monthly

Starting 05/31/2018

[Sign In to Continue](#)

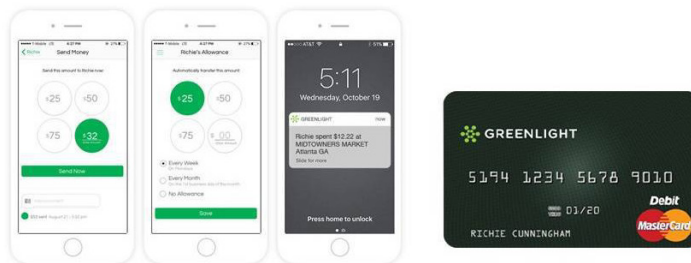
[Looking for an existing allowance? Manage Your Allowances](#)
[Need funds for shopping? Ask for an Allowance](#)



Amazon has also made investments in improving kids' access to the platform.

In December 2017, Amazon's Alexa Fund participated in a \$16M Series A to [Greenlight Financial](#), an alternative debit card issuer aimed at young consumers. With the card, parents can manage spending limits and allocate funds for their children through a mobile app. Three years later, Greenlight raised a \$260M Series D to launch additional services for its user base of more than 5M parents and children.

Greenlight also announced a partnership with Amazon Kids+, a subscription plan for families that includes books, games, and movies. As part of the collaboration, families with a Kids+ subscription are eligible for a free one-year Greenlight plan.



Greenlight Financial's core business is complementary with Amazon's internal initiative of growing Amazon Cash customers by increasing penetration of younger shoppers.

Amazon Cash's traction and metrics

Amazon hasn't announced how many customers are using Amazon Cash, but it's clear the market opportunity is large. A 2021 Economic Well-Being of US Households report found that 5% of the adult population – or around 12M Americans – is unbanked.

The international opportunity is large, too – for example, 190M citizens in India are unbanked and just 37% of adults have a bank account in Mexico. Amazon Cash could be an enabler for customer acquisition in markets that have high unbanked populations and entrenched local competitors, supporting Amazon's goal of increasing the number of customers that transact on the Amazon platform.

Cash caters to underserved and unserved populations in lower income brackets – a growth area for Prime

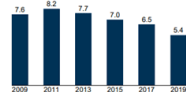
The FED's 2019 Report on the Economic Well-Being of U.S. Households in 2019

Characteristic	2019	Change since 2018	Change since 2013
Family income			
Less than \$40,000	55	-1	13
\$40,000-\$100,000	81	2	15
Greater than \$100,000	95	1	13
Overall	75	1	13

The FDIC's 2019 FDIC National Survey of Unbanked and Underbanked Households

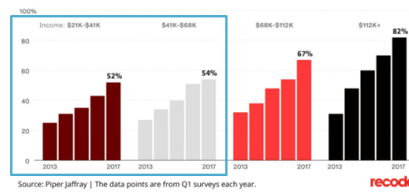
Figure ES.1 National Estimates, Household Unbanked Rate by Year (Percent)

Approximately 5.4% or 7.1M US households were unbanked in 2019



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Amazon Prime U.S. household penetration by income level



Source: Piper Jaffray | The data points are from Q1 surveys each year.

recode

Future developments of cash-based ops

Amazon is no stranger to looking outside its existing channels for growth opportunities.

The company could continue to expand the Amazon Cash and PayCode programs to other partners with high foot traffic (for example malls, colleges, grocers, etc.) or other geographies with highly underbanked populations and where QR codes are gaining traction as a payment method. Amazon could also leverage Whole Foods to launch more Coinstar kiosks, expanding the reach of the Coinstar partnership in a unique way.

AMAZON LENDING

[Jeff Bezos](#) has been more forthcoming about Amazon's desire to build out its lending arm than other financial service offerings.

In his 2016 [annual letter to shareholders](#), Bezos outlined Amazon's goal of expanding Amazon Lending: By continuing to work with partner banks to manage the bulk of the credit, the retailer can mitigate credit risk and calm investor nerves.

Today, Amazon's business lending is available in the US, UK, Germany, Canada, China, France, India, Italy, and Spain.

Amazon also offers consumer lending in the US in the form of partner cards and partnerships with buy now, pay later (BNPL) providers.

SMB lending

Amazon Lending initially launched in 2011 to help small businesses finance and sell more goods on Amazon. In 2018, Amazon Lending partnered with [Bank of America Merrill Lynch](#) to issue loans on an invitation-only basis that could range between \$1,000 to \$750,000.

But by 2019, reports surfaced claiming that Amazon's lending operation wasn't performing well, and the company was looking to breathe new life into the business. The revival strategy included new partnerships with [Goldman Sachs](#) in the US and [ING](#) in Germany.

As part of its deal with Goldman Sachs' Marcus brand, the bank invited selected merchants to apply for a credit line of up to \$1M. The application process is digital, and sellers are notified of approval results instantaneously. The credit line delivered through the Marcus brand comes with a fixed annual interest rate ranging from 6.99% to 20.99%. The amount approved can be drawn in several instances and repaid like a typical credit card.

This was the first time that Amazon opened up its treasure trove of sales data on its sellers to a third-party financial institution to make underwriting decisions.

In Germany, Amazon and ING provide loans between €10,000-€750,000 (\$11,250-\$852,327) to SMBs.

In 2021, Amazon continued inking new partnerships to expand its lending services. SMB lender [Lendistry](#), which focuses on supporting businesses in underserved communities, collaborated with Amazon to launch the Amazon Community Lending program. It allows merchants to borrow up to \$100,000 at annual percentage rates ranging from 8% to 9.9% and repay the loan in a period of up to 2 years.

Amazon has issued \$5B in loans to 20K+ SMBs

The screenshot shows the Amazon Lending interface. At the top left is the 'amazonlending' logo. To the right, the text reads 'Take your business to new heights with Amazon Lending'. Below the logo, it says 'Congratulations!' and provides a message: 'Based on your recent performance on Amazon, you are invited to register for a loan created for Marketplace Sellers. This loan invitation includes the following benefits:'. A list of benefits follows: 'Low total cost', 'Simple registration - complete in minutes', and 'Automatic payments from your seller account'. On the right side, there is a form with three sections: 'Loan Request Amount' with a dropdown menu set to '\$3,000', 'Payment Term' with a dropdown menu set to '6 Months', and 'Loan Summary'. The summary table is as follows:

Loan Summary	
Interest (6.90% annual rate)	\$60.72
Net Loan Proceeds	\$3,000
Total of Payments	\$3,060.72
Monthly Payment	\$510.12
Total Cost (2.02%)	\$60.72

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From launch in 2011 to September 2021, Amazon and its partners issued over **\$800M in loans** to SMBs nationwide.

In October 2018, Amazon expanded beyond loans to corporate cards issued by **American Express** in an effort to build its Amazon Business suite and attract new businesses to the marketplace. Amazon Business has over 5M business customers worldwide as of February 2022. The service has witnessed steady growth since its launch in 2015, and eMarketer projects it will reach sales of \$59B in 2025.

The card serves as a way to attract customers that have been turned down by traditional banks due to limited business credit history. Initially launched in the US, Amazon Business Prime is now available in the UK, Germany, Japan, and most recently Canada.

Perks include giving businesses control over employee spend, analytics tools for spend and inventory management, and discounts on **Amazon Web Services (AWS)**. Prime members receive extra incentives, like priority shipping and pricing.

Amazon Business Prime American Express Card focuses on growing SMBs across industries



5% Back
— OR —
90 Day Terms

On U.S. purchases at Amazon Business, AWS, Amazon.com and Whole Foods Market with an eligible Prime membership¹

2% Back
At U.S. restaurants, U.S. gas stations, and on wireless telephone services purchased directly from U.S. service providers¹

1% Back
On other purchases¹

\$0 Annual Fee²

Travel protections & assistance

- Car Rental Loss and Damage Insurance³
- Global Assist[®] Hotline⁴
- Baggage Insurance Plan⁵

Business tools

- Employee Cards⁶
- Connect to Quickbooks[®]⁷
- American Express[®] Business App⁸
- Account Manager⁹
- Year End Summary¹⁰

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Amazon also offers services such as Pay by Invoice, which allows selected small businesses to buy now and pay within 30 days – or 45-60 days, if the customer has an Amazon Prime Business account. In addition, it offers SMBs a revolving credit line and a pay-in-full credit line, in partnership with [Synchrony Bank](#).

B2B e-commerce transactions are expected to reach \$20.9T globally by 2027 – reportedly growing at a faster rate than online retail sales. Amazon is looking to replicate the network effects of its consumer arm with SMBs, as having more Amazon Business customers will improve its ability to connect B2B buyers and sellers to transact directly, unlocking cost savings.

Amazon's consumer lending

Amazon offers Amazon Prime cards to help serve 2 broader corporate goals: grow Prime customers and increase marketplace sales. To attract card customers, Amazon has been adding perks that are exclusive to Prime members. Cardholders are likely to spend more on Amazon than non-cardholders, which also benefits Amazon's marketplace (and boosts customer loyalty).

On the consumer side, Amazon has tried out several partner cards for Prime and non-Prime customers, which include:

- **Amazon Prime Store Card** – Launched in 2015 with partner Synchrony Bank, it was Amazon's first card exclusively for Prime customers, offering unlimited 5% cash back on Amazon purchases.
- **Amazon Store Card** – Offers some of the benefits of the Prime Store Card but for non-Prime customers. It does not offer the 5% cash back perk.
- **Amazon Prime Rewards Visa Signature Card** – Launched in 2017 with Visa, this card gives Prime members 5% cash back at Amazon and Whole Foods, 2% cash back at gas stations, restaurants, and drugstores, and 1% cash back on everything else.
- **Amazon Rewards Visa Signature Card** – Partner card with Visa for non-Prime customers that offers 3% cash back on Amazon and Whole Foods purchases, 2% cash back at gas stations, restaurants, and drugstores, and 1% cash back on everything else.

Amazon's cards expand from online to everyday

STORE CARDS

amazon | synchrony bank

amazon.com STORE CARD
1234 5678
amazon Prime STORE CARD
1234 5678 9012 3456
amazon.com

PERKS FOR PRIME MEMBERS

5% back at Amazon.com every day
AND Access to promotional financing

CREDIT CARDS

amazon | CHASE

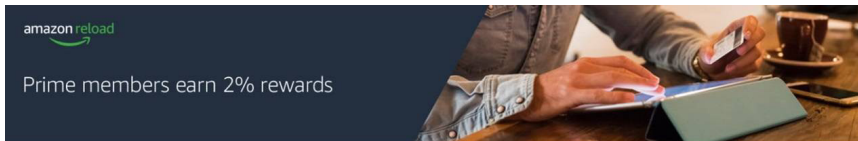
amazon Prime
amazon
VISA Signature
D. BARRETT
VISA Signature

PERKS FOR PRIME MEMBERS

5% Back at Amazon.com and Whole Foods Market
for eligible Prime members

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- **Amazon Reload** – A reloadable digital debit card available only to Prime members that offers 2% cash back on Amazon purchases. The card links directly to consumers' checking accounts and can be reloaded on a recurring or one-time basis.
- **Amazon Pay ICICI Bank Credit Card** – In 2018, Amazon Pay and India-based ICICI Bank launched a Visa-powered, co-branded credit card. Prime customers of this card can earn 5% cash back on purchases made through Amazon India, while non-Prime customers get 3% cash back.
- **Amazon Credit Builder** – In Q2'19, Amazon partnered with [Synchrony Bank](#) to create a program that helps customers in the unbanked and underbanked income brackets boost their credit with a secured credit card. Like secured credit cards offered at banks, it requires a one-time deposit between \$100 and \$1,000 at the time of the account opening, which then becomes the card's credit limit.



1 **Be an Amazon Prime Member**
Prime members earn 2% rewards every time they reload their Gift Card Balance with their checking account.
[Not a Prime member?](#)

2 **Set up 2% rewards**
To set up 2% rewards, you need:

- US bank account and routing number
- Debit card number
- US driver's license number

3 **Reload your Gift Card Balance**
Reload your Gift Card Balance using 2% rewards payment method.
Your 2% rewards will be added to your Gift Card Balance at the same time you reload.

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Both the Amazon Prime Store Card and Amazon Store Card offer 0% financing for consumers on certain kinds of Amazon purchases:

- Purchases of \$150 or more if fully paid within 6 months.
- Purchases of \$600 or more if fully paid within 12 months.
- Select Amazon purchases if fully paid within 24 months.

Amazon is also frequently featured as a destination to spend credit card points by credit programs including Chase Freedom, Discover Cashback Match, and Blue Cash for Amex.

In 2021, Amazon entered the BNPL market via partnerships with BNPL provider Affirm and UK-based bank Barclays. The Affirm partnership allows Amazon customers to pay for purchases exceeding \$50 over a period of several months. Barclays clients can sign up for an Instalments by Barclays credit account. It enables Amazon UK shoppers to break up payments of \$135 or more (£100) over a period of 3 to 48 months. The companies also launched a similar offering in Germany in 2020.

Future developments of lending ops

In 2018, Amazon extended the 5% cash back reward to purchases at Whole Foods on the Prime Rewards Visa Card. This is one example of how Amazon is adding perks and exclusive benefits for Prime customers, making the cards more competitive and attractive to customers in-store.

Amazon is beefing up in-store rewards to attract new Prime customers and build loyalty



CBINSIGHTS

More broadly, Amazon's Visa cards suggest it is pushing beyond limited-use store cards into everyday-use cards.

“Our vision is that every day Prime makes your life better, easier and more fun, and shopping at Whole Foods Market with exclusive deals and savings is all of this and more.”

– CEM SIBAY, VICE PRESIDENT, AMAZON PRIME

Amazon's addition of options for underbanked consumers and broader range of offerings — from cards with significant cash back rewards and 0% financing, to accepting SNAP benefits as payments, to launching secured cards for credit rebuilding — suggests that the company is looking to bring as many consumers as possible into the credit market and incentivizing them to stay through perks tied back to the ecosystem. Partnerships with banks and BNPL providers will further help Amazon achieve this goal.

AMAZON'S NEXT FINANCIAL PILLAR?

While Amazon is making moves across the payments, cash, and lending spaces, it could also look to further expand across the financial services ecosystem.

Checking accounts

Amazon had patented methods for linking bank account information and for prepaid cards as early as 2004. As seen below, these patents offer supporting insights into what a bank account issued by Amazon could look like.

2004 Amazon patents hinted at bank accounts

Extraction of bank routing number from information entered by a user

Application date: 2004-07-02 Grant date: 2009-06-08 Status: Grant

Filed by: Amazon



FIG. 3



FIG. 4

Financial services initiatives are offshoots of patents that Amazon filed in 2004 related to directly linking Amazon accounts with customer's checking account and others about depositing cash into pre-paid debit cards.



The company's competitive advantage lies in its cloud infrastructure and online hosting. In the event that Amazon does decide to offer full-fledged banking account services, AWS would enable it to have cloud-based operations that would be more secure than traditional banks or its other Big Tech competitors.

However, while Amazon has pushed into checking primarily through its Amazon Cash offering, it seems to have abandoned plans to create its own checking account so as to avoid becoming subject to strict banking regulations, according to The Information. Speculations around the launch of an Amazon checking account resurfaced in 2021, but the company has not made any official announcements so far.

Insurance

Amazon has turned its nascent interest in the insurance market into fully fledged products.

The earliest reported foray into the space was in April 2016 with [Amazon Protect](#), a white-label service in the UK that provides accidental and theft insurance on consumer goods ranging from headphones to kitchen appliances. Claims are underwritten through a partnership with The Warranty Group's London General Insurance Company. The program has since expanded to other European countries including Spain, Italy, Germany, and France.

In June 2018, The Warranty Group, which underwrites Amazon Protect in the UK and abroad, [was purchased by Assurant for a rumored \\$2.5B](#). The acquisition could make it easier to expand Amazon Protect to new markets that are under Assurant's umbrella of lifestyle protection products.

In Europe, Amazon runs product insurance with white label Amazon Protect



Include Amazon Protect 2-year Accident & Breakdown Cover for £27.00
 Include Amazon Protect 3-year Accident & Breakdown Cover for £30.00

Quantity: 1 ▾

 Add to Basket

Turn on 1-Click ordering

Dispatch to:
Joseph Wong - San Diego - 92101 ▾

Add to List

“We have ambitious plans to significantly grow operations in our current markets and **create new, innovative products** that will provide excellent customer experience and satisfaction.”

— September 2017 job posting for Amazon Protect product manager position

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Amazon also teamed up with the insurtech startup Next Insurance to provide eligible Business Prime members with access to small business insurance policies. In less than 10 minutes, users can purchase professional liability, commercial auto, general liability, and other types of insurance coverage. Small business owners get a certificate of insurance digitally. Amazon Business Prime customers also get a 10% discount for purchasing professional liability and general liability policies.

NEXT Insurance is also a part of the new Amazon Insurance Accelerator, a marketplace where sellers can purchase product liability insurance. In addition to the marketplace, Amazon announced it was expanding its A-to-Z Guarantee. It now generally covers personal injury and property damage claims under \$1,000, but could cover higher claims if necessary.

In May 2018, Amazon made an early insurance push in India by leading a \$12M investment in insurtech startup [Acko](#), as well as taking part in a \$60M funding round closed in 2020. Acko offers traditional car and bike insurance policies, but it is increasingly focused on “internet economy” deals, which primarily consist of e-commerce, travel, and ride hailing-focused products such as an in-trip insurance program with [Ola](#). On its new investor, Acko CEO Varun Dua said,

“The idea is to find some way to collaborate in the future. We’re a new age insurance company and [Amazon] believes it can create value.”

In September 2018, Amazon made its interest in the insurance market in India even clearer when it filed with the country's Registrar of Companies to begin selling its own health, life, and general insurance products. In March 2019, Amazon received its corporate agent license from the Insurance Regulatory and Development Authority of India, clearing the way for the company to proceed further.

Amid the Covid-19 pandemic, Amazon began offering cost-free health insurance to its sellers in India, with Acko handling the policies, claims, and reimbursement.

In September 2019, Amazon rolled out a pilot for Amazon Care, a healthcare service for its employees in the Seattle, WA area. It came as part of the company's joint venture with JPMorgan Chase and [Berkshire Hathaway](#), called [Haven Healthcare](#). But this venture disbanded in early 2021 as many of its initiatives failed to take off.

Amazon instead moved forward on its own — with great success. As of 2022, the virtual Amazon Care service is available across the US, and the company plans to launch in-person services in another 20 cities this year. The virtual services allow patients to consult with clinicians any day of the week, while patients in locations where in-person care is available can schedule home visits. Amazon has also expanded the service to other employers, including [Silicon Labs](#) and [TrueBlue](#).

Spain-based bank [BBVA](#) has also begun to operate product sales on Amazon. This relationship could lead to the sale of the bank's various products, including insurance.

Because Amazon would get a cut of each financial service transaction made on its platform, it may look to get other banks and financial institutions to sell their services online.

Amazon's market strategy outside the US

Amazon's long-term top line is 2-3x more exposed to emerging markets than that of rival Alibaba, according to Morgan Stanley Research. Amazon is aggressively entering emerging markets to expand, but also to pilot and take a deeper role in developing new financial services products.

These emerging markets are attractive because of rapid mobile internet adoption, a lack of legacy infrastructure, and a growing number of the population entering into the middle class. Three of the most notable markets where this is taking place today are India, Mexico, and South America.

AMAZON FINANCIAL SERVICES IN INDIA

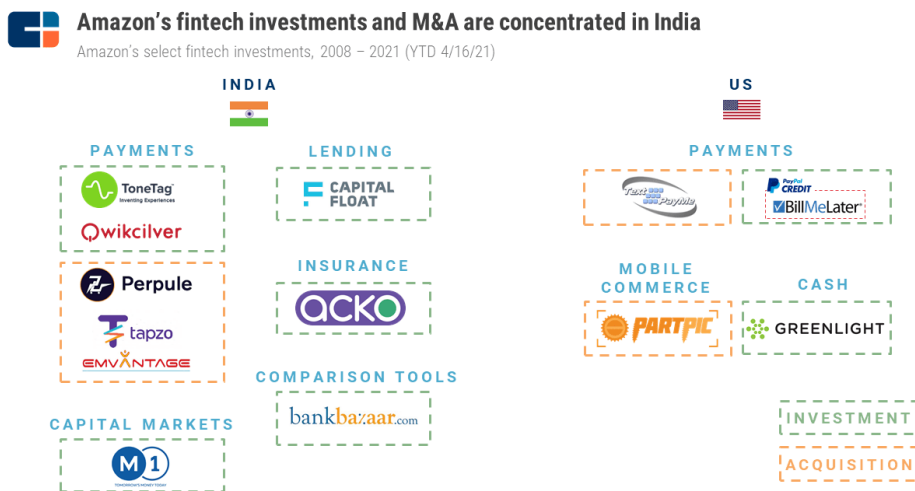
Growing its presence in India is core to Amazon's broader market strategy, and the company has reportedly invested \$6.5B of the \$7B it verbally committed to the country (up from a \$5B commitment it laid out in 2016).

In January 2020, Amazon announced an additional investment of \$1B into the country to help India-based SMBs sell online via its platform. Bezos said that he expected the retailing platform to export Indian goods worth \$10B by 2025. The following year, it launched a \$250M venture fund aimed at startups in the country, as well as businesses that are digitizing SMBs.

In June 2020, Amazon launched its Smart Store feature in India through its Pay arm. The feature allows small businesses to set up a digital storefront on the Amazon marketplace that customers can access by scanning a QR code. Customers can then make online payments through their Amazon wallet, credit and debit cards, or in monthly installments.

Amazon's investments and M&A are concentrated in India

Amazon's global fintech investments and acquisitions are light compared to the company's broader portfolio bets. However, a majority of those it's made have taken place in India, aligned with the company's strategic desire to expand in the country, enable SMBs, and drive more marketplace sales.



Payments

Similar to its US strategy, Amazon is investing in enabling faster, frictionless payments to help boost marketplace sales – always a key focus for the e-commerce giant.

In Q1'16, Amazon acquired [Emvantage Payments](#), which was quickly integrated into Amazon Pay and relaunched as a digital wallet in December 2016.

June 2018 marked the fifth anniversary of Amazon's e-marketplace in India. To celebrate, Bezos wrote a letter to customers offering cash back of Rs 250 (\$3) – to be paid into Amazon Pay wallets – for customers who shopped online for goods worth Rs 1,000 (\$13).

The move strategically pushed consumers toward Amazon Pay, which reported early losses of Rs 177 crore (\$26.6M) on income of Rs 7.4 (\$1.11M) crore for FY17. The losses surged to Rs 1,868 crore (\$257M) on an income of Rs 1,370 crore (\$189M) in FY20.

Some of that burn was the result of the fixed operating costs to set up the business, but is also money spent in promotional offers to acquire customers. Amazon has a firm belief that its customer lifetime value (LTV) exceeds its customer acquisition cost (CAC), which is why it continues to be competitive on price.

 **Amazon is unafraid to burn cash to win in payments in India**
Revenue and expenses for Amazon Payments in India for Fiscal Year 2020



Source: Economic times


The risk seems to be paying off, as losses from Amazon pay shrunk by nearly 19% and revenue grew by 30% in 2021.

Amazon also announced it would inject more capital in its Indian digital payment business, which serves 50M users in the country. In March 2021, Amazon Pay in India raised around \$31M from the company's subsidiaries in Mauritius and Singapore, bringing its total capital raised to more than \$700M. Eight months later, it raised an additional Rs999.90 crore (\$133M).

In addition to cash, the company is also launching new services and ramping up investments in startups.

In January 2018, Amazon Pay rolled out the Doorstep feature, a cash pickup service that allows customers to load money into their Amazon Pay digital payment wallets. Users can top up their balances using cash for digital services including food delivery, bill payment, and mobile recharges.



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In Q3'16, Amazon also invested in prepaid gift card services company [Qwiksilver](#). The gift card system has since been integrated into Amazon Pay and can be used as a form of payment on the Amazon India marketplace. In Q2'18, Qwiksilver partnered with Xiaomi's [Mi.com](#) to offer electronic gift cards that redirect buyers to Amazon.

In May 2018, Amazon co-invested with Mastercard in an \$8M Series B to [ToneTag](#). ToneTag is a contactless payments hardware and software provider that can be integrated at both merchant (e.g. mobile, point of sale, card readers) and customer (e.g. mobile wallet, mobile banking apps) interaction points.

The ToneTag platform is now integrated into Amazon Pay, which expands Amazon's reach to ToneTag's reported 50M consumers (including merchants, parking garages, and restaurants) and 25,000 Retail Pods (the company's hardware product that merchants use to accept payments) in India. This partnership will also expand Amazon Pay in India to offline commerce, a milestone that took the company over a decade in the US.

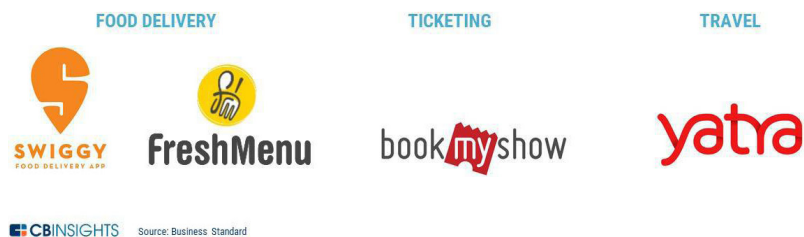


In August 2018, Amazon acquired [Tapzo](#), an all-in-one mobile platform based in India that aggregates a variety of apps in one place. The move could allow Amazon to facilitate flight booking and other diverse transactions.

Further, this type of tool should help Amazon learn how to seamlessly integrate product and service offerings in one platform. Watch for lessons from this kind of all-in-one functionality to spread to other markets, including the Americas.

Amazon has also partnered with a handful of on-demand, high-frequency businesses including food delivery app [Swiggy](#) and ticketing app [BookMyShow](#), all of which could boost payment processing volume.

Amazon is focusing on high-frequency transactions in India to boost payments



In April 2019, Amazon launched a peer-to-peer payments feature for Amazon Pay in India. This allows users to make payments to friends and family, in addition to using the digital wallet for making purchases online and in stores. Further, a recently announced partnership with travel group Make My Trip will integrate Amazon Pay into the travel booking process. For even more convenience, customers will be able to explore travel packages on Amazon.

In Q4'21, Amazon also launched an integration with Yes Bank, enabling an instant payment system powered by the Unified Payment Interface (UPI). UPI is one of the most popular payment methods in India, according to Mahendra Nerurkar, the CEO and Vice President of Amazon Pay. It allows users to transfer money to each other in real time using a QR code or other bank account data.

Amazon is also moving into wealth management services with the help of financial planning and investment platform [Kuvera](#), which has over a million customers in India. Using the Amazon Pay app, customers will be able to access Kuvera's products, such as investing in mutual funds.

In addition to investments and partnerships, Amazon has launched a new advertising campaign promoting its digital payment solutions to Indian consumers called [#AbHarDinHuaAasan](#) (meaning "Now every day is easier").

Lending

One of Amazon's first equity investments in 2018 was a \$22M Series C-II investment in [Capital Float](#), a platform that provides working capital finance to SMBs in India. Following the investment, the company reported it had 80,000 customers across 300 cities, issued \$170M in loans, and disbursed 10,000 loans on a monthly basis. In April 2020, Capital Float raised an additional \$15M from existing investors including Amazon.

Capital Float has also expanded into point-of-sale financing for retailers, launched an online payments gateway for borrowers to repay loans, and started piloting alternative underwriting models.

This investment complements Amazon's broader push to support SMBs. In 2017, Amazon partnered with the [Bank of Baroda](#) to provide loans to thousands of Amazon's e-sellers to help suppliers expand their operations and finance inventory during seasonal spikes.

In June 2018, Amazon launched a new lending experiment in India, a marketplace for lenders and sellers to obtain a competitive loan. Upon launch, Amazon offered 5 lenders on the platform, including portfolio company Capital Float, [Capital First](#), Bank of Baroda, Aditya Birla Finance, and Yes Bank.

In April 2019, Amazon announced its first lending API integration with the lending platform [FlexiLoans](#). With this partnership, Amazon sellers in India can get loans set up directly in their Amazon Seller Dashboard. FlexiLoans offers underbanked Amazon sellers funding and collateral-free loans, and processed 10,000 loans between 2016 and 2019.

Sellers who need access to loans can also benefit from Amazon and Lendingkart's recent partnership. The companies promise a quick and simple loan application process with low interest rates and no collateral. The deal follows Amazon's collaboration with Mumbai-based lender [InCred](#), which also offers low-interest loans to sellers on the platform.

On the consumer side, Amazon offers a credit card in partnership with ICICI Bank that provides 5% cash back on all Amazon purchases for Prime members and 3% cash back for non-Prime members.

In April 2020, Amazon launched its Amazon Pay Later service in India in partnership with Capital Float. Pay Later is an instant credit service that allows interest-free purchases on Amazon.in and bill payments of up to \$800. A year later, the service reached 2M customers.

Insurance

One of Amazon's recent investments in India-based insurance was a \$60M Series D in September 2020 to Acko, which brought the company's valuation to \$500M. The investment is a follow-on round from a \$12M Series B investment in Q2'18, which Amazon also participated in.

Acko reports having 70M customers on its platform for B2C and B2B coverage, as well as third-party micro-insurance for ticket cancellation, ride-hailing, and driver protection. Ola, [redBus](#), [Zomato](#), [UrbanClap](#), and Amazon are among the 15 companies that use Acko for coverage.

In 2019, Amazon received a license to start selling third-party insurance products in India. In addition, the company launched a feature to enable payments of insurance premiums in India through its Amazon Pay wallet, and has been pushing the car insurance product offered by Acko on its platform.

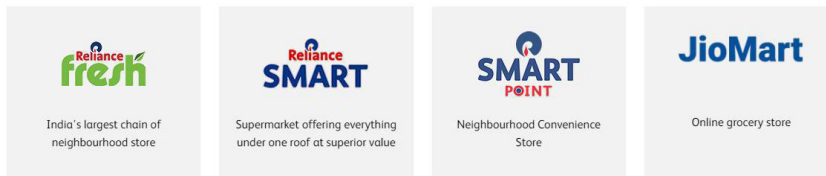
India presents a vast opportunity for Amazon to experiment with its insurance business. Overall insurance penetration in the country increased from 2.7% to 4.2% between 2001 and 2021, meaning there are plenty of potential customers for the company. The overall value of the insurance market in India is estimated to be worth [over \\$200B in the coming years](#).

Challenges

From 2014 to 2020, Amazon invested \$6.5B in India. But the company is yet to turn a profit and is facing a number of challenges. For one, long-standing rules in India allow foreign e-commerce players to act solely as marketplaces that connect buyers and sellers, so companies like Amazon or Walmart's Flipkart can't hold items and sell them on their platforms. These and other e-commerce players bypassed this rule by operating through joint ventures with local companies that acted as inventory-holding firms.

This loophole was closed in December 2018. Local authorities adopted new rules that prohibit foreign e-commerce companies from listing items of sellers in which they have an ownership stake. Amazon, Flipkart, and other foreign e-commerce businesses then had to delist thousands of items from their stores. They also had to make investments in sellers even more indirect.

India seems bent on tightening these rules further. At the beginning of 2021, the government started discussing new rules that would forbid foreign e-commerce firms from holding a stake in sellers through their parents. Amazon may especially be hit hard by this policy change. The retail giant has indirect equity stakes in 2 sellers that account for more than a third of its sales revenue in India.



Reliance Retail boasts a number of popular brands that compete with Amazon

But not all government authorities support the proposed e-commerce rules. The Ministry of Finance has called them excessive and questioned the rationale behind the new regulations. Suhaan Mukerji, managing partner at law firm PLR Chambers, told Reuters, "The ministry of finance raising such concerns would likely spur a rethink of the policy."

Amazon is also facing growing competitive pressure. Reliance Retail, a retail arm of India's conglomerate Reliance Industries, has announced it would buy the retail chain Future Group. Amazon is trying to prevent this deal.

The US retailer claims its ownership in one of Future Group's firms gives its right to first refusal and has taken this case to court. Also, Reliance Retail and Reliance Industries-owned telecom giant Jio Platforms have secured the financial backing of Facebook and Google, increasing the growing competition in India's e-commerce retail market.

However, in December 2021, India's antitrust authority blocked Amazon's \$200M investment in Future Group from 2019. The regulator based its decision on Amazon's alleged lack of transparency regarding the investment, issuing a \$27M fine. Amazon has appealed the decision, and the case is still pending.

AMAZON FINANCIAL SERVICES IN MEXICO

Amazon has quickly learned from expanding financial services in India and is looking to apply what it's learned to other developing markets, notably Mexico.

Since March 2017, Amazon has launched Amazon Prime, Amazon Cash, and Amazon Cash debit cards in Mexico. All align with Amazon's broader strategy of building a low-friction payments service to attract customers online and then providing shoppers an alternative to credit and debit cards to build loyalty.

Payments

Amazon Cash launched in Mexico in October 2017. Similar to the US model, it allows customers to reload their accounts through deposits (up to 10,000 pesos, or \$444) at convenience store chains such as 7-Eleven and other merchants pictured below.

In March 2018, the company launched a debit card with partner Grupo Financiero Banorte, a Mexican bank, called Amazon Recargable (Rechargeable). Like Amazon Cash, customers can deposit cash on the debit card at convenience stores across the country.

Payments is Amazon's entry point in Mexico

amazoncash

La forma más sencilla y sin comisiones de pagar con efectivo en Amazon

Cómo funciona

1. Obtén tu código de barras utilizando el botón de abajo
2. Visita un establecimiento participante
3. Deposita entre \$100 y \$5,000 pesos
4. Tus fondos están disponibles al instante para comprar

CASH PARTNER LOCATIONS

Todos los establecimientos participantes

amazonrecargable

amazon.com.mx + GRUPO FINANCIERO BANORTE

RECHARGEABLE PARTNER LOCATIONS

OXO, Circle K, Abarro, Sereno, MEGA, La Comer, Telcel, Telcel, Abarro, Pasa, Woolworth

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Customers in Mexico can also pay for their Amazon purchases by visiting one of the 19,000 OXXO stores in the country and showing a unique barcode generated at checkout within 48 hours after making an order. The partnership is another convenient solution for consumers without access to a bank account.

Amazon's financial services push is significant for Mexico because many customers are unbanked. This may give customers access to a debit card for the first time, as cash is the preferred payment method for approximately 90% of all purchases. These hurdles mean Mexico is an untapped opportunity for Amazon to convert offline purchases to online commerce.

In March 2019, Amazon was reported to be working on a mobile payment system in partnership with Mexico's central bank. The system, also known as CoDi, allows people to use QR codes to pay for purchases made both on- and offline.

CoDi rolled out first as a small pilot that spring, with a complete rollout in October 2019 with 33 participating banks.

Amazon's main retail business still lags behind that of competitor [MercadoLibre](#) in Mexico, so owning more of the country's payments infrastructure could be a powerful lever for Amazon to use to catch up.

AMAZON FINANCIAL SERVICES IN SOUTH AMERICA

Amazon is expanding its footprint across South America. The US giant is forming partnerships with payment processors, growing its distribution network, and expanding data center infrastructure. Although it still doesn't offer its cards or insurance options in South America, Amazon is preparing the groundwork needed for such services.

Amazon partnered with fintech firm [dLocal](#) to enable Chilean customers to pay in pesos while shopping on Amazon. Shoppers can also pay in 3 monthly interest-free installments using Visa, American Express, and Mastercard credit cards issued by banks in Chile. The duo also expanded their collaboration to Paraguay, allowing customers in the country to pay for goods using their debit and credit cards.

Customers in Colombia will have an equally seamless shopping experience. Amazon teamed up with payment solutions company [EBANX](#) to enable Colombian shoppers to pay for goods in local currency and using local payment methods. In 2021, the companies announced that Amazon Prime Video subscribers in Peru can also pay for the service in the domestic currency. EBANX offers over 100 localized payment solutions in other countries, including Argentina, Peru, Bolivia, and Uruguay, and could help Amazon with regional expansion. And until now, shoppers in Chile or Colombia could only pay in local currency if they used Amazon PayCode as a checkout option.

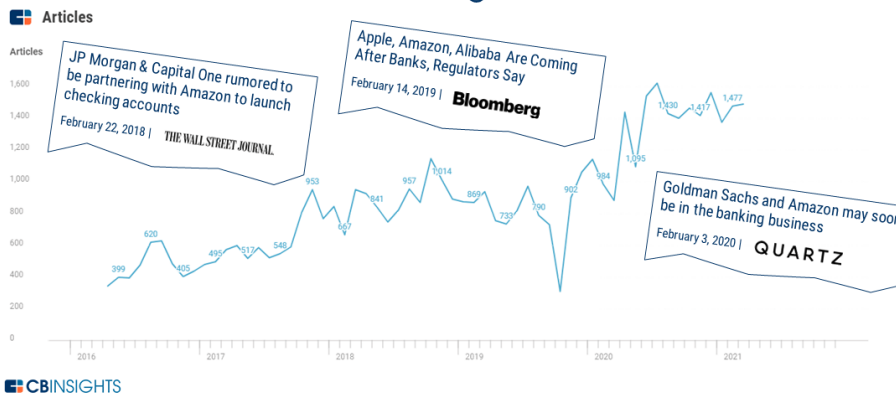
Brazil remains the largest retail market in South America. But Amazon lags behind other e-commerce players such as MercadoLibre, [B2W](#), and [Magazine Luiza](#) that dominate this market. To catch up with the competition, the company rolled out Prime Day in September 2020 for the first time and also expanded its logistics hubs to offer Prime deliveries in 500 cities. In February 2020, the company also announced plans to invest \$236M in Brazil's cloud infrastructure. To that end, the company led a \$108M Series B investment to Brazil-based fintech [Pismo](#) in October 2021.

Rumors: What will Amazon do next?

If there's anything we've learned from Amazon, it's to never say never. After the news broke that Amazon was looking to offer a checking account-like product, mentions of Amazon and banking crossed over 600+ media mentions. Although the company has since scrapped the idea, the media attention remains.

THE BANK OF AMAZON

The media still loves to speculate about the threat of Amazon and big tech on banks



In that spirit, here are some of the noteworthy rumors in the wild:

RUMOR: AMAZON WILL INTRODUCE MORE BNPL OPTIONS

Source: November 2021, The Financial Brand

Why it's interesting: Amazon's new partnership with PayPal's mobile payment service Venmo will allow users to pay for their purchases using their Venmo account. The deal could also open doors to Amazon providing additional BNPL products at checkout, considering PayPal also offers a Pay in 4 service. Although Amazon already has a partnership with Affirm, The Financial Brand notes that many online retailers provide several BNPL options at checkout.

RUMOR: AMAZON'S BANKING AMBITIONS POST-BEZOS WILL GROW.

Source: [The Financial Brand](#)

Why it's interesting: Jeff Bezos has been a driving force behind many of Amazon's key initiatives. It comes as no surprise that his transition to the role of executive chairman and the appointment of Andy Jassy as the new CEO raises lots of questions. For one, financial organizations wonder what Amazon's future banking ambitions are.

Jim Marous, an expert on the digitalization of banking, says that "the decision by Bezos to step down from his current position will most likely only strengthen the commitment to financial services by Amazon." Also, Jassy worked with Capital One, Stripe, Robinhood, and various other financial companies while leading AWS. And this experience may prove to be invaluable in helping Amazon innovate in the finance field.

Alyson Clarke, the principal analyst at [Forrester](#), also points out that Amazon is likely to continue partnering with other financial institutions. She doesn't think that "Amazon will – or needs to – get a license and become a bank. Any ambitions they have can be done via partnerships."

RUMOR: AMAZON IS BUILDING A DIGITAL CURRENCY

Source: [Coindesk](#)

Why it's interesting: Several job postings revealed that Amazon is assembling a team to work on a digital currency project in Mexico. One job posting noted that the product Amazon is about to build will "enable customers to convert their cash into digital currency" and then use that currency to shop for goods and services, including Prime Video.

Amazon's Digital and Emerging Payments (DEP) division is in charge of this payment product. Another job posting said that the currency is geared toward emerging markets. It remains unclear what the value proposition of Amazon-owned currency is and whether it is blockchain-based.

Perhaps the currency could be used to send money abroad to friends and family to buy specific products from Amazon's stores. Whatever the case, Amazon has once again shown its willingness to experiment with different technologies.

In July 2021, Amazon put up another job advertisement for a blockchain and digital currency expert who would use their "domain expertise in Blockchain, Distributed Ledger, Central Bank Digital Currencies and Cryptocurrency to develop the case for the capabilities which should be developed, drive overall vision and product strategy, and gain leadership buy-in and investment for new capabilities." The expert would join the company's payments team. Although Amazon has yet to announce a digital currency expert as of 2022, the job posting proves it's exploring crypto behind the scenes.

RUMOR: AMAZON IS GOING DEEPER INTO THE HOME

Source: *July 2019, NY Times*

Why it's interesting: Amazon has previously worked with residential real estate brokerage [Realty](#) to create TurnKey, a service to connect buyers and realtors on Amazon's marketplace. However, the partnership between Amazon and Realty was suspended in mid-2020 because of the Covid-19 pandemic. Realty CEO Ryan Schneider said that "home services that require people being in someone's home just doesn't work in a Covid-kind of social distancing world."

Nevertheless, [Amazon is trying to wedge itself deeper into the home](#). By getting ahead of buyers as they start their search and incentivizing them with Amazon services, the company is aiming to create a massive cross-selling opportunity for its products.

It's also a new way to grow distribution for its portfolio of home hardware devices such as Ring, smart devices like Alexa, and services like Amazon Home Services installation. The move could also help Amazon expand into home insurance or mortgage offerings.

Further reading: [It's Not Just Your Smart Speaker. How Amazon Is Coming For The \\$50T+ Commercial and Residential Real Estate Industries](#)

RUMOR: AMAZON REPORTEDLY HAD DISCUSSIONS ABOUT OFFERING HOME INSURANCE

Source: June 2018, [The Information](#)

Why it's interesting: This rumor is based on an anonymous source that reported Amazon had discussions about offering insurance in conjunction with its connected home devices. However, none of Amazon's existing investments or products tie to home insurance, at least in the US. While the company has made insurtech investments in India (such as in Acko) and a partnership in the EU to offer Amazon Protect, acting as more than a distributor of existing home insurance products seems unlikely.

RUMOR: AMAZON IS GETTING INTO MORTGAGES

Source: March 2018, [Housing Wire](#)

Why it's interesting: While Amazon has not made concrete plans, it has been making a series of strategic hires for lending with a focus on mortgage banking. The company hired a head of its newly formed mortgage lending division. In addition, the firm has a number of home services businesses such as Alexa, Prime streaming, and Amazon Fire Stick, and this could be its next move in owning the home.

RUMOR: RIPPLE IS HELPING AMAZON WITH CROSS BORDER PAYMENTS

Source: May 2018, [CryptoDaily](#)

Why it's interesting: While cryptocurrencies saw a huge spike in interest in 2017, many of the world's most prominent figures in financial services — including JPMorgan Chase CEO Jamie Dimon and Berkshire Hathaway CEO Warren Buffett — have outwardly cast it aside as mass speculation.

Amazon is known to take unconventional approaches to solve customer pain points, so it would not be surprising if it were to explore applications of blockchain across financial services products.

RUMOR: AMAZON AND PAYPAL ARE MEETING WITH BANK REGULATORS TO EXPAND THEIR FINANCIAL SERVICES

Source: December 2017, [American Banker](#)

Why it's interesting: Amazon and some other FAMGA (Facebook, Amazon, Microsoft, Google, Apple) members have been making headlines with rumors of moving deeper into financial services.

Skeptics have punted back that the complexity of the regulatory landscape would inhibit them from entering the market. News that the firms are connecting with financial regulators suggests that regulations are not an inhibitor, but rather just an obstacle, and meeting with the Office of the Comptroller of the Currency (OCC) is one way to get the conversation going to overcome it.

Following this meeting, the OCC worked on a fintech charter for tech firms, including Amazon, which was supposed to include a centralized application that would give tech firms a limited (but universal) financial license vs. having to go state by state for approval. However, a federal court ruled in October 2019 that the OCC did not have the authority to issue such a charter. The OCC plans to appeal the decision.

RUMOR: AMAZON IS BUYING CAPITAL ONE

Source: February 2017, [American Banker](#)

Why it's interesting: This rumor was one of the earliest that suggested Amazon would buy a bank. Amazon has a decent amount of cash on its balance sheet and could use that cash to buy a small regional bank. Capital One, in particular, is already operating on the AWS cloud and is looking to make further inroads into personal finance, so it could be a good combination.

Closing thoughts

Amazon's strategy in financial services has been focused on supporting its core strategic goal: increasing participation (both from buyers and sellers) on its platform.

In practice, Amazon has relied much more heavily on internal product development than partnerships, M&A, or investments to broaden its financial services offerings. Relative to its FAMGA cousins (which have been much more active on the M&A and investment front), this is a surprising strategic decision. What's not surprising is to see Amazon methodically seed, invest, and nurture a product line with a distant horizon in mind.

Zooming out a bit further, one can see the beginnings of what the Bank of Amazon could look like – a variety of key financial services products that support Amazon participants first, and enable them to buy, sell, and transact more easily than any other platform.

And that potential Bank of Amazon should worry traditional incumbents. If history provides a useful lesson, it's that Amazon first builds core product pillars for itself, where it is the only and most important customer. This was most famously the case with AWS, which was the result of overhauling its own internal capacity for cloud services that were later repurposed for external clients and third parties. Only after years of building a product and iterating on features for itself does Amazon launch and expose a key product pillar to other customers.

When that point comes with finance, it will likely be too late for incumbents that have not yet responded.

Additional reading

[Amazon Strategy Teardown: Amazon's Barreling Into Physical Retail, Financial Services, Healthcare, And AI-Led Computing](#)

[Amazon Vs. Alibaba: How The E-Commerce Giants Stack Up In The Fight To Go Global](#)

[How 5 Tech Giants Are Leveraging Data To Reinvent Lending](#)

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