

New acceptance trends for SME

June 01, 2018
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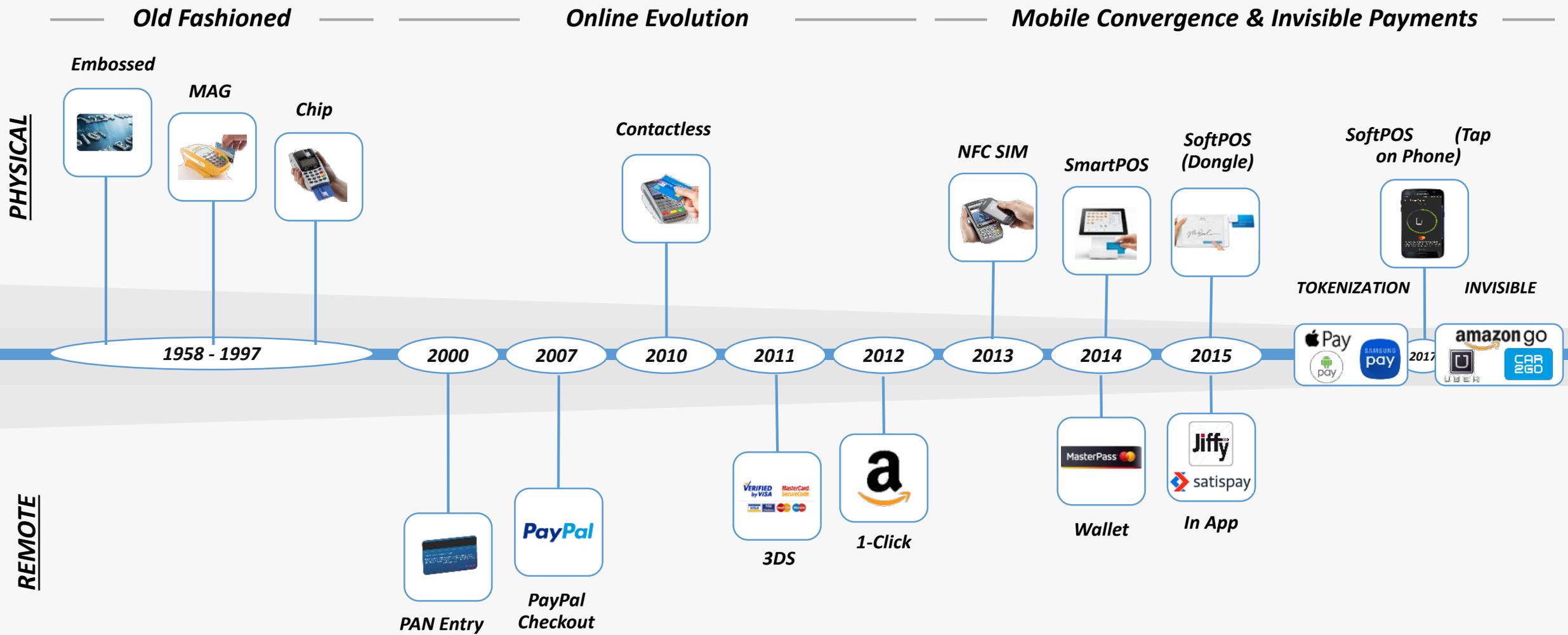
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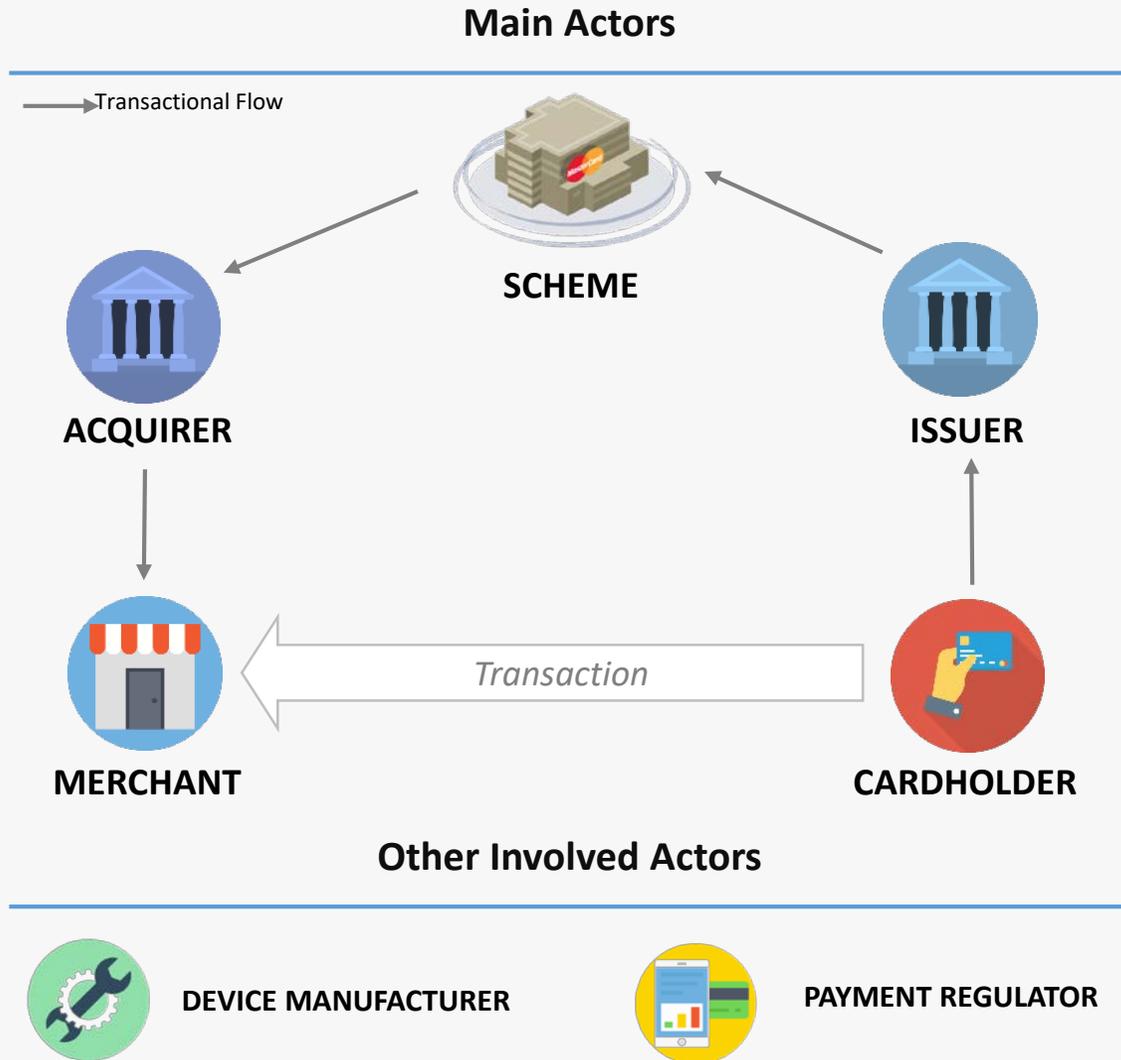
Agenda for today

- Recap on the future of digital acceptance
- QR
- mPOS
- SoftPos
- Dongle
- PWCB

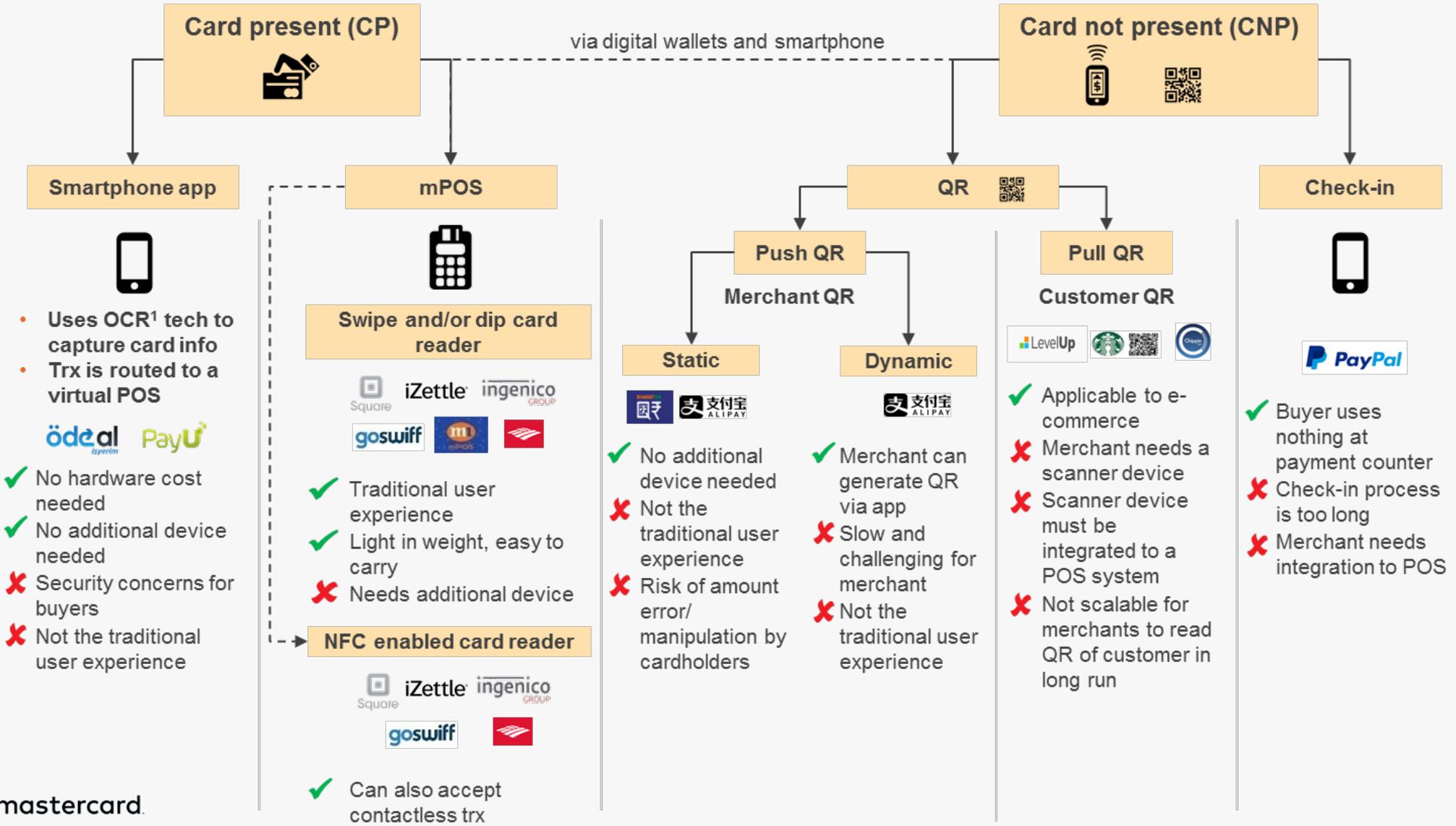
Digital and mobile is triggering the new consumer experience paradigm shift in all industries and digital payments is one of the industries under spotlight



If applied on target merchants, each actor of the payment ecosystem will have tangible benefits coming from an uncovered segment



Acceptance solutions



When we look at the digital acceptance ladder, new solutions are becoming increasingly predominant in the market

Solution	Hardware	Description	Payment Types	Illustrative
 Electronic Cash Register	Vendor-supplied cash register	A desktop-based POS system that accept all payment types	Card-present (swipe, dip, tap), cloud/wallet(QR, HCE), cash	Micros IBM Square
 Mobile / Smart POS	Vendor-supplied mobile device	A modular POS system that lets all major payment types	Card-present payments (swipe, dip, tap), cloud/wallet (QR, HCE)	Verifone Ingenico
 OCR-based <small>(Optical character recognition/reader)</small>	Merchant-supplied mobile device	Smartphone app to scan and process customer cards as CoF	Card-present (Scan)	Ödeal
 QR-Based	Merchant-supplied mobile device	Smartphone app to scan QR code on customers app or shows QR code to customers mobile app	Cloud payments (QR)	MPQR Alipay WeChat
 Dongle-Based	Merchant-supplied mobile device + vendor supplied dongle	Smartphone app connected to dongle to read card data; pin requirements via hardware or pin-on-glass	Card-present payments (swipe, dip, tap), cloud/wallet payments (HCE)	Square iZettle
 SoftPOS (Tap-on-Phone)	Merchant-supplied mobile device	Smartphone app reads card data through NFC reader on device; pin requirements via pin-on-glass	Card-present payments (swipe, dip, tap), cloud/wallet payments (HCE)	Pilots (UK, Poland, Australia, Canada)

New generation methods

Currently, there are 5 main emerging technologies in the market, but only two of them are live in Turkey

Innovative Acceptance solutions	Global Landscape	Local Players
<p>1  Mobile POS Devices</p>		
<p>2  Check-in Payments</p>		
<p>3  OCR Solutions</p>		
<p>4  QR Payments</p> <p>a  Customer Scans</p>		
<p>b  Merchant Scans</p>		
<p>5  TAP on Phone</p>		
<p>6  PIN on Glass</p>		<p>Solutions on pilot implementations</p>

Solutions on pilot implementations

Among the solutions, ones that accept physical cards can be a cost-efficient and effective solution for markets where smartphone penetration is low

Solution Advantages



SETUP COSTS

Merchants can directly use their smartphones (Android only) with no additional device procurement



TIME TO MARKET

Merchants don't have to wait acquirer teams to setup the devices to start accepting digital payments



USER EXPERIENCE

Merchants can download and use the product just as they are using any other mobile app – no need to learn cumbersome POS menus

Card Accepting Solutions



Dongle-based

Many solutions of this kind in the market work with a mobile app plus an accompanying dongle to swipe/dip/tap the cards



Tap on Phone

Emerging solutions of this kind will work through a single mobile app that uses the NFC reader of the smartphone to perform the tap-based transaction

- Mature market** in terms of solutions
- Known area** for regulatory framework
- Higher** setup costs and time to market
- Regulatory constraints** on pin-on-glass

- Lower** setup costs and time to market
- Scalable Software based solution**
- First mover advantage** opportunity
- Device independence** for wide roll-out
- Immature market** in terms of solutions
- Grey area** for regulatory framework and constraints on pin-on-glass

To sum up, all actors are willing to move to new «mobile centric» payment solutions

1 Cardholders



- Customers are the drivers of digital transformation
- Customers habits are turning digital, especially on mobile
- Digital payments will be strongly **driven by mobile payments**
- Almost **70% of digital payments will be performed via mobile by 2020**

2 Issuers



- Payment Innovation rate is running faster than ever
- **Traditional and non traditional players** are competing in an **enlarged competitive ground**

3 Acquirers



- **Acquirers are key enablers of the digital transformation**
- Traditional POS and Contactless POS enable millions of transactions each day
- **mPOS offering** could enable to **reach unserved merchants** adding significant volumes

4 Merchants



- Merchants have different needs, and **«VAS battle» is about to start**
- **Provide to merchants the solution that fits their mobility needs** could be a key success factor

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- mPOS

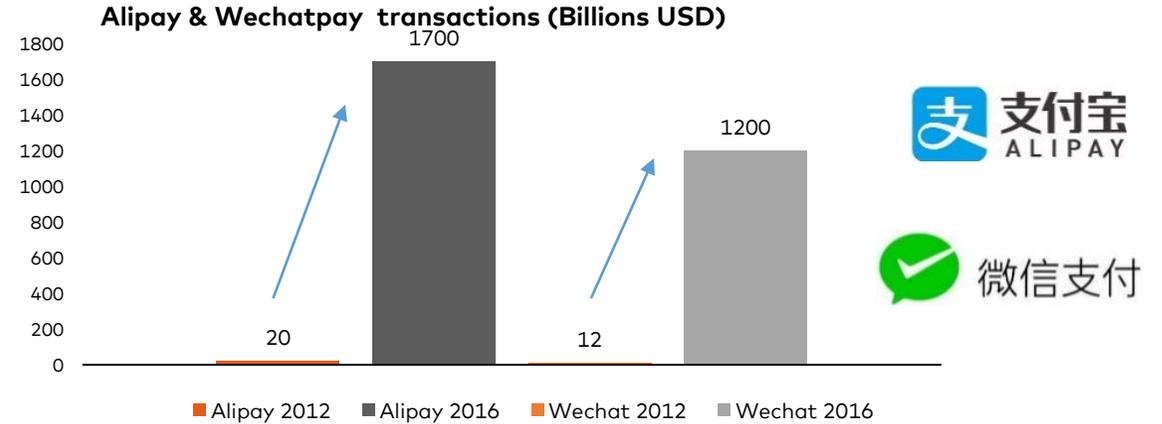
- SoftPos

- Dongle

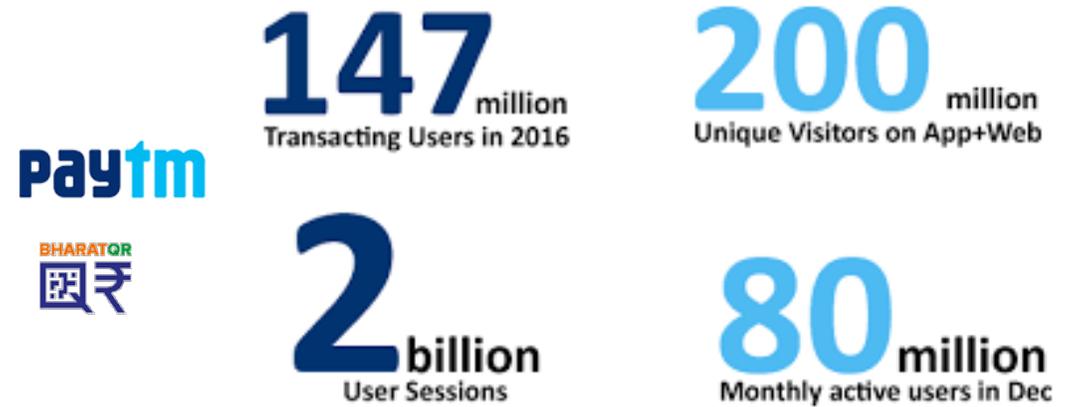
- PWCB

QR has seen strong success in recent years

Emerged as a dominant form of presentment within China in 3 years time....



... with strong pick up in India, including by new entrants....



... and a vehicle for growth by select merchants in mature markets.



Mobile payments now account for 30% of Starbucks transactions

«Customer Scans» QR code solutions can be leveraged for different use cases

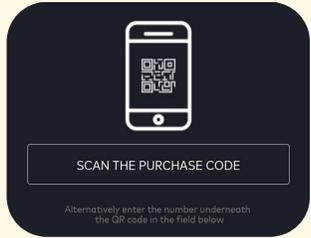
Dynamic QR

1 Both merchant & customer download the app



Use Case – Customer Scans

2 Merchant produces a QR code carrying the trx amount info over the app



3 Customer scans the QR code to see the amount on the app and confirm the payment



Static QR

1 Customer downloads the app and link the payment card / account



2 Then customer scans the printed QR code & enters the payment amount



3 Customer types the PIN and completes the payment



User Experience

-  **Omni channel experience** can be provided (bill payment, kiosk etc.)
-  **Scanning issues** based on device
-  **Not traditional** user experience

Development & Investment

-  **No device cost**
-  **Educating** customer base
-  **Need intermediary** to finalize trx if issuer & acquirer are different

Security

-  **Conflict of interest** since customer enters trx amount and makes payment (**for Static QR**)

Merchant Compatibility

-  **No major compatibility issues**



«Merchants Scans» QR payment solutions provide a seamless payment experience for merchant present transactions

Use Case – Merchant Scans

1 Customer downloads the app and adds **payment details**



2 Merchant downloads the app and links it with **barcode scanner**



3 For checkout, **customer produces a QR code** over the app



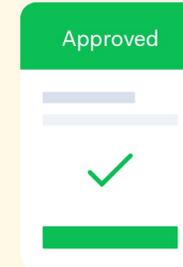
4 For initiating payment, **merchant enters trx amount** to smartphone



5 Then **merchant scans the QR code** produced by the customer to receive customer payment details



6 Transaction is approved after the **consumer enters the PIN** on their own device



User Experience

- 👍 **Fast & seamless process**
- 👎 Only for **merchant available** cases
- 👎 **Hard to carry and set up** especially for **mobile sellers**¹

Development & Investment

- 👍 **Easy & affordable development**
- 👍 **No intermediary to finalize trx**
- 👍 **Educating only merchant side**
- 👎 **Scanner device cost**¹ (~8-10 USD)

Security

- 👍 **No serious security concerns**

Merchant Compatibility

- 👍 **No serious compatibility issues**



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mPOS devices provide an alternative way of acceptance by leveraging specially produced POS hardware

Use Case



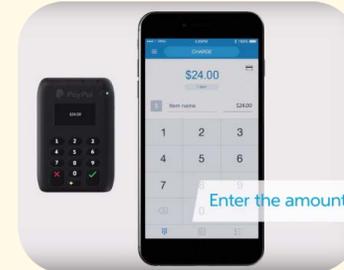
1 Merchant **downloads the app** and **registers**



2 Merchant connects the **app** with the **card reader** (via inserting or Bluetooth)



3 Merchant opens the app and **inputs transaction amount**



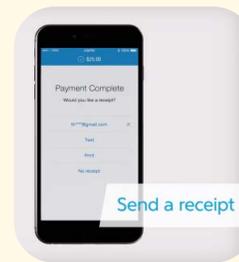
4 Card is **swiped or dipped**



5 Cardholder **inputs PIN or signs** the screen manually



6 Transaction approved
Merchant sends **digital receipt** if asked



User Experience

- Familiar** payment experience
- Valid for **all card types**
- Hardware carry** for merchants

Development & Investment

- Cheaper** than traditional POS
- Fixed fee** of hardware
- Device **maintenance cost**

Security

- No serious security concerns**

Merchant Compatibility

- No major compatibility issues**



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TAP on Phone is a solution that converts smartphones into contactless POS terminals, currently undergoing a pilot phase in Australia and UK

Use Case

On Pilot Phase

1 Merchant **downloads the mobile app** for accepting payments



2 Merchant **onboards to the app** via his credentials **and activates his terminal**



3 When accepting payments, merchant opens the app and **types the transaction amount**



4 Customer **taps a contactless card or mobile wallet** to the merchant's phone



5 Transactions below the **CVM entry limit** are **automatically authorized**



6 **Digital receipt** is issued and sent to the customer via **SMS / e-mail** by the bank if requested



Buyer

Contactless Card / Smartphone



Smartphone

Merchant



User Experience

- Familiar, **contactless experience**
- Fast & easy acceptance** for the merchants

Development & Investment

- Lower** setup cost and time to market
- Scalable & effective software** based solution
- First mover advantage** opportunity

Security

- Currently available only for under CVM card** payments
- Lack of regulation and market understanding** of solution

Merchant Compatibility

- Compatible with **each type of merchant** due to being **fast and convenient**

Through the Tap on Phone solution, any Android phone could be turned into a POS terminal by merchants

Key Facts and Solution Flow

- Over 2 billion active Android phones worldwide
- Samsung alone ships about 80 million new phones per quarter

How does the solution work:

- Merchant downloads the app from their acquirer or payment facilitator
- Merchant logs in using merchant credential
- Merchant builds shopping cart / enter the final amount
- Accepts contactless transaction using the Android phone's built in NFC and app
- Merchant sends receipt via email / SMS

Payment Method



Wearables



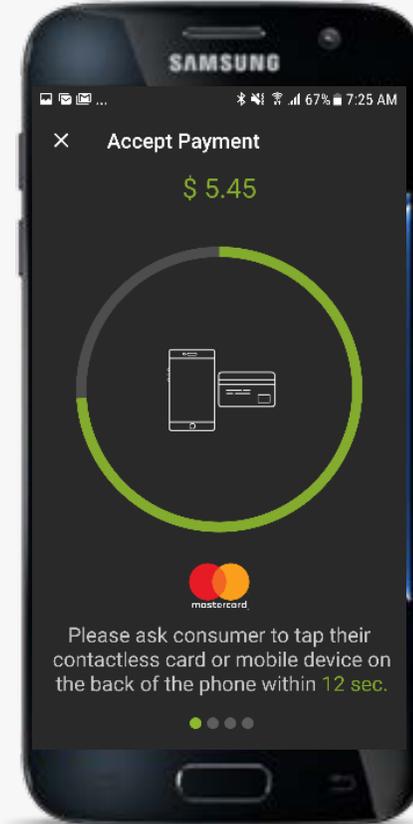
Mobile Wallet



Contactless Cards

(only <CVM limit)

Acceptance Device



Any "off-the-shelf" NFC Android phone can become an NFC acceptance device

Acceptance Info



No peripherals required



Accepts any contactless enabled card



Accepts Mobile Wallets e.g. Masterpass



Compliments Potential Future Payment Enablers

The solution will target several «heavily» cash oriented verticals that mainly perform low value payments

General Needs

Acceptance in mobility (outside the store)

Prefer variable costs instead of fixed ones

Prefer to don't have additional Hardware

Multiple users needed (e.g. waiters, ...)

Would like to offer digital receipts to its customers

Needs to offer CVM payment above limit very often

Integration with order management/ products



Micro Merch.
(e.g. B&B)



Restaurants



Tradesman
(e.g. plumbers)



Professionals
(e.g. lawyers)



Delivery



Bar



Events/ street
food



Taxi

Tap on Phone

Solution to **target a niche market** (CVM upper bound limit transaction), mainly useful to:

- **Target merchants with multiple low value payments**
- **Penetrate a formerly cash only market** thanks to **lower costs** and **easiness of set up**

	Delivery	Bar	Events/ street food	Taxi
Acceptance in mobility (outside the store)	✓		✓	✓
Prefer variable costs instead of fixed ones	✓	✓	✓	✓
Prefer to don't have additional Hardware	✓	✓	✓	✓
Multiple users needed (e.g. waiters, ...)	✓	✓		
Would like to offer digital receipts to its customers	✓			✓
Needs to offer CVM payment above limit very often				
Integration with order management/ products	✓	✓		

Leveraging on smartphone power and UI, especially small merchants can experience multiple benefits if compared to a traditional POS

		TAP ON PHONE	TRADITIONAL POS
Activation	Sign Up and Usage	Same day sign up and use	One to two weeks to have POS up and running
	Installation	No need for technical set-up meeting	Technical set-up needed (meet with client)
	Tutorial	Step by Step tutorial to activation and usage	Traditional paper based guides
Usage & Management	Device	Smartphone App to accept / manage payments	Two devices: one for payments and one for mgmt.
	Mobility	Full mobility. Shared connection and charger	Needs data connection Plan and ad hoc charger
	Receipts	Possibility to issue eReceipts	Paper Receipts
	Cancellation	Possibility to easily cancel transactions	Sometimes, possibility to cancel only last one
	Control	Transaction history tracking on App	Transaction history tracking on Web/ paper
	VAS	Possibility to easily integrate with 3° party Apps	Hard to implement
Costs	Data Plan	No need to open an additional MNO contract to have a dedicated SIM (can use their data plan)	Need to open an additional MNO contract to have a dedicated SIM to operate in mobility
	Cost of Ownership	No HW costs. Many Mobile POS solutions are being offered either for free or at a very low cost	Fixed costs to rent or buy hardware

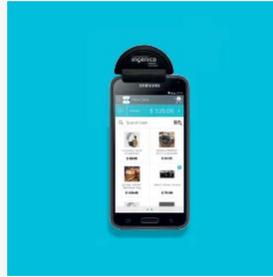
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Dongle types



EMV Contact + Contactless



Magstripe



Magstripe +Contactless



**EMV Contactless+Contact+PIN+
Bluetooth**

- Security (Cardholder verification)
- Legislation
- Market understanding
- Trxn limits

Sample flows

dongle

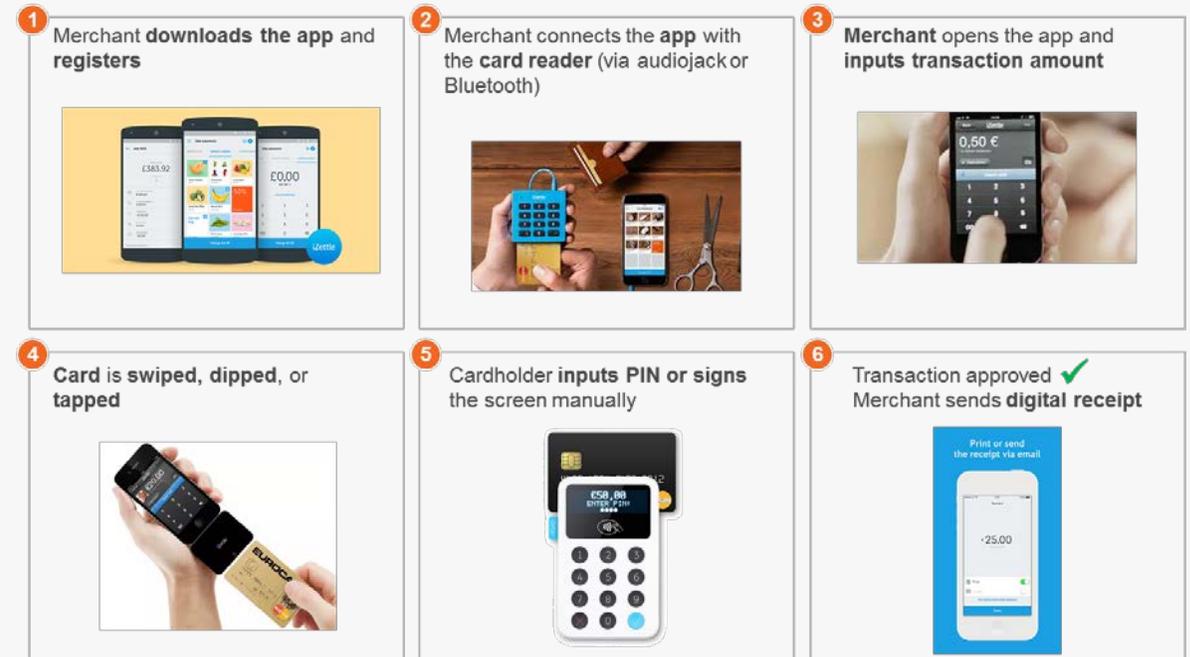


Overview of Square mPOS payment experience



iZettle

Overview of iZettle mPOS payment experience



For PIN on Glass solution, a transaction requires PIN where it is entered on the merchant's mobile app through the touch-screen

Use Case

- 1** Merchant **downloads the mobile app and logs in**



- 2** Merchant **enters the amount of goods to the app**



- 3** Customer **inserts or taps** their credit card/mobil wallet to card reader



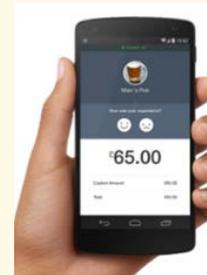
- 4** For **above CVM** transactions, merchant **hands** customer the phone to **input their PIN**



- 5** Customer **enters their PIN** to the merchant phone



- 6** **Digital receipt** is issued and sent to the customer via **e-mail** by the bank if requested



User Experience

- Mature market** in terms of solution

Development & Investment

- Higher** setup costs and time to market when **dongle/card reader** needed

- Available **above CVM limit transactions**

Security

- Consumer reach not tested on **PIN entry to the merchant phone**

- Lack of regulation and market understanding of solution**

Merchant Compatibility

- No serious compatibility issues**



Buyer

Contactless Card / Smartphone



Smartphone / Dongle

Merchant



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Overview



PWCB Definition:

Purchase with Cash Back (PWCB) transaction allows cardholders to request cash at the point-of-sale (POS) location when purchasing goods or services.

Transaction amount is split into two components - the **purchase and cash back amount**

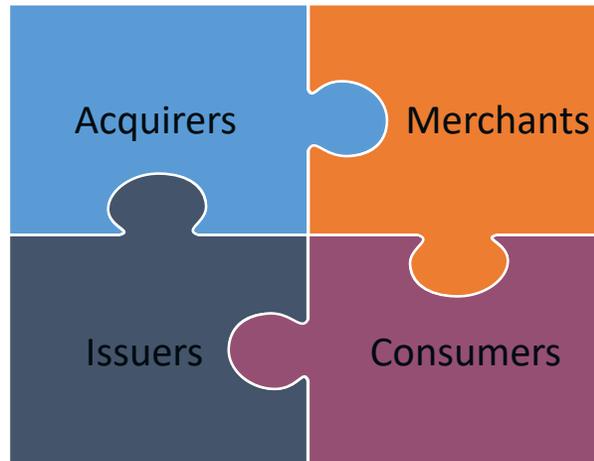
Applicable for:

- Domestic and Cross-border transactions
- Mastercard and Maestro products
- Purchase amount only option (no cashback only option) available
- Card Present only
- PIN-based CVM always
- Online transaction always (stand-in optional)

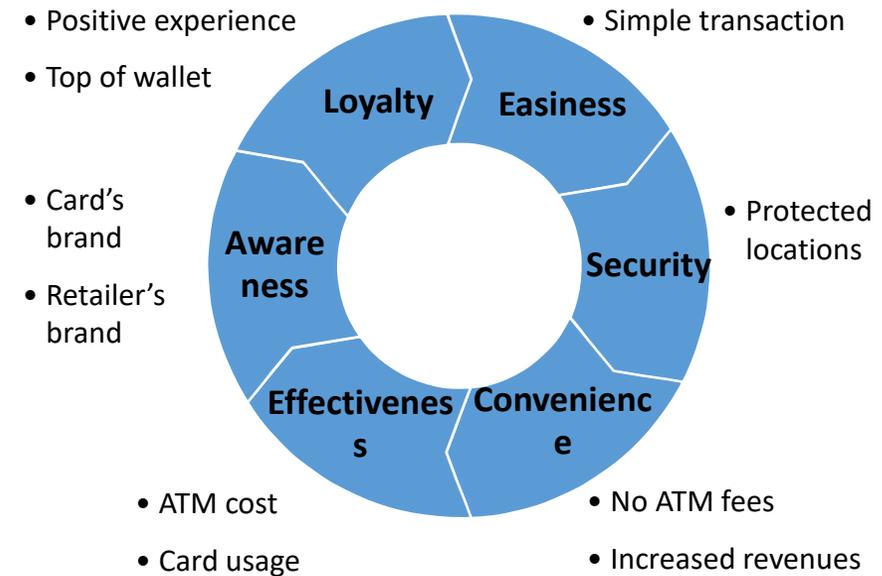
PWCB benefits – overview

- Purchase With Cash Back will yield numerous benefits for all the parties involved in the transaction

KEY PLAYERS



ADDED VALUES

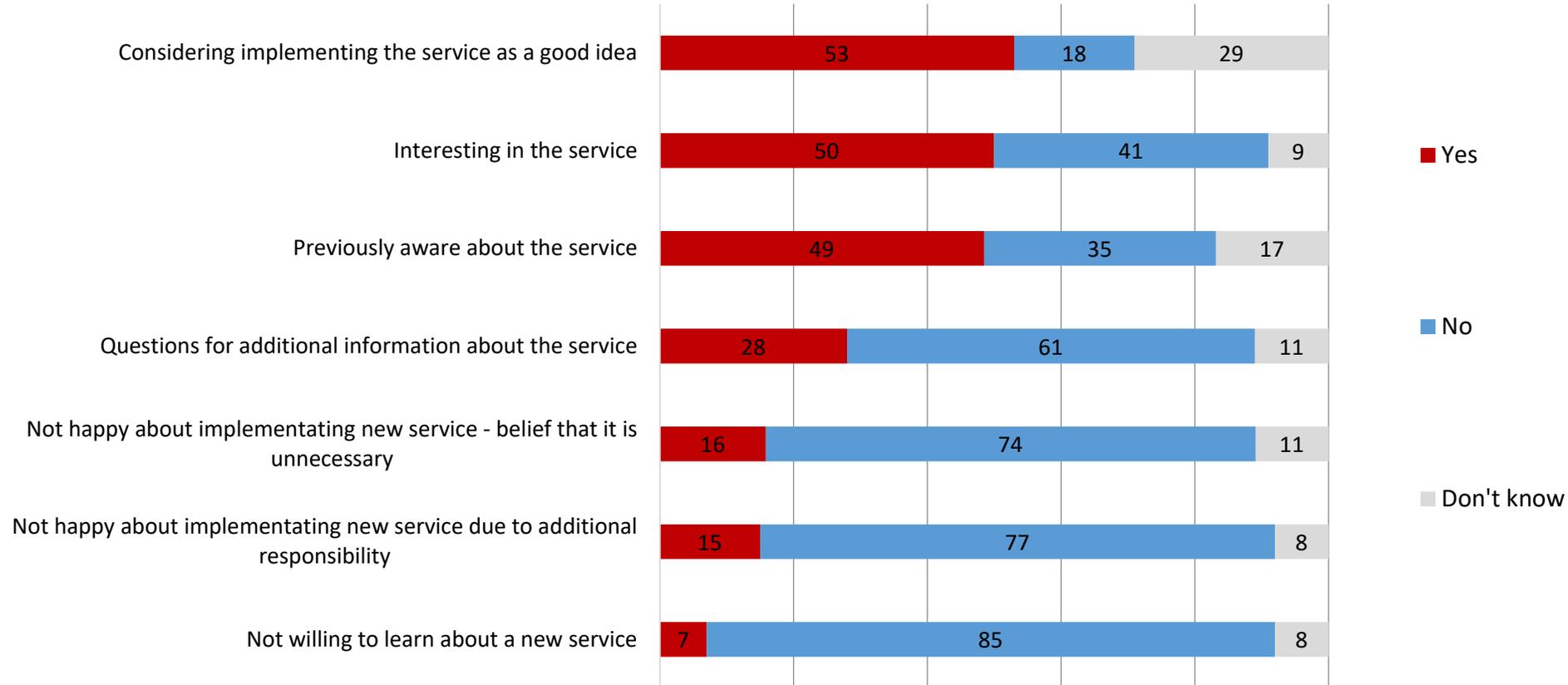


Purchase with Cash Back survey

What do retailers think about the service

**EUROPEAN CASE
STUDY**

Cashiers' reactions



How your employess reacted to the Purchase with Cash Back implementation?

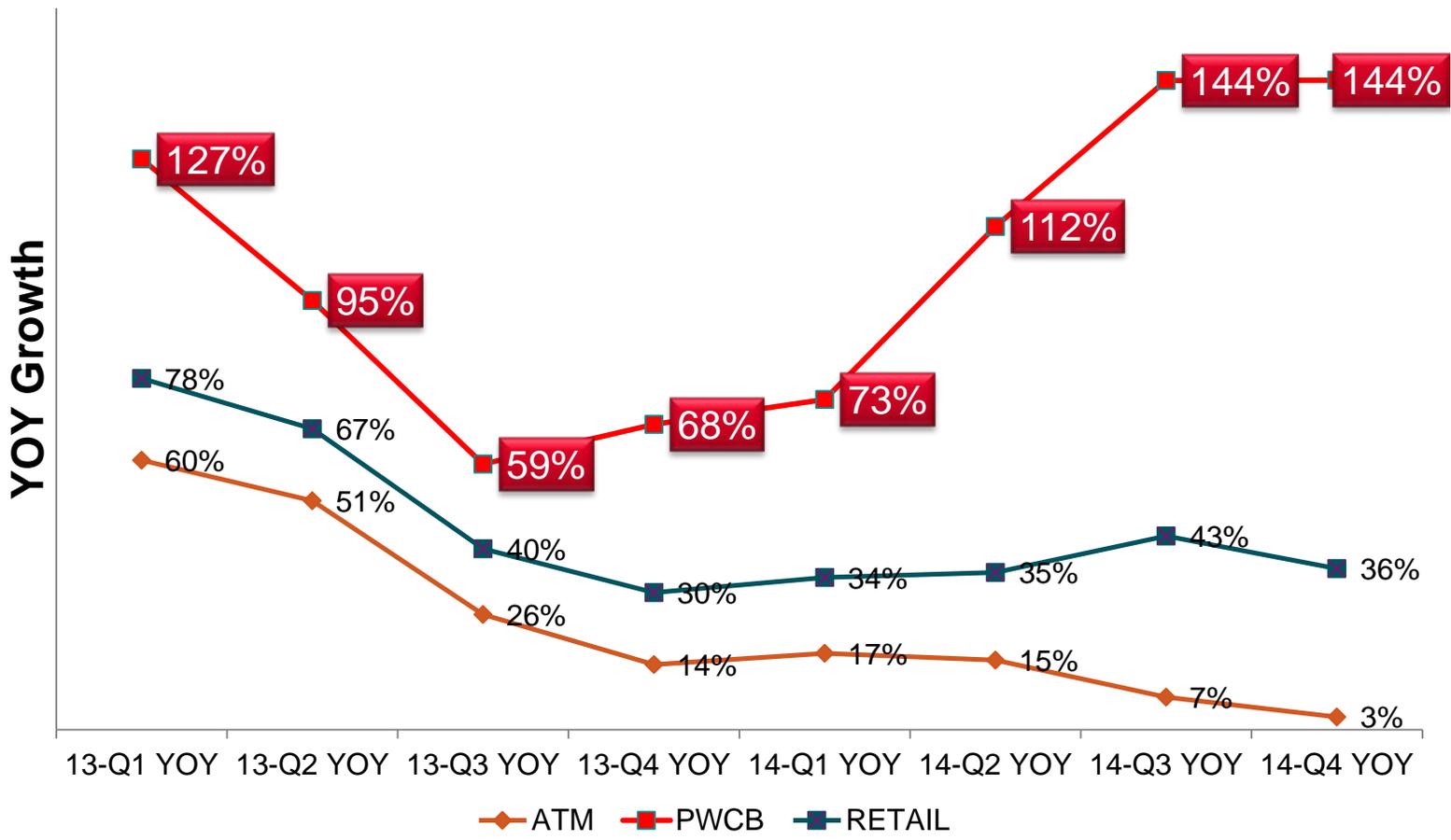
Cash Back Case Study

PWCB took over ATM's growth but retail continues to grow

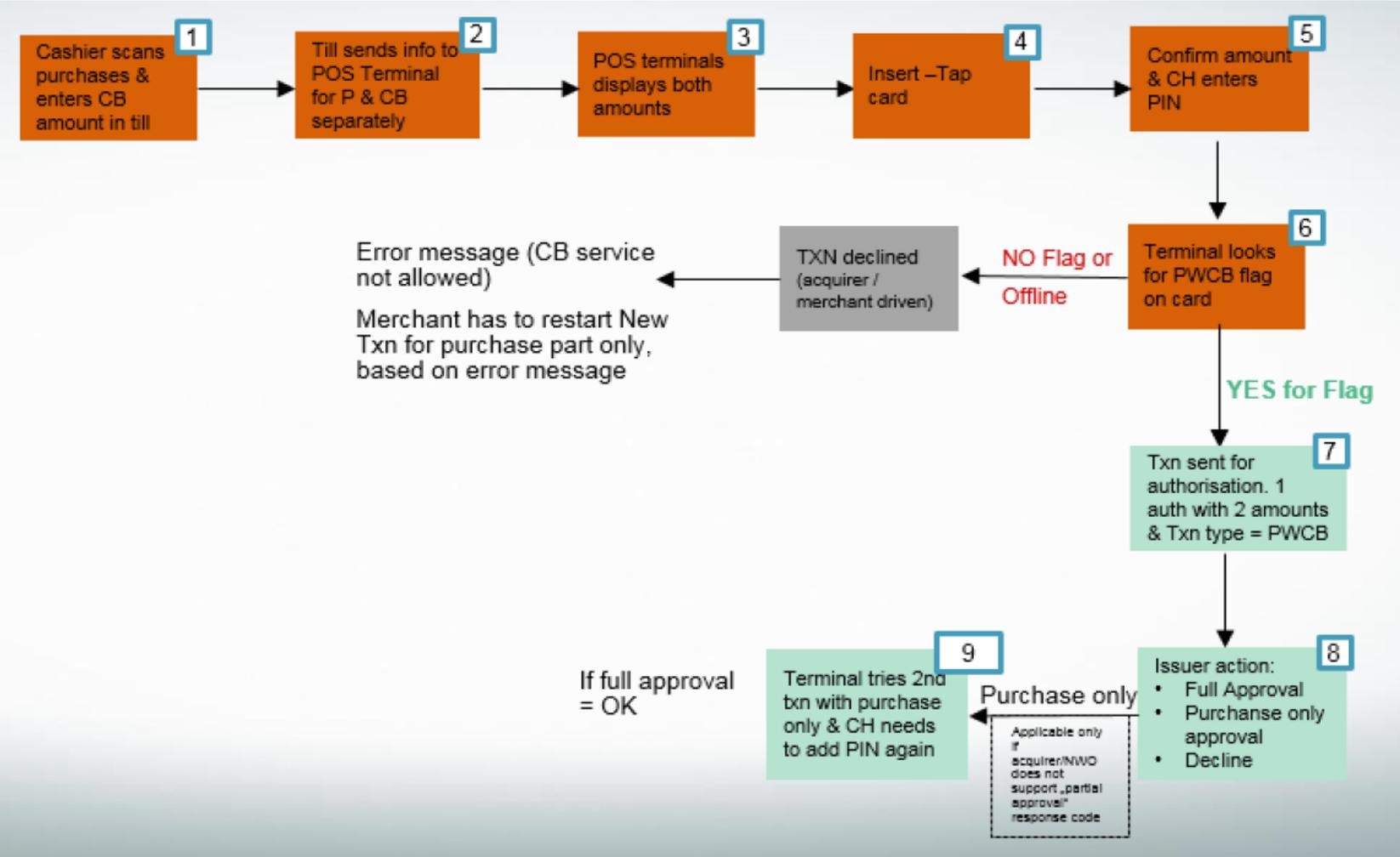
EUROPEAN CASE STUDY

EXAMPLE Bank Debit portfolio

Spend GEV – YOY growth split by ATM, PWCB, Retail - %



Transaction Flow



Please note that the above chart needs to be adapted based on market specificities

