

Everything You Need To Know About What Amazon Is Doing In Financial Services

From payments to lending to insurance to checking accounts, Amazon is attacking financial services from every angle without applying to be a conventional bank. In this report, we break down everything we know about Amazon's foray into financial services, and where it's rumored to be looking next.

Last February, Andreessen 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 buzz that Amazon will take the plunge into banking seems to get louder 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 Continue to 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).

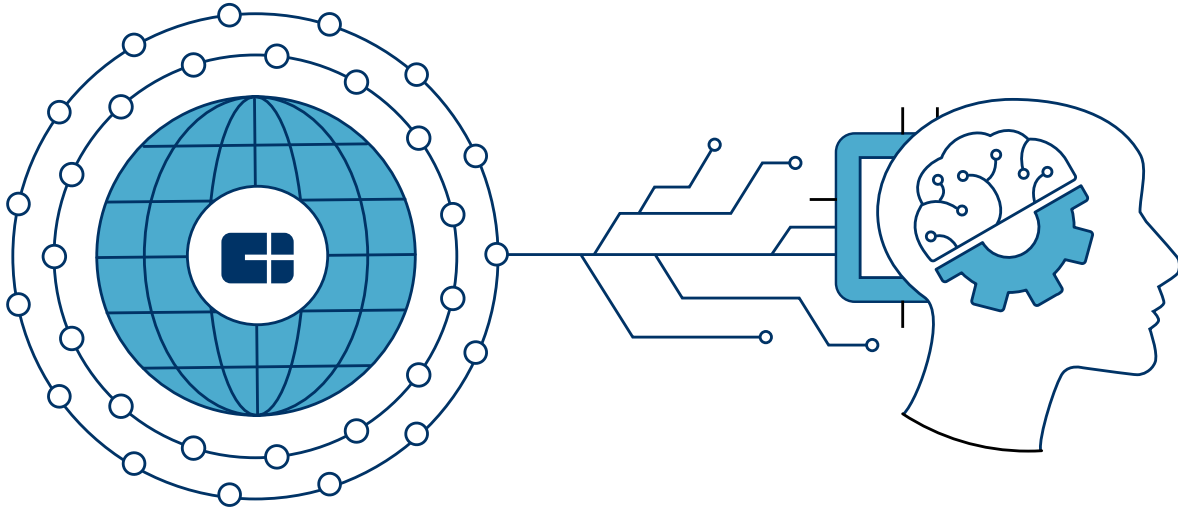
In a sense, Amazon is building a bank for itself – and that may be an even more compelling development than the company launching a deposit-holding bank.



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.

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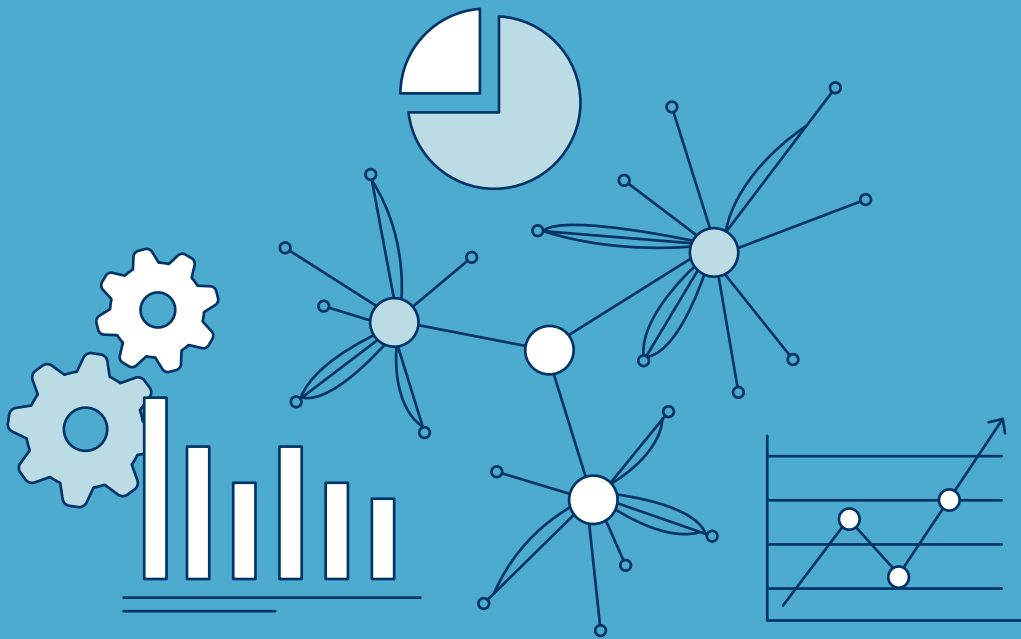
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Beti Cung,
CORPORATE STRATEGY, MICROSOFT



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1

Product strategy: Amazon takes on financial services

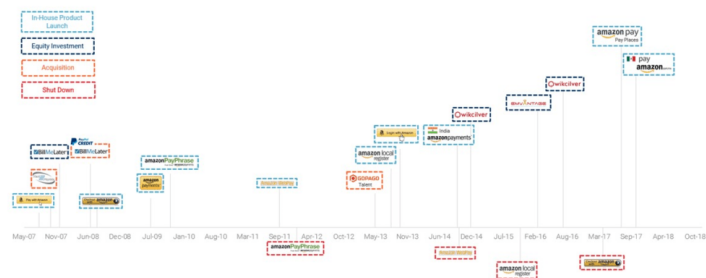
Amazon is notorious for spreading its bets before going all-in on a new product, and the financial services space is no exception. Through trial and error, the company has set up key financial pillars across payments, cash deposits, and lending. As we'll dive into below, all are related to Amazon's broader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

Today, Amazon Pay has evolved to include a digital wallet for customers and a payments network for both online and brick-and-mortar merchants. While Amazon Pay is the company's latest iteration on payments, Amazon experimented with payments functionality for over a decade. Below is a timeline of some of the major Amazon Pay milestones:

The evolution of Amazon Pay



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 relaunched 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 quickly scooped up by PayPal in 2008, Amazon has remained 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, and building a variety of tech in-house.

Traction/Metrics:

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.

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 alone are a \$90B-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, it reported that Amazon Pay had 33M customers in 170 countries in 2016. 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, the company 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 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 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



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:

Amazon Go: Amazon's secret payments weapon?

Developing product remains an area of strength for Amazon, especially as it iterates on its in-house biometrics payments technology piloted within its Amazon Go grocery store.

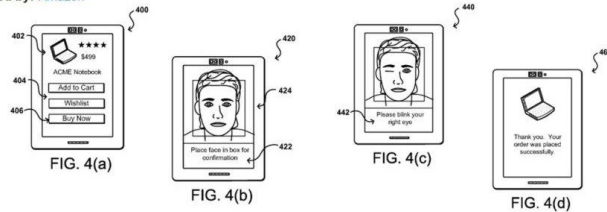
The “Just Walk Out” technology uses computer vision, sensor fusion, and advanced machine learning to enable a frictionless payments experience, and is based on technology that the company has patented in the past.

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.

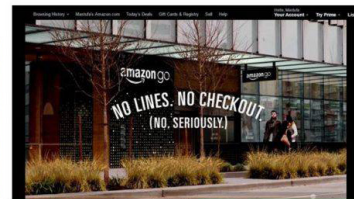
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“Just Walk Out” is available through the Amazon App. It grants access to the store and allows customers to grab-and-go without needing to physically check out to pay for products.

Amazon is still only in beta with this technology, but it has plans to launch 6 more stores with this capability in 2018. While the company typically does not make its proprietary technology available commercially, it would not be surprising if Amazon looks to integrate this tech into its Whole Foods stores in the future.



Cashier-less Amazon Go store



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AMAZON CASH

The Amazon Cash program bridges the gap between online commerce, using debit or credit cards as payment, and offline commerce that 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) at a partner brick-and-mortar retailer such as CVS, 7-11, and others.

Amazon Cash is a depository for cash

The screenshot shows the Amazon Cash website. At the top, the Amazon Cash logo is displayed next to the text "The fast, no fee way to use cash to shop on Amazon". Below this is a yellow button that says "Get your barcode". The main content area is divided into four columns, each representing a partner retailer:

- 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.

At the bottom of the page, the CBINSIGHTS logo is visible.

Amazon Cash fits neatly into Amazon’s strategy of appealing to underbanked and unbanked populations – customers do not need a bank account or a phone to open an account, only access to the internet and a printer.

In the US, there are estimated to be 33.5M US households defined as unbanked or underbanked, according to the **FDIC’s most recent survey**. Prior to Amazon Cash, this was an unaddressed customer base for the online retailer.

Since Amazon Cash's launch, Amazon has made a few key product developments, demonstrated in the timeline below:

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.

The location of kiosks – typically in grocery stores – is a newer cornerstone of Amazon’s business following the 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.

Coinstar has nearly 20,000 kiosk locations across mass merchants and select financial institutions. The goal is to enable 5,000 kiosks with the new service by year end, and, if successful, Amazon could look to roll out services to more kiosks down the road.

Amazon Allowance: A kid-friendly solution

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

In mid-2015, the company added Amazon Allowance, which is now under the Amazon Cash umbrella. With parental consent, kids can set up their own Amazon accounts and make purchases using their Amazon Allowance. Parents can allocate recurring funds to their child’s account and get the added control of overseeing what their kids purchase.



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 email? * **From** Enter your name
Enter an email address. Enter your name

Amount \$100.00 **Frequency** Monthly **Starting** 05/11/2018

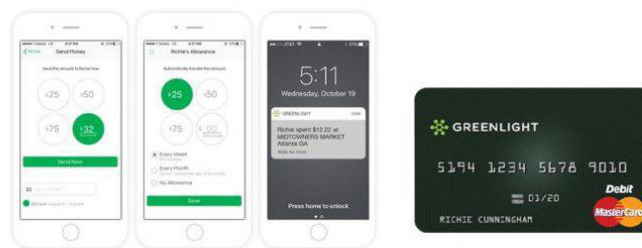
[Sign In to Continue](#)

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



More recently, Amazon has invested 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. In March 2018, Greenlight Financial announced crossing 100,000 customers, growing its customer base 300% since the investment.



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

While no plans have been announced, Amazon Cash could look to integrate Greenlight Financial's card into the allowance product to expand to locations where kids can use their Amazon Allowance (and ideally include the growing number of offline brick-and-mortar retailers that accept Amazon Cash as payment).

Traction/Metrics:

Amazon hasn't announced how many customers are using Amazon Cash, but it's clear the market opportunity is large. As mentioned earlier, the FDIC estimated that 33.5M households remain underbanked or unbanked in the US.

The international opportunity is large too – for example, 190 million 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.

Future Developments:

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

The company could continue to expand the Amazon Cash program to other partners with high foot traffic (for example malls, colleges, grocers, etc.) or other geographies with highly underbanked populations. 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 forward 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 has expanded lending to US, UK, Japan, and India and to US consumers in the form of partner cards.

Amazon SMB Lending

Amazon Lending initially launched in 2011 to help small businesses finance and sell more goods on Amazon. In March 2018, CNBC reported that Amazon Lending had partnered with

Bank of America Merrill Lynch to issue the loans on an invitation-only basis that could range between \$1,000 to \$750,000.

Amazon has issued \$3B in SMB loans

The screenshot shows the Amazon Lending interface. At the top left is the 'amazonlending' logo. To the right, it says 'Take your business to new heights with Amazon Lending'. Below the logo, there is a 'Congratulations!' message and a list of benefits: 'Low total cost', 'Simple registration - complete in minutes', and 'Automatic payments from your seller account'. On the right side, there is a 'Loan Request Amount' dropdown set to '\$3,000' and a 'Payment Term' dropdown set to '6 Months'. Below these is a 'Loan Summary' table:

Loan Summary	
Interest (8.99% annual rate)	\$69.72
Net Loan Proceeds	\$3,000
Total of Payments	\$3,069.72
Monthly Payment	\$510.12
Total Cost (2.02%)	\$69.72

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From launch in 2011 to June 2017, Amazon reported it issued \$3B across 20,000 business in the US, Japan, and the UK. The bulk of growth in the last year has been to businesses in the US, where the company originated \$1B in loans in 2017 alone.

Amazon remains focused on growing market share outside of the US. The company is also exploring opportunities to expand alternative lending into India and Mexico through partnerships with local banks, similar to the partnership with Bank of America.

Amazon Consumer Lending

Amazon offers Amazon Prime cards to help serve two broader corporate goals: grow Prime customers and increase marketplace sales. To attract card customers, Amazon has been adding perks 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 been iterating with 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 as 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 & Whole Foods, 2% cash back at gas stations, restaurants, and drugstores, and 1% cash back on everything else.
- **Amazon Visa Credit Card** – Partner card with Visa for non-Prime customers that offers 3% cash back on Amazon 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

amazon.com STORE CARD
amazonPrime STORE CARD

PERKS FOR PRIME MEMBERS

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

CREDIT CARDS

amazon | CHASE

amazonPrime VISA

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

amazon reload

Prime members earn 2% rewards

- 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.

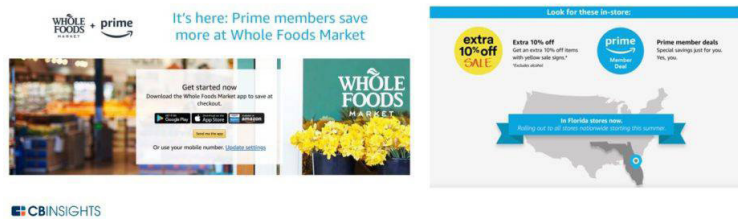
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Future Developments:

In May, 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



More broadly, Amazon’s Visa cards suggest they are pushing beyond limited-use store cards and driving to become more of an everyday card.

“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 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

In March, news leaked that Amazon was in talks with banks including JPMorgan and Capital One to build a product similar to a checking account.

The existing services above show that Amazon is pushing into checking, primarily through Amazon Cash. It has also patented methods for linking bank account information and for prepaid

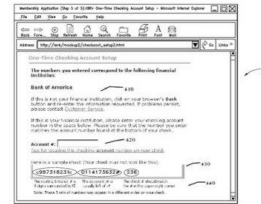
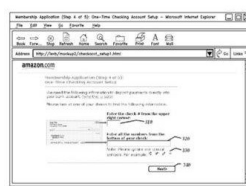
cards as early as 2004. As seen below, these offer supporting insights into what a bank account issued by Amazon could look like.

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



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.

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Though no further developments have been announced, the news sparked fresh debates around whether the e-commerce giant would finally get into banking.

Insurance

Amazon has not formally launched an insurance business but has shown nascent interest across markets and insurance products.

The earliest reported foray 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 EU 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 the service to new markets that are under Assurant's umbrella of lifestyle protection products.

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



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

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

Quantity: 1

Turn on 1-Click ordering

Dispatch to: Joseph Wong - San Diego - 92101

"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

Meanwhile, Amazon made an early insurance push in India by leading a \$12M investment in Acko in May 2018. Acko offers traditional car and bike insurance policies, but 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, CEO Varun Dua says:

"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."

2

Market strategy outside the US

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

These 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. Two of the most notable markets where this is taking place today are **India** and **Mexico**.

INDIA

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

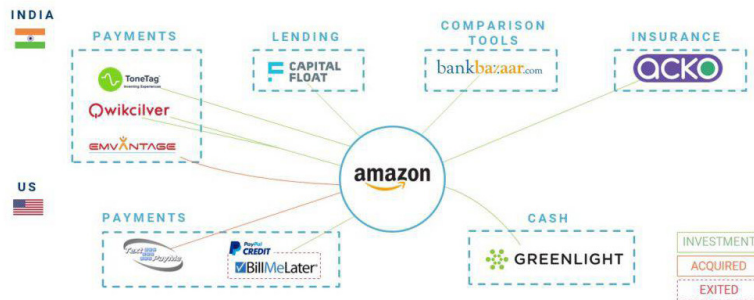
In addition to capital, several initiatives in India map to Amazon's financial services strategy. This includes making equity investments in fintech and enabling SMEs by offering loans with partner banks, all of which ultimately drive more marketplace sales.

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

Amazon's fintech investments and acquisitions are light compared to the company's broader portfolio bets. Globally, Amazon has only participated in 8 fintech equity investments worth \$138M and made 2 acquisitions.

Notably, 7 of these transactions have taken place in India, aligned with the company's strategic desire to expand in the country, enable SMEs, and drive more marketplace sales.

Amazon's fintech Investments and M&A are concentrated in India
2008 – 2018 (YTD 6/6/18)



Payments

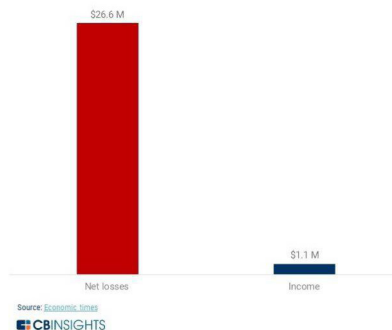
Similar to its US strategy, Amazon is investing in enabling faster frictionless payments to help boost marketplace sales – always a key focus for the e-commerce giant.

Its first entry point in the market was in payments in October 2014. Getting more aggressive than in the US, Amazon acquired Emvantage Payments in Q1'16, which was quickly integrated into Amazon Pay and relaunched as a digital wallet in December 2016.

June 5, 2018 marked the 5th anniversary of Amazon's e-marketplace in India. To celebrate, Amazon founder Jeff Bezos wrote a letter to customers offering a cashback of Rs 250 – to be paid into Amazon Pay wallets – for customers who shopped online for goods worth Rs 1,000. The move strategically pushes consumers towards Amazon Pay, which recently reported early losses of Rs 177 crore (\$26.6M) on income of Rs 7.4 (\$1.11M) crore for FY17.

Some of that burn is the result of the fixed operating costs to set up the business, but is also money spent in promotional offers to acquire customers (CAC). Amazon has a firm belief that its customer's life-time value (LTV) exceeds the CAC, which is why it continue 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 2016 - 2017



Amazon announced they would inject more capital in their Indian digital payment business, taking the total to nearly Rs 700 crore (\$105M) since 2016. 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 wallet. The service allows users to 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 Qwikcilver. The gift card system has since been integrated into Amazon Pay and can be used as a form of payment on Amazon's India marketplace. In Q2'18, Qwikcilver 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 (mobile, point of sale, card readers) and customer (mobile wallet, mobile banking apps) interaction points.

The ToneTag platform will be integrated into Amazon Pay, which will expand 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.



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 SMEs. 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.

The company 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 SMEs. Last September, 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. Amazon has already onboarded 5 lenders to the platform including portfolio company Capital Float, Capital First, Bank of Baroda, Aditya Birla Finance, and Yes Bank.

Insurance

Amazon's latest investment in fintech was the \$12M investment to aforementioned insurtech startup Acko.

The company has reportedly covered 10M Ola (ride-hailing) trips. The news also suggested the two may partner to roll out a product insurance program similar to Amazon Protect in the UK, although nothing has been confirmed.

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 in 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.

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) 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. Escanea 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 + GRUPO FINANCIERO BANORTE

RECHARGEABLE PARTNER LOCATIONS

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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. Mexico is largely a cash society and it is the preferred payment method for approximately 90% of all purchases. These hurdles mean Mexico is an untapped opportunity for either Amazon or Walmex (Walmart's Mexico arm) to convert offline purchases to online commerce.

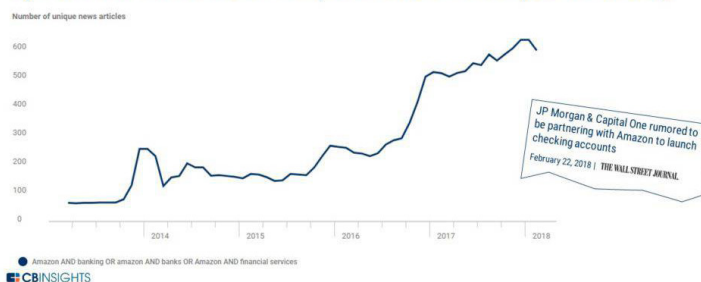
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Rumors: What will Amazon do next?

If there's anything we've learned from Amazon, it's 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.

THE BANK OF AMAZON

Chatter about Amazon in financial services spiked on the heels of potential bank partnership



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

Rumor: Amazon reportedly had discussions about offering home insurance

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

Why it's interesting: This rumor is based on one 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 (including Acko) and a partnership in the EU to offer Amazon Protect, acting as more than a distributor of existing home insurance products would seem 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 like Alexa, Prime streaming, and Amazon Fire Stick, and this could be its next move in owning the home.

Rumor: *Amazon is getting into health insurance*

Source: January 2018, [Engadget](#)

Why it's interesting: In the US, Amazon announced that it would be joining forces with JP Morgan and Berkshire Hathaway on new health insurance programs for their employees. No further updates have surfaced since. However, Amazon has been signaling that it is looking at healthcare seriously. Last summer, the company posted several internal job openings for a new stealth team called the "1492 squad," relating to the use of medical records. Amazon also invested in cancer startup [Grail](#), participating in the company's \$914M Series B in Q1'17, and hired a healthcare and life sciences director away from Box.

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 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 OCC is one way to get the conversation going to overcome it.

Since this meeting, the OCC has been working on a fintech charter for tech firms, including Amazon, that is a centralized application which would give tech firms a limited (but universal) financial license versus having to go state by state for approval.

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 AWS' cloud and is looking to make further inroads into personal finance, so it could be a good combination.

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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 (that have been much more active on the M&A and investment front), that's a surprising strategic decision. But, what's not surprising is to see Amazon methodically seed, invest, and nurture a product line with a long time horizon.

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 much easier than any other platform.

And that potential Bank of Amazon should worry the 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 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.

By then, it will likely be too late for incumbents who have not responded.