



# Benefits of adding Debit & ACH

## Lowering Cost of Payments

Nandan Sheth, First Data, SVP, Global Debit Solutions

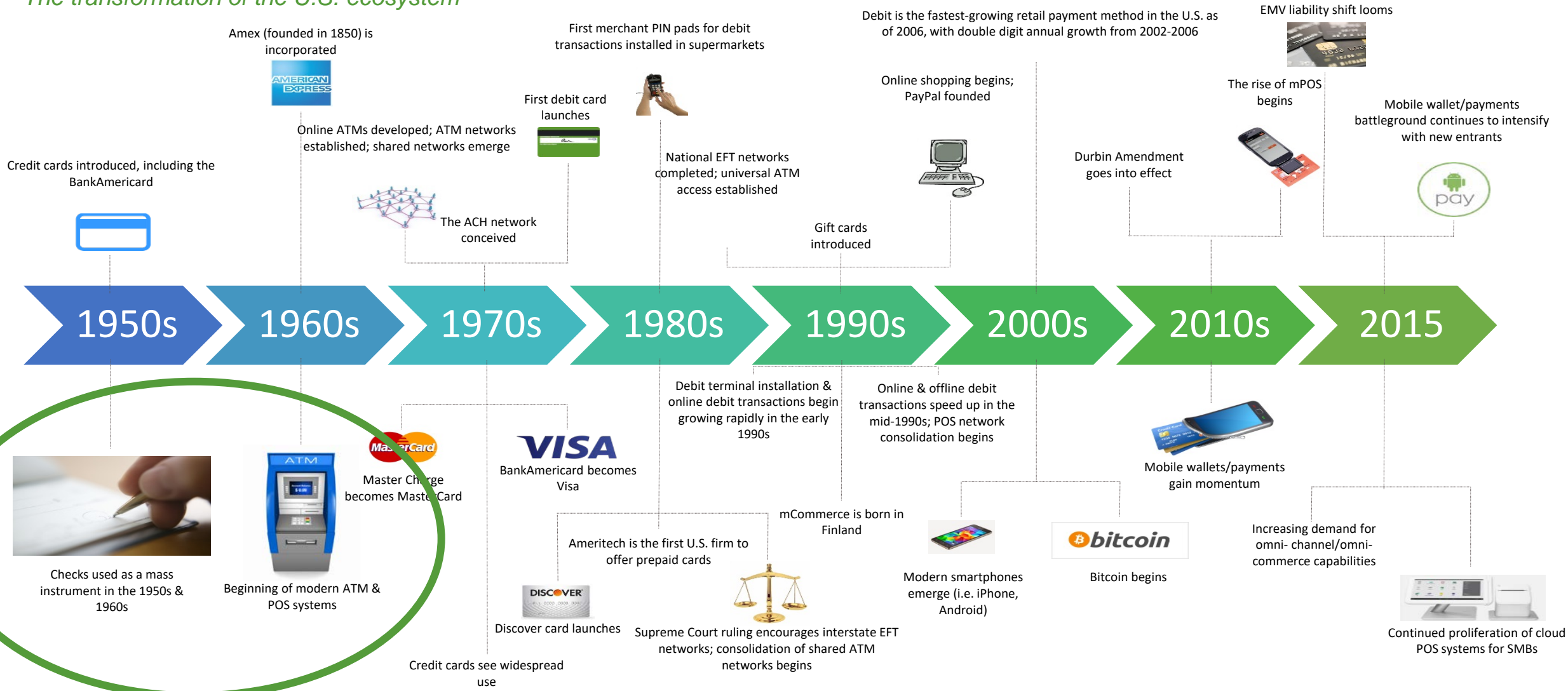
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# Key Takeaways

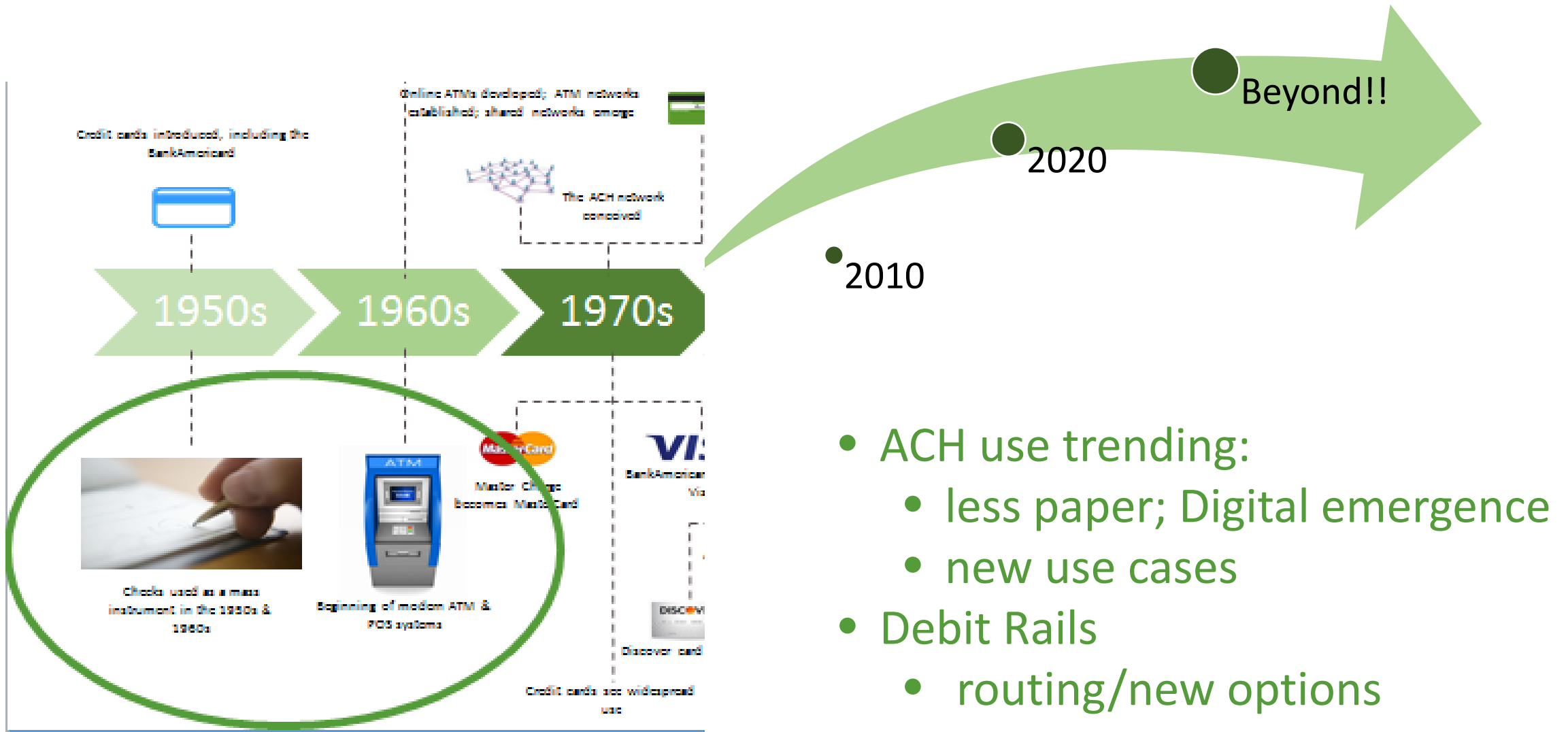
1. Evolution of commerce and expansion of payment acceptance/disbursements
2. Customer Experience considerations
3. How to evaluate and create strategy

# History of Payments

The transformation of the U.S. ecosystem




# ACH and Debit Network Renaissance



- ACH use trending:
  - less paper; Digital emergence
  - new use cases
- Debit Rails
  - routing/new options

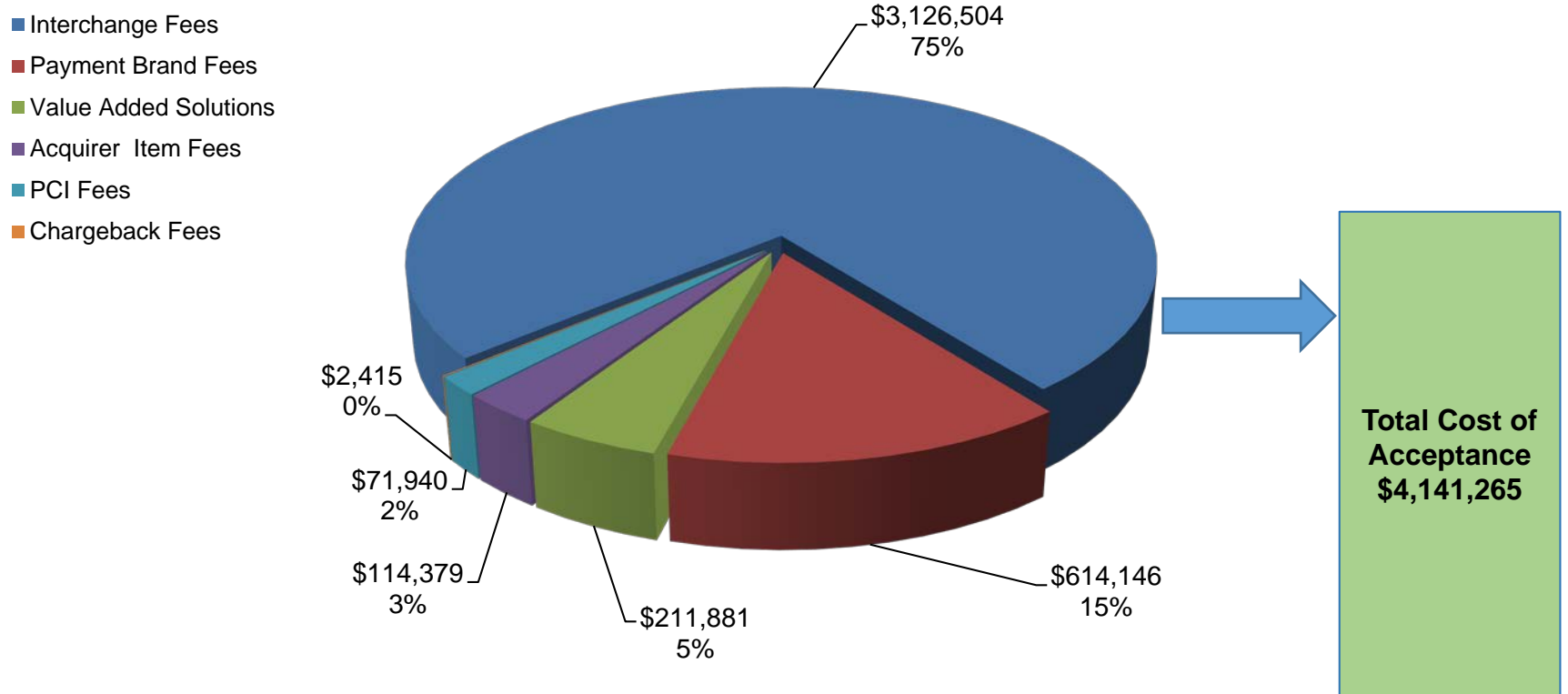
# Types of Electronic Payments

*An un-ending proliferation of product options*

	Examples
Credit	<ul style="list-style-type: none"><li>• General purpose (i.e. Visa, MasterCard, Discover, Amex)</li><li>• Private label</li></ul>
Debit	<ul style="list-style-type: none"><li>• ATM card</li><li>• Signature debit (aka 'offline debit')</li><li>• PIN debit (aka 'online debit')</li></ul>
Charge	<ul style="list-style-type: none"><li>• American Express</li><li>• Diner's Club</li></ul>
Prepaid	<ul style="list-style-type: none"><li>• Gift cards</li><li>• Payroll</li><li>• General purpose reloadable</li></ul>
Automated Clearing House (ACH)	<ul style="list-style-type: none"><li>• Payroll (direct deposit)</li><li>• Online bill pay (i.e. mortgage, utilities)</li><li>• Funding PayPal account</li></ul>
And More...	

# Understanding the Total Cost of Acceptance (TCA)

*Payment processor costs represent a small fraction of the total cost of acceptance at the point of sale*



- Interchange Fees – Paid to the issuing bank that issued the card
- Payment Brand Fees – Paid to the card brands, i.e. MasterCard, Visa, Discover
- Processor Fees – per transaction fees, etc.



# Maximize savings: ROI examples

## Retail



### PIN Debit

- Merchant total annual PIN Debit spend provided:
  - \$587MM in spend
  - 10MM transactions
  - Average transaction: \$58.56
- Savings per transaction: \$0.04+
- Three-year savings opportunity to merchant:

**\$1.3MM+**

## Quick Service Restaurant



### PINless

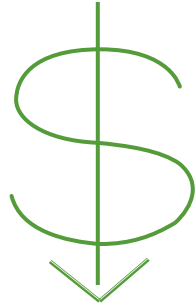
- Merchant annual Signature Debit spend provided:
  - \$4.4B in total spend, \$2.0B in eligible spend
  - 184MM eligible transactions
  - Average transaction: \$10.89
- Savings per transaction: \$0.01+
- Three-year savings opportunity to merchant:

**\$3.6MM+**

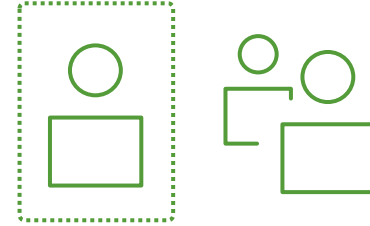
# Unlock New Payment Options



ACH



Pinless Debit



Payment  
Disbursements



# Acceptance

Cost  
opportunity

New business

Opportunity  
for volume  
shift

# ACH - more options than ever



**Point of  
Sale**



**Online**



**Mobile APP**

## **Engaging**

- › Complements any loyalty program, reward consumers for paying from their bank account

## **Economical**

- › Freedom from interchange fees
- › Guarantee solution removes burden of chargebacks



<sup>1</sup> <https://www.firstdata.com/downloads/thought-leadership/choosing-pin-network-wp-updated.pdf>

<sup>2</sup> <https://www.firstdata.com/downloads/thought-leadership/MerchantPayOptionsWP.pdf>

<sup>3</sup> <https://www.federalreserve.gov/paymentsystems/2017-December-The-Federal-Reserve-Payments-Study.htm>

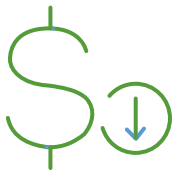
# Debit routing is more relevant than ever

In 2011, Congress passed the Durbin Amendment giving U.S. merchants the “right to route” debit transactions by requiring card issuers to support two or more unaffiliated network routing options. Interchange fees were also capped for large issuers.<sup>1</sup>

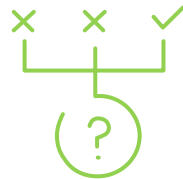
Because of this legislation, we now have:



**Increase in Network Competition**



**Decrease in Cost of Debit Acceptance<sup>2</sup>**



**Promotion of Choice**

<sup>1</sup> <https://www.firstdata.com/downloads/thought-leadership/choosing-pin-network-wp-updated.pdf>

<sup>2</sup> <https://www.firstdata.com/downloads/thought-leadership/MerchantPayOptionsWP.pdf>

<sup>3</sup> <https://www.federalreserve.gov/paymentsystems/2017-December-The-Federal-Reserve-Payments-Study.htm>

## Debit is the payment method of choice



**73.8 Billion**  
**Annual Debit Transactions<sup>3</sup>**

### Payment Type Usage by Age

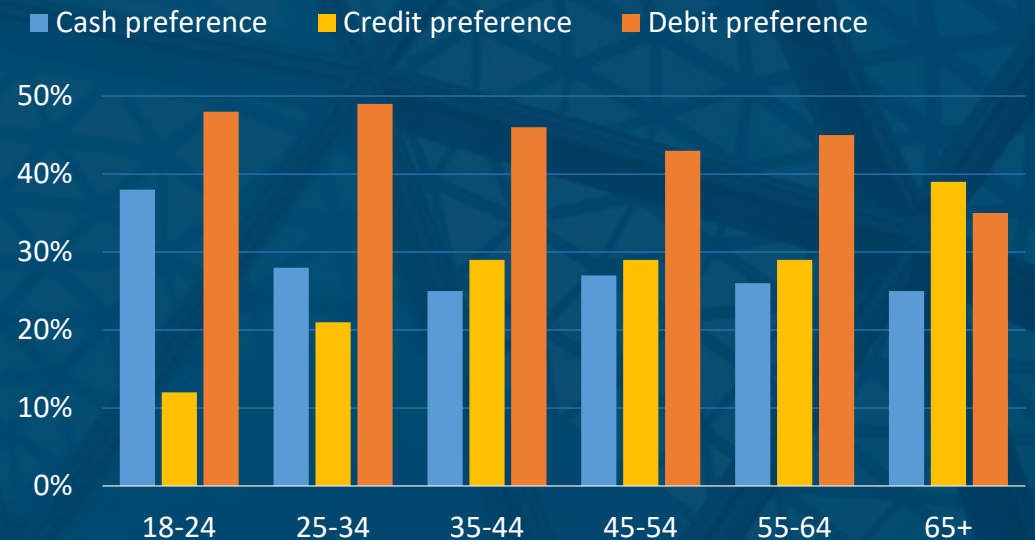


Chart Source: The Federal Reserve Bank of San Francisco Findings 2015

# Disbursements

Seen as an extension of cash

Formats to utilize

- Direct to Debit
- ACH
- PP- Wallet

# Disburse-to-Debit solution benefits

Faster payments, cost reduction and customer service differentiation

## BENEFIT



**More Secure,  
Faster Payments**

## DESCRIPTION

- Deliver near real-time payments to debits cards in seconds
- Available immediately to millions of U.S. consumers
- Tokenized and encrypted payments data replaces use of sensitive PAN data
- More secure than mailing paper checks
- Fully traceable, reconcilable
- Uses ACH as backup when debit is not available
- Limits PCI data points

## PROOF POINT

**<5 seconds**  
*for a payment to clear*

**700M+**  
*accessible accounts*

# Disburse-to-Debit solution benefits

Faster payments, cost reduction and customer service differentiation

## BENEFIT



**Differentiated  
Customer Service**

## DESCRIPTION

- Deliver near real-time payments to debit cards in seconds
- Reduce friction by eliminating need for third-party accounts, pre-registration and search for bank account numbers
- Incremental revenue stream/earning potential by charging for faster payments
- More responsive than mailing a check
- Self-service functionality

## PROOF POINT

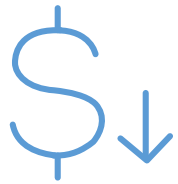
**70% of providers**  
*say it takes +45 days to get paid*

**25% reduction**  
*in payment status inquiries*

# Disburse-to-Debit solution benefits

Faster payments, cost reduction and customer service differentiation

## BENEFIT



### Reduced Costs

## DESCRIPTION

- Less expensive than paper check handling processes
- Route disbursements to a cost-effective global debit gateway and bypass checks, wires and ACH
- Ability to access 8 U.S. network connections and 6 international networks connections
- Route disbursements away from Visa®/MasterCard® to domestic debit networks to obtain immediate ROI
- Daily reporting capability promotes back office efficiency

## PROOF POINT

**23% savings**

*vs. traditional paper check costs*
















**96% savings**

*vs. wire transactions*

Proof Point Sources: Nilson, FDC Internal analysis

# Disbursement opportunities for vertical markets

Businesses are in a prime position to use Disburse-to-Debit offering competitive differentiation in the market and enhance the customer experience

Faster Settlement – Speed		Check Replacement – Efficiency		
 Sharing Economy	 Contract Staffing	 Property & Casualty	 Healthcare	 Government
 Merchant Settlement	 Marketplaces	 Lotteries & Gaming	 Education	 Utilities
 Online Lending	 Affiliate Marketing	 Financial Institutions	 Telecoms	 Travel



# Merchant Benefits



## **Revenue Growth**

New volume  
from existing  
customers



## **Cross-Border Expansion**

New customers  
from new markets



## **Operational Efficiency**

Reduce cost of  
debit acceptance

# How to evaluate and create strategy

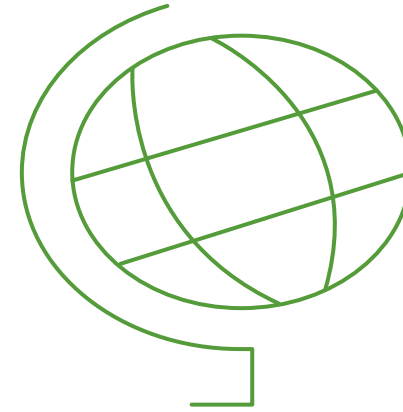
How do you take advantage

Debit innovation – technology

- Increased savings
- What to look for in partner/provider
- Take advantage of innovation

# Future

- Global – Debit Landscape



# Key Takeaways

1. Evolution of commerce and expansion of payment acceptance/disbursements
2. Customer Experience considerations
3. How to evaluate and create strategy

# Thank you

- Don't forget to submit your session evaluation!
- Nandan Sheth, First Data, SVP, Global Debit Solutions