PaymentsEd FORUM

Your source for payments education

Future of Payments

Has little to do with Payments

Karen Coffey, First Data, Vice President, Integrated Partners

Clint Cady, W. Capra Consulting, Director of Payments

…

- **Title**: The Future of Payments…has little to do with payments

- **Summary**: Join us as we delve into 5 key trends and the impact they are having on the payment eco system resulting an industry where the consumer experience and expectations are becoming as important as the payment itself.

Key Takeaways

1. Sorting through the noise to identify trends that are important to your business

2. 5 Key Trends that are impacting consumer experience and expectations

3. What business are we in?

PaymentsEd FORUM

Journey – Path to Now
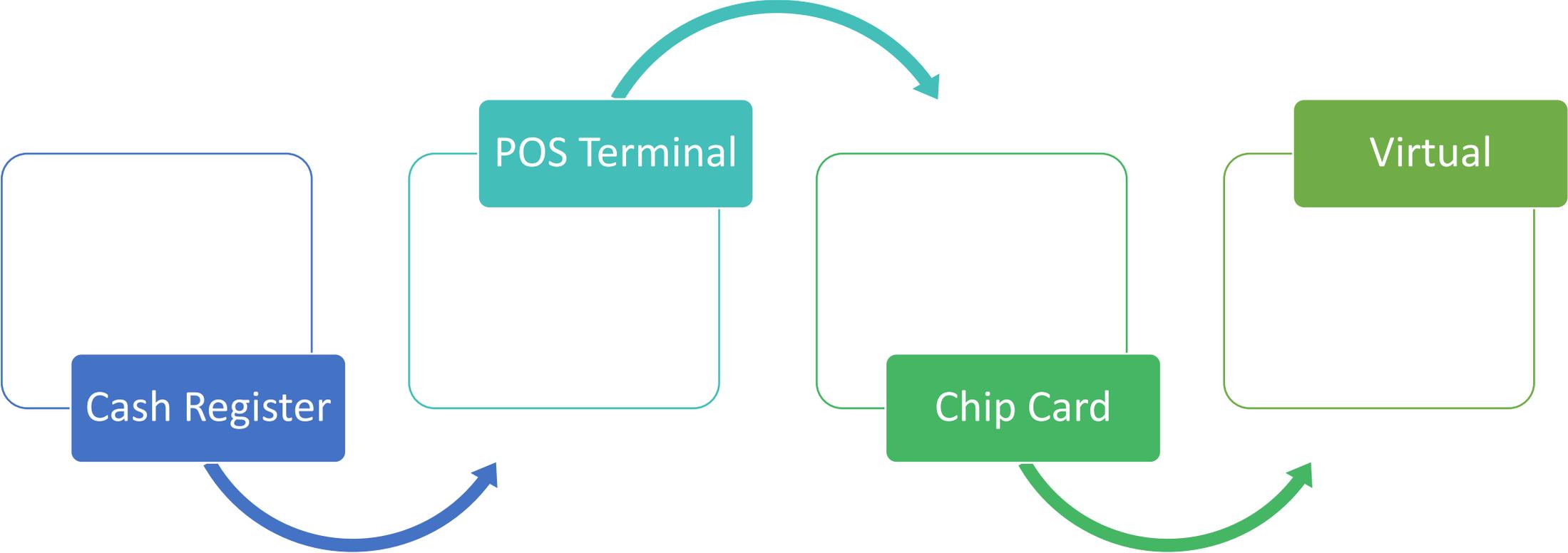
Cash Register → POS Terminal → Chip Card → Virtual

Journey – Evolution of Payments

Payments Mindset

- **Purpose:** Allow customers to buy your product; accept payment
- **Technology:** Cash Register, PIN Pad, Credit Cards
- **Mantra:** "Pay how you want to"

Commerce Mindset

- **Purpose:** Facilitate buying opportunities, better understand the customer
- **Technology:** mobile apps, subscription payments, tokenization
- **Mantra:** "Shop how you want to"

Cohesive Payment Options Breaking Barriers Between Channels

Card Present

QR Code

Siloed Payment Experience

Mobile Devices

Card Not Present

Future Approach

Card Present | BOPIS

Card Not Present | BISSTH

Buy Online Pick-up In Store

Buy In Store – Ship to Home

PaymentsEd FORUM

6

So Much Happening
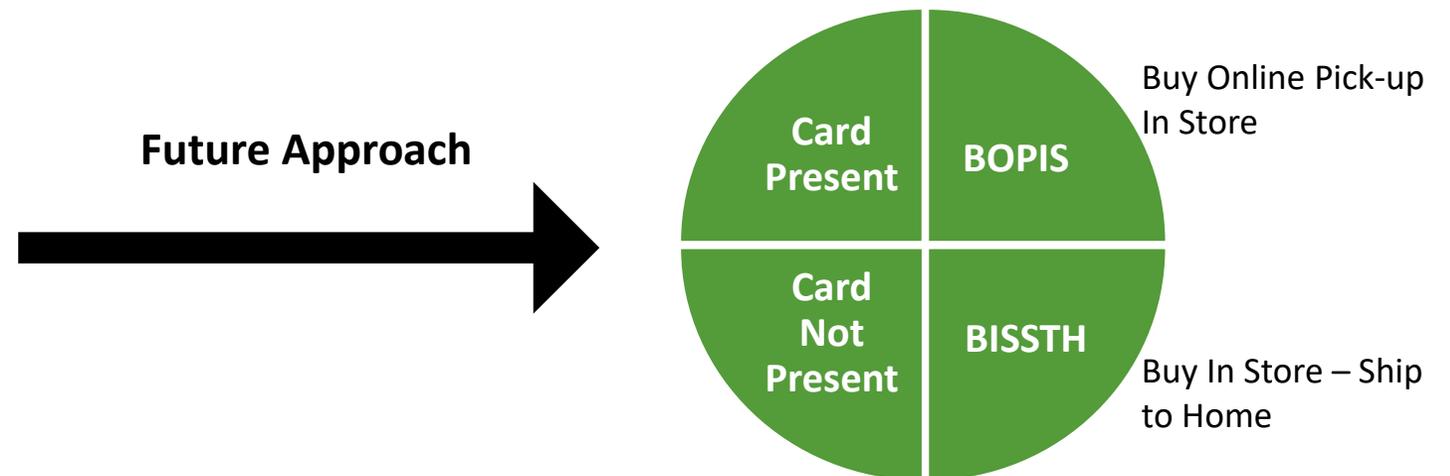
Examining and Assessing Trends

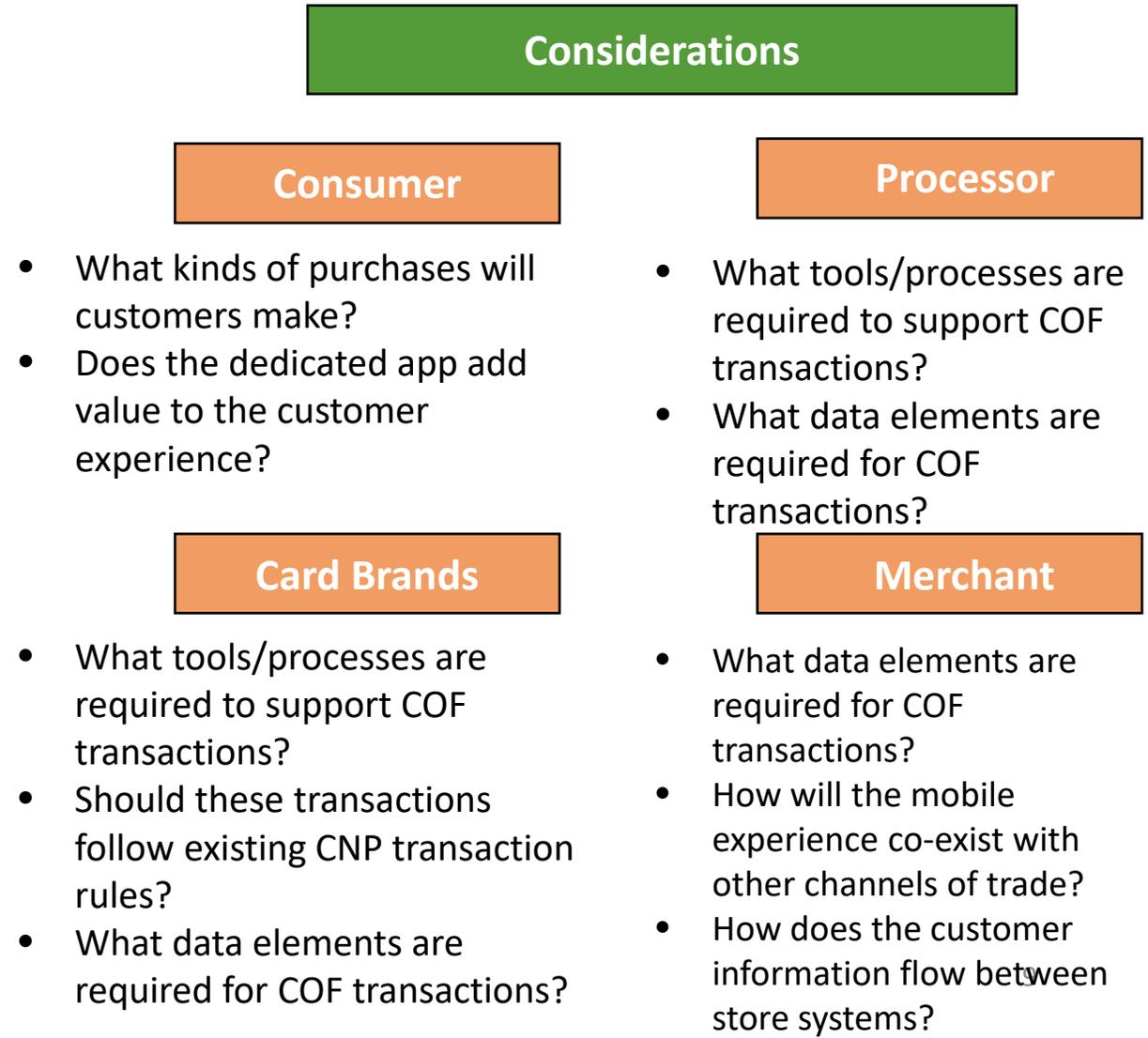To better understand the changing nature of payments, its increasing complexity, and its industry impact, we will examine 5 emerging trends through the lens of key commerce stakeholder groups
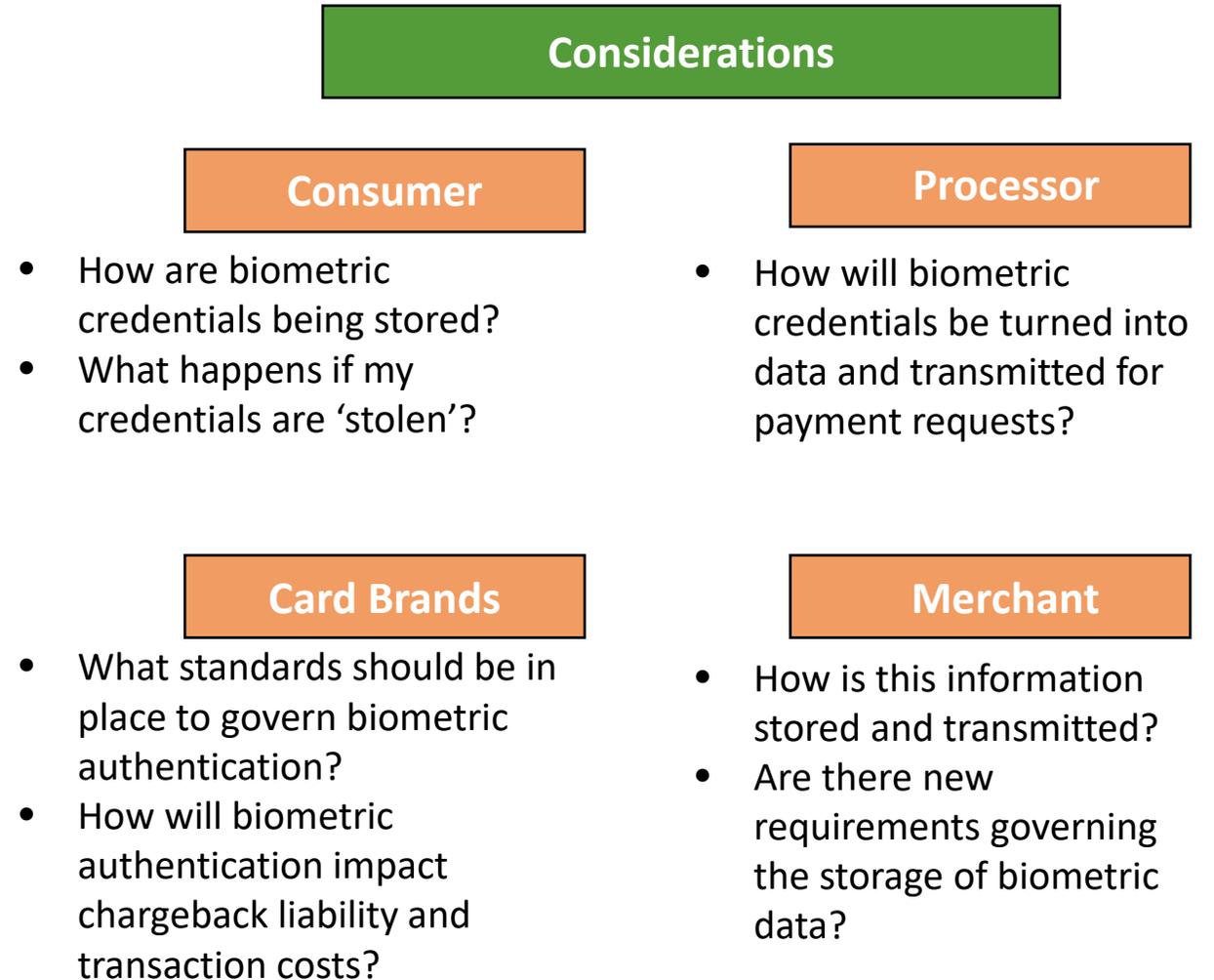
Market Trends

- InApp /COF
- Biometrics
- Fraud
- IoT
- Cost of Payments

Commerce Stakeholders

- Consumer
- Processor
- Card Brands
- Merchant
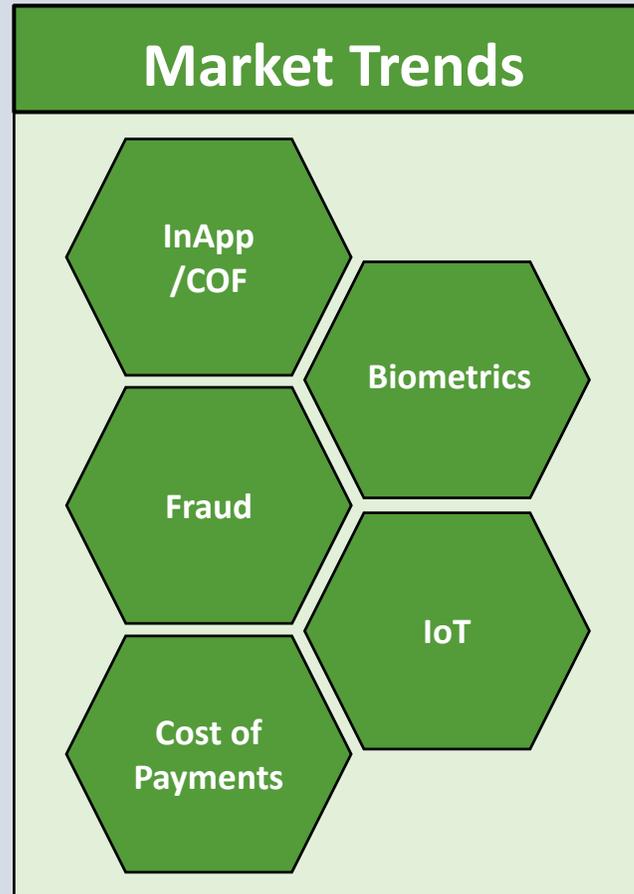
InApp/COF

- The number of transactions performed on phones and tablets continues to increase, taking away "market share" from Card Present face-to-face transactions

- Increased comfort with mobile shopping creates new opportunities to further reduce friction in the checkout process via InApp payments utilizing stored credentials

- Dedicated mobile apps which accept payments utilizing stored credentials allow shoppers to quickly and easily perform small transactions on-the-go and creates new shopping experiences

Considerations

Consumer

- What kinds of purchases will customers make?
- Does the dedicated app add value to the customer experience?

Processor

- What tools/processes are required to support COF transactions?
- What data elements are required for COF transactions?

Card Brands

- What tools/processes are required to support COF transactions?
- Should these transactions follow existing CNP transaction rules?
- What data elements are required for COF transactions?

Merchant

- What data elements are required for COF transactions?
- How will the mobile experience co-exist with other channels of trade?
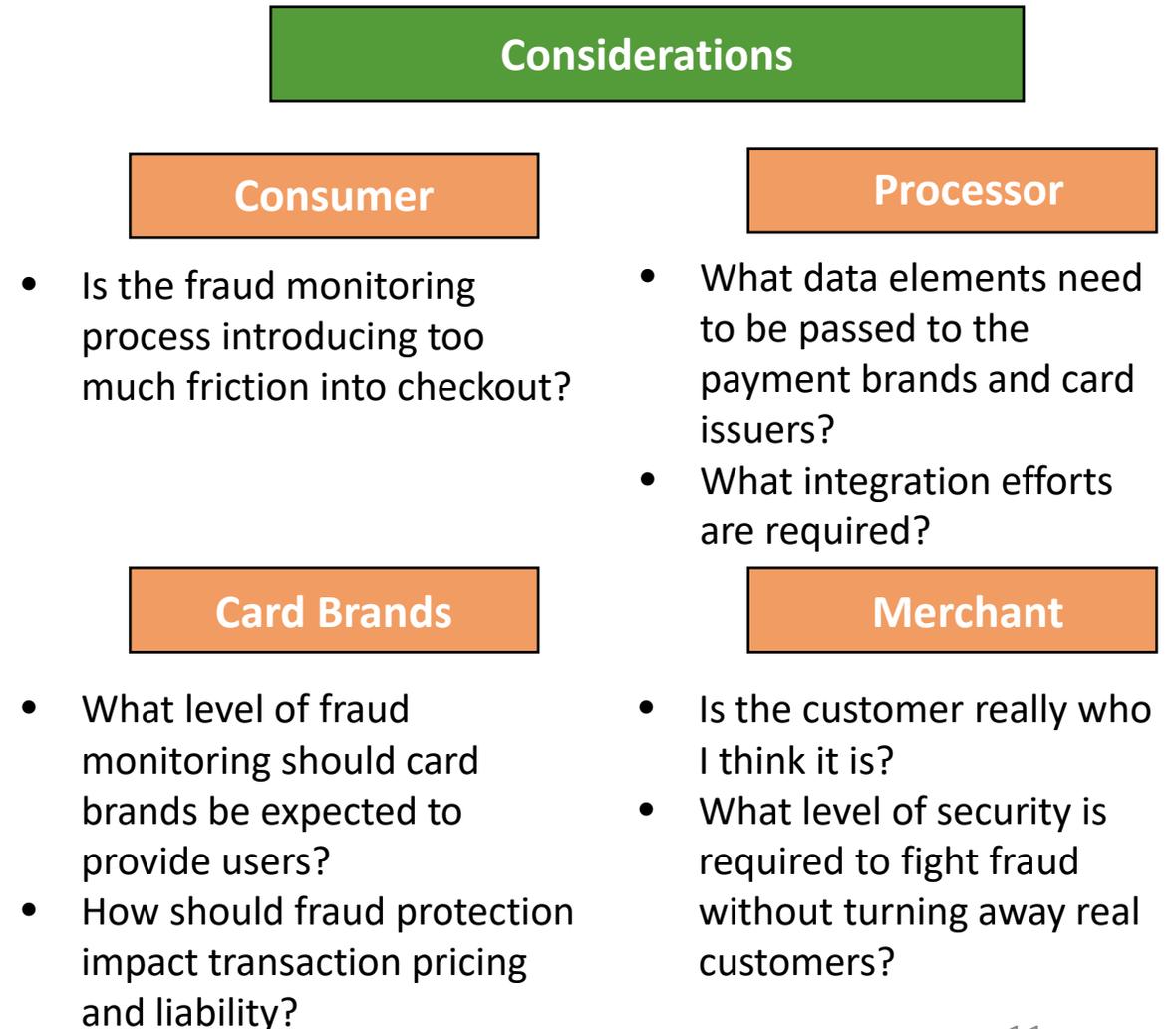- How does the customer information flow between store systems?

Biometrics

- Passwords as we have traditionally known them are on the way out – they are insecure from theft via phishing and data breaches

- In the not too distant future, we will be our own password/credentials to verify payments, access our accounts, and validate that we are who we say we are

- Commerce stakeholders must be prepared to address the technical considerations that this shift will require

Considerations

Consumer
- How are biometric credentials being stored?
- What happens if my credentials are 'stolen'?

Processor
- How will biometric credentials be turned into data and transmitted for payment requests?

Card Brands
- What standards should be in place to govern biometric authentication?
- How will biometric authentication impact chargeback liability and transaction costs?

Merchant
- How is this information stored and transmitted?
- Are there new requirements governing the storage of biometric data?
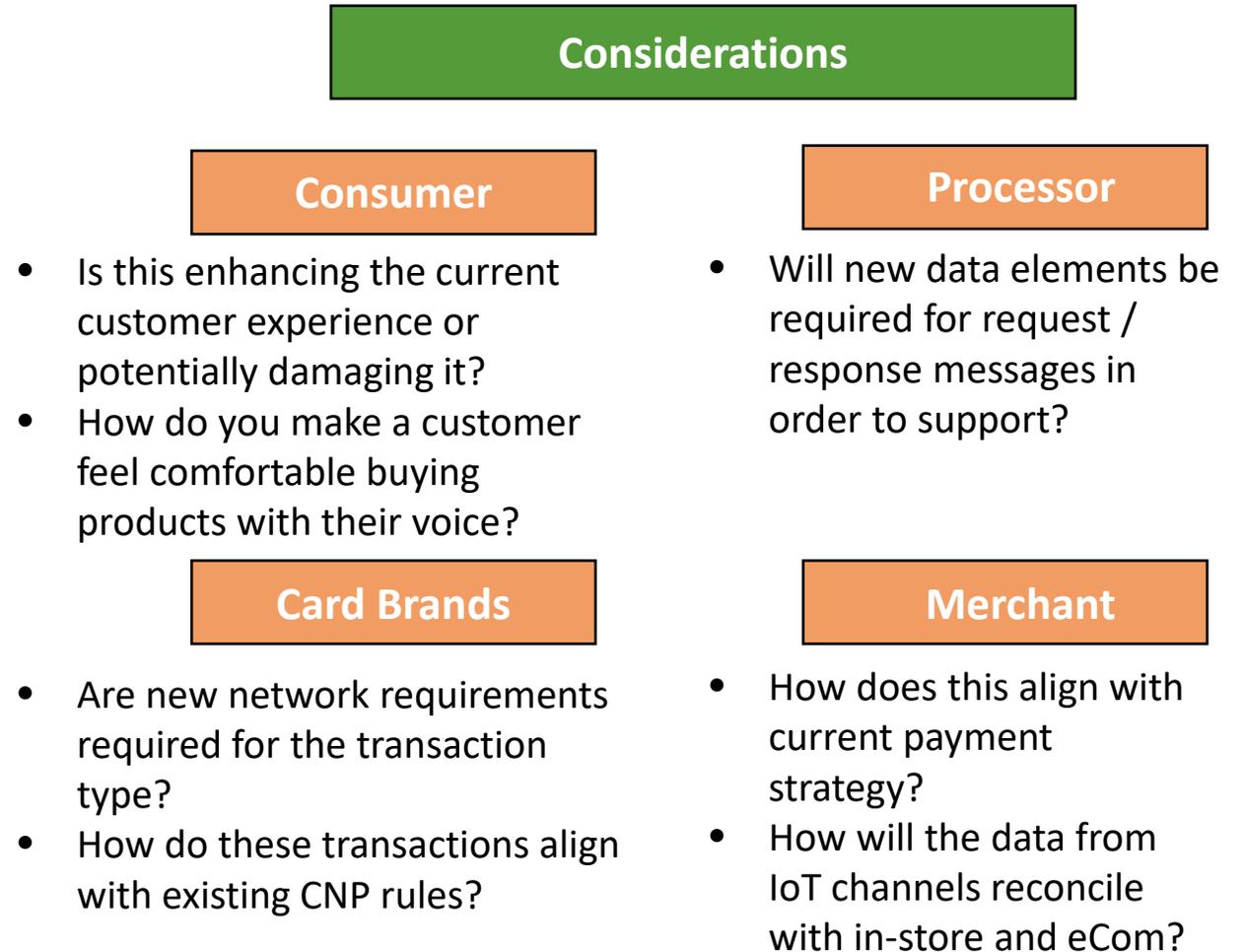
PaymentsEd FORUM

10

Fraud

- The progress made in the US rollout of EMV has resulted in a reduction in card present fraud, but a sharp increase in card-not-present fraud, especially with the proliferation of mobile applications

- Stakeholders are forced to find the perfect balance between preventing fraudulent behavior while not denying valid customers

- Fraud monitoring tools and services have gained traction with merchants, card brands, and processors who wish to fight fraud without turning away valid customers

Considerations

Consumer

- Is the fraud monitoring process introducing too much friction into checkout?

Processor

- What data elements need to be passed to the payment brands and card issuers?
- What integration efforts are required?

Card Brands

- What level of fraud monitoring should card brands be expected to provide users?
- How should fraud protection impact transaction pricing and liability?

Merchant

- Is the customer really who I think it is?
- What level of security is required to fight fraud without turning away real customers?

IoT

- Shopping opportunities are no longer limited to in-store, eCom, and mobile – any device with internet access can be used to interact with potential customers

- Success of IoT devices as payment devices will be dependent on the utility of the consumer experience that it presents and the direct benefit that it lends to the customer over existing channels

- IoT and its payment types are cutting edge - merchants must design novel and thoughtful consumer experiences in order to gain traction and loyal users of the new experience

Considerations

Consumer

- Is this enhancing the current customer experience or potentially damaging it?
- How do you make a customer feel comfortable buying products with their voice?

Processor

- Will new data elements be required for request / response messages in order to support?

Card Brands

- Are new network requirements required for the transaction type?
- How do these transactions align with existing CNP rules?

Merchant

- How does this align with current payment strategy?
- How will the data from IoT channels reconcile with in-store and eCom?

PaymentsEd FORUM

Cost of Payments

- The evolving nature of payments impacts the overall acceptance costs for merchants. It is not enough to only equate cost of acceptance with transaction fees – it must be viewed as the cost of enabling the entire buying experience

- The growth of mobile and other CNP payment applications, as well as the technology to support them (fraud monitoring tools, gateways, etc.) all need to be considered in determining acceptance costs. Any 'per click' fees should be included in the calculation

- Effective management of acceptance cost will be vital for merchants who wish to secure organizational buy in to drive efficiency and innovation in the payment experience

Considerations

Consumer

- How does managing the cost of acceptance impact the consumer experience?
- Is innovation in the consumer experience increasing prices for consumers?

Processor

- How should acquiring contracts be structured?
- What core and value-add services should be included in acquiring?

Card Brands

- What role will regulation play in interchange and routing decisions?
- How will least cost routing and PINless debit impact network volume?

Merchant

- What is the true cost of payment acceptance?
- What payment methods should be supported in order to lower cost of acceptance?

PaymentsEd FORUM

Summary & Key Takeaways

1. Commerce has changed dramatically and will continue to do so at an increasing pace. Payments can no longer treated as a separate bucket – it must be considered as part of the broader commerce ecosystem

2. Rapid growth and innovation in commerce, including IoT, fraud, and InApp payments creates new challenges and opportunities for all stakeholders in the commerce ecosystem. Some of these challenges are already known, some aren't

3. The cost of payments, and the underlying cost drivers will continue to evolve with technology and the commerce experience. Managing the cost of acceptance will change, but it will always remain important

PaymentsEd FORUM

Thank you

- Don't forget to submit your session evaluation!

- Karen Coffey, First Data, Vice President, Integrated Partners
- Clint Cady, W. Capra Consulting, Director of Payments