Future of Digital Payments

View from 1985

more change

in the next 5 years than in the past 50 years

hyper-connectivity across devices

2025

5 Billion mobile internet users

4.4 devices per consumer

3.6 hours a day on mobile

25 billion IoT devices

5.4 billion smart home devices

Digital Trend Matrix

e-Commerce Trends and Impact/Maturity Levels

Potential Impact on the Market vs Maturity / ROI

Legend:
- DO IT! (green)
- QUICK WINS (dark blue)
- GAME CHANGER (light blue)
- OTHER TRENDS (grey)

Trends labeled:
- Big Data
- Alexa and Other Voive Interfaces
- Chatbots (Conversational Commerce)
- Personalization
- Business Intelligence
- Augmented Reality
- Marketplaces
- Predictive Analytics
- Mobile-First Approach
- Data Driven UX
- Omnichannel
- Algorythmic Driven Supply & Demand
- CRM
- Mobile App
- Free Shipping / Returns
- Digital Content
- Content Marketing

Quick Wins

6 – P2P Transfers

5 – Cash to Card with Transit

4 – New Acceptance Form Factors

3 – All Connected Devices are Payment Device

2 – Better UX and Security with 3DS 2.0v

Grow with E-Com

Main barrier towards e-com usage is force of habit, yet there are opportunity areas that can be tapped

Main drivers of online in the countries

20% POS share in Card Payments

Annual Card Growth (Volume)
23%

Annual Digital Payment Growth (Volume)
60%

Main reasons for not shopping online in the countries

Reason	%
Prefer to shop in person	81%
Payment security/privacy concerns	45%
Concerns around merchant fraud, customer service and returns	27%
Lack of skills or knowledge	21%
Delivery problems	20%
Lack of card allowing to pay online	16%
Other	4%

*"My shoe size differs from 37 to 39, so **I have to try before I buy**"*

*"There is **no control over internet**, I hear many scam stories everyday. **I will never share my credit card information**"*

*" I received pieces of greasy cloth instead of bed linens. **Contact info provided by the company is invalid.** I will never use e-com again…"*

*"**I want to buy my flight ticket by myself; but I don't know how to do it**. I ask my children but they are always busy"*

*" I am almost never home. **I am afraid** to order products online because they will most probably **be undelivered**"*

*"I tried to buy something online, but my card did not work. **I don't know if my card functions on websites.**"*

Source: Mastercard data
Note: Respondents may choose more than one option, therefore total does not add up to 100%

The Largest Card Pool of Azerbaijan with E-Pul and Hesap.az
We started to work with other players and banks

B2B Companies changing collection processes

Cardholders selects one of the cards

Cardholder receives SMS sent by the issuer bank. Verifies payment with this OTP

Successful Payment!

Nexts

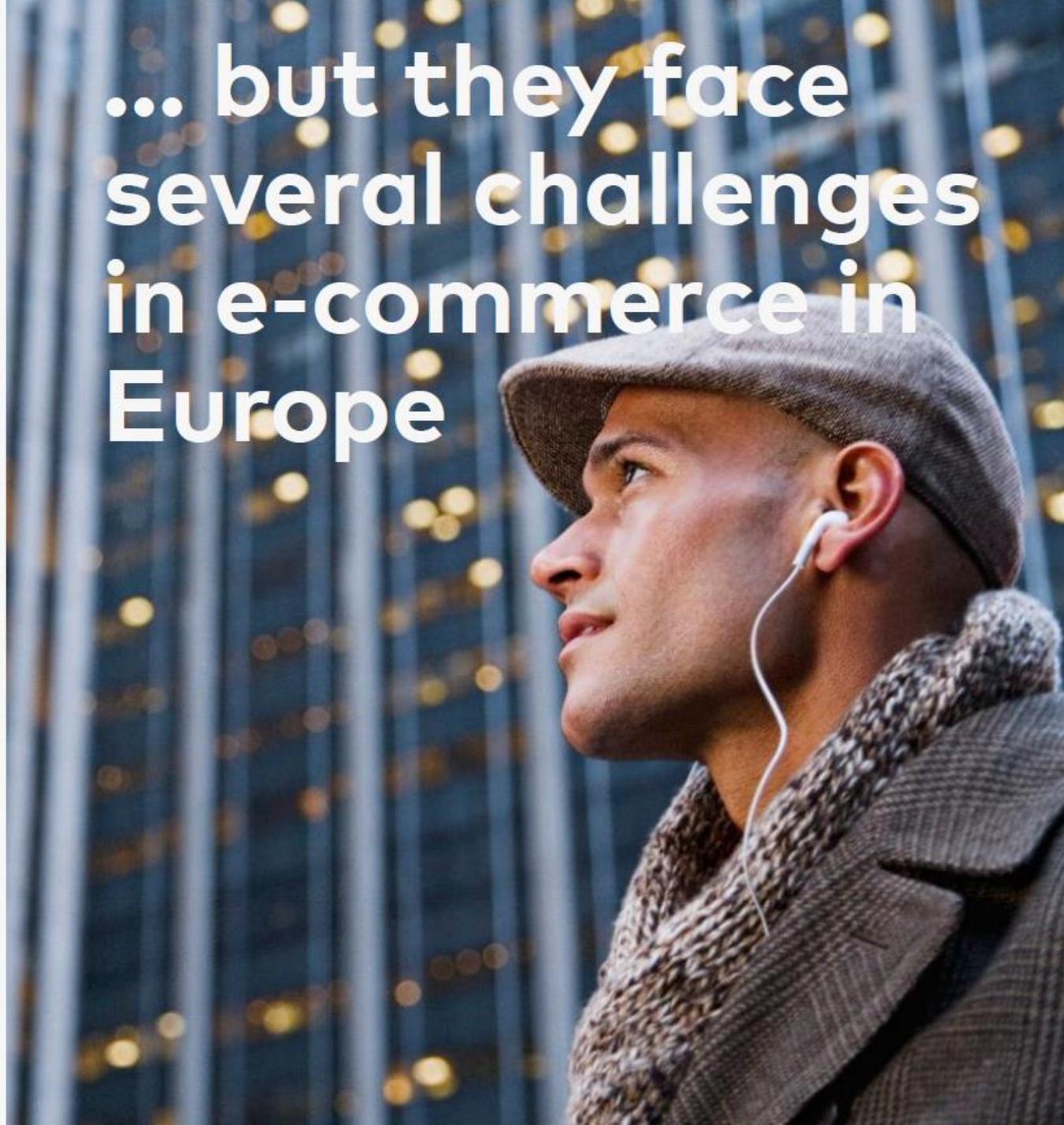**24%** Abandonment + decline rate **when 3DS is used**

17% Decline rate **when 3DS is not used**

10x Fraud rate of ecom Vs card present

Source: Mastercard analysis; Worldpay; BCG (2017)

... but they face several challenges in e-commerce in Europe

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E-Commerce User Experience will be enhanced by 3D Secure v2.0

Mobile will be key player for authentication of Mobile Identity

Face Recognition

Fingerprint

Retina Scan
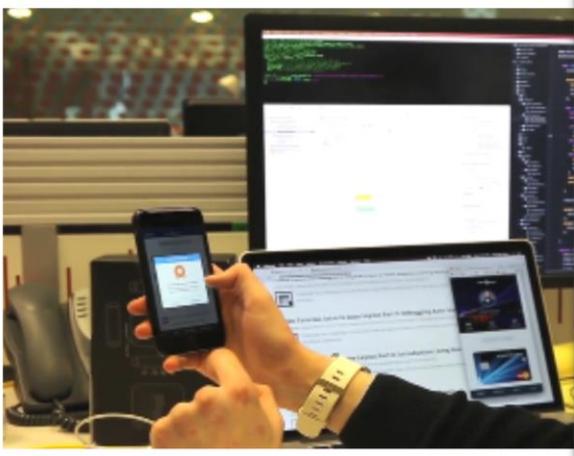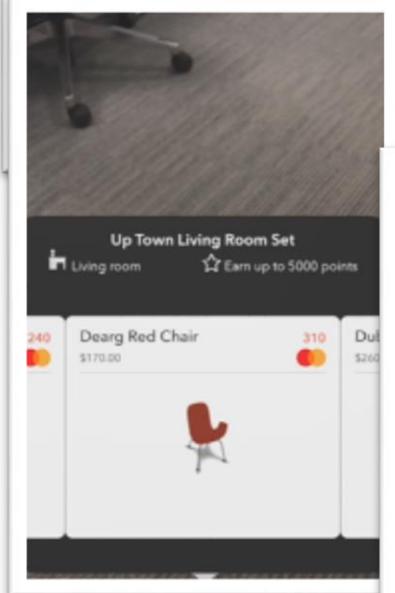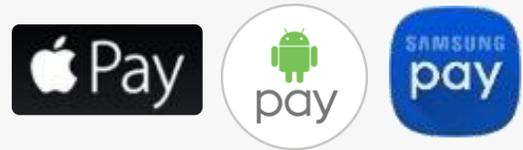
Voice Recognition

Geolocation

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Each Connecting Device is a Payment Device

In addition to mobile wallets, wearables and Internet-of-things will lead into the future of payments, supported by the MDES

How we can extend contactless in cash dominant areas?

Low amount, high volume merchants

Pedlar ~62K

Smal Shops ~167K

Individual Merchants ~235K

Coffe Shops ~95K

Bazaar ~60K

Taxi Drivers ~77K

Solving the SME acceptance issue

Offering instore solutions

Cash on Delivery

The reason of why merchant doesnt accept card payments? %

Get money immediately	48
Inactivity fee and high commission fee	44
Not need	44
Slows Payments	15
Trust to banks	7

Most of the issues can be solved by **Tap on Phone**:
- Decrease **Inactivity fee and high commission fee**
- Not need to **extra device cost**
- Increase **payment speed**

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

Payment Methods

Wearables

Payment applications

Contactless Cards
(only <CVM limit)

Acceptance Device

SAMSUNG

✕ Accept Payment

$ 5.45

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Please ask consumer to tap their contactless card or mobile device on the back of the phone within 12 sec.

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

Acceptance Info
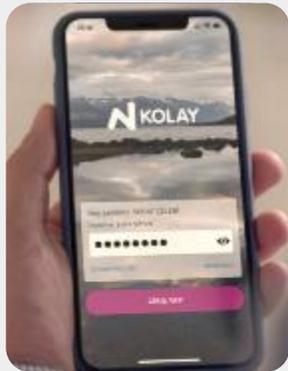
✅ No peripherals required

✅ Accepts any contact-less enabled card

✅ Accepts mobile NFC payment apps (wallets)

✅ Compliments potential future payment enablers

❌ Cannot process PIN entry on merchant device for EUR >25[1]

❌ Only works for merchant's with an Android phone

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Transportation is the main driver of card usage in daily life

We Offered 3 Step Enablement For the Cities

1

We Offered EMV contactless Card Which Would Be a City Card and MCBP

2
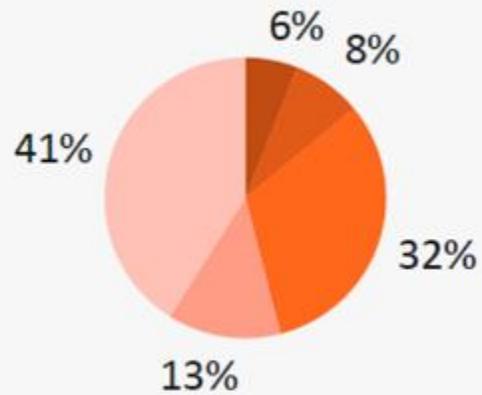
EMV Card Acceptance in the cities with Mastercard Platform

3

Close Loop Transit Card Top-Up Via Masterpass

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What we learnt from London?

Operational Costs

Before EMV acceptance, expenses was creating 14% of incomes and now it is 6%

6% 8%

41%

32%

13%

■ Oyster Card Issuing ■ Customer Care ■ Top-up

■ Security ■ System Cost

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P2P Payments will be a part of daily life...

UX of EFT needs to know 16 digits IBAN number but users request simple and better UX

Users would like to send money 7/24 and by mobile

Person-to-Person
Send and receive funds domestic to and from friends and family

Disbursements
Rebates, payouts, non-profits payments can be sent in real time

Small Merchants
Easily and securely accept payments instead of cash, without POS infrastructure

Cross Border
Faster, cheaper and more transparent international transfers to both consumers and businesses

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Diversify Use Cases and Increase Usage

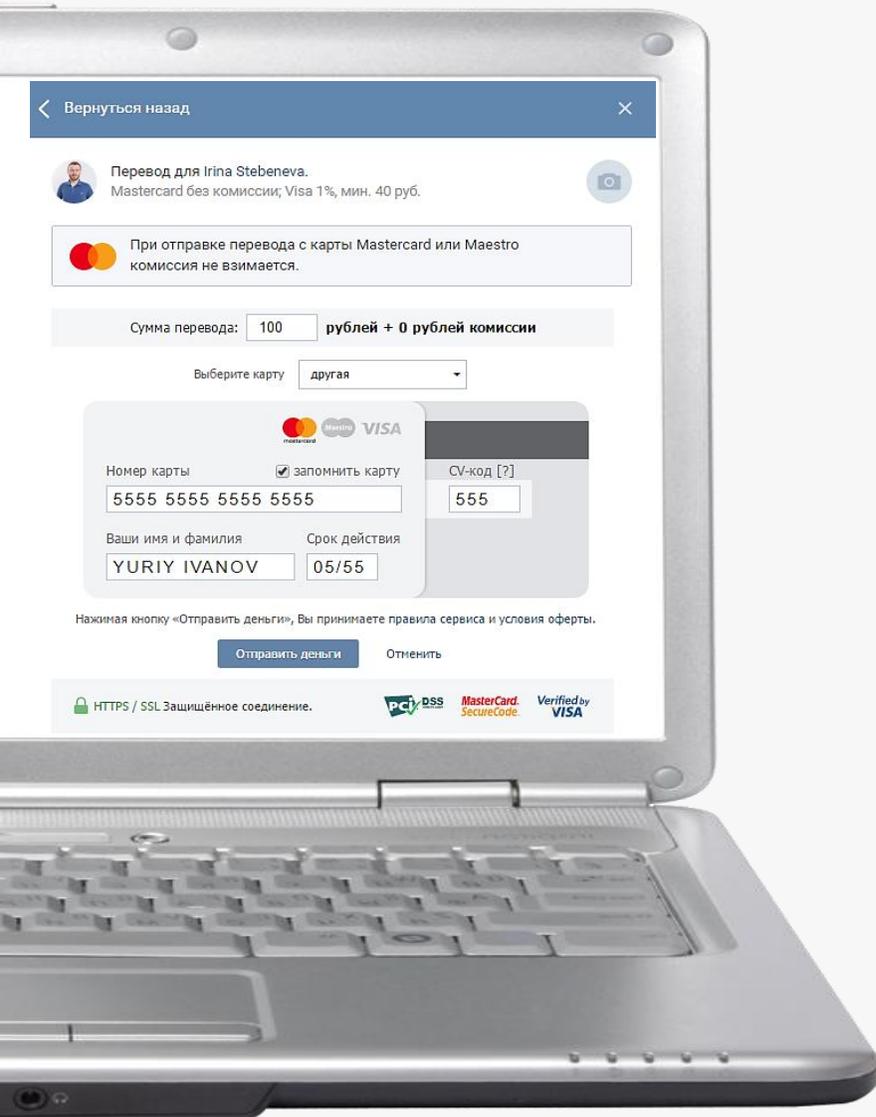By creating use cases to address different needs of customers, we positioned MoneySend more than just money transfers
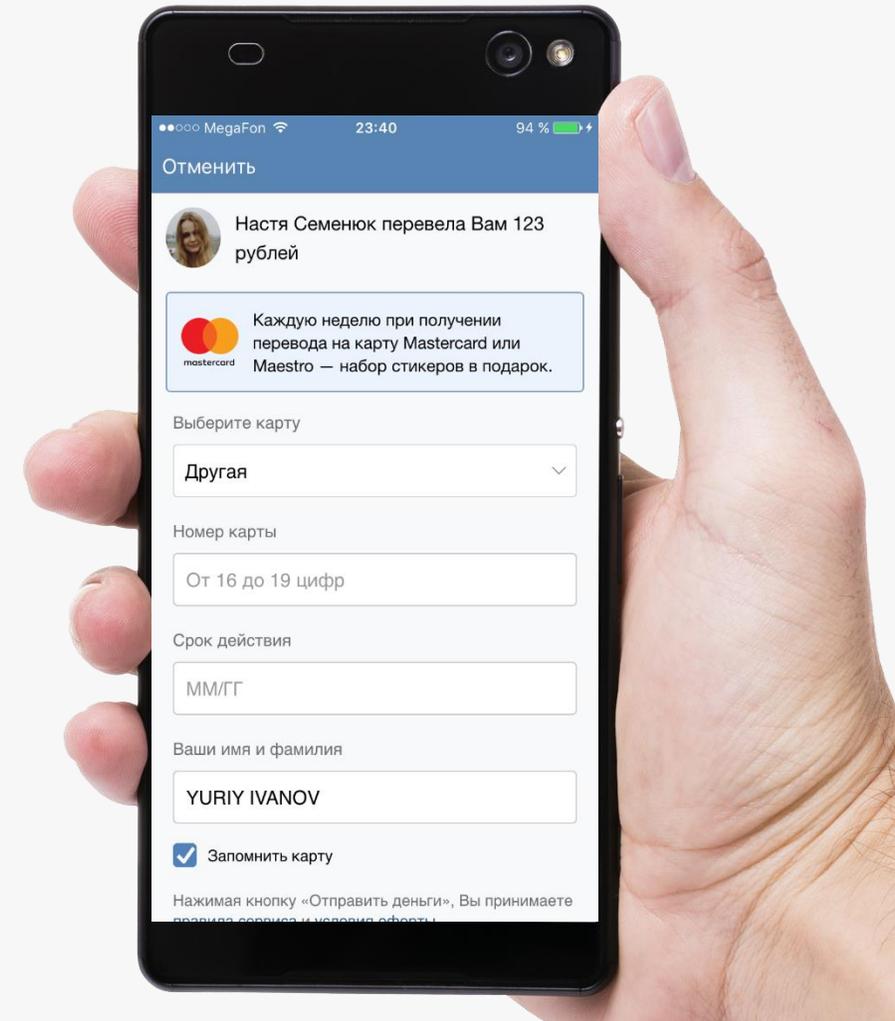
p2p transfers in social networks (ok.ru and vk.com)

- Transfers in 17 countries cross-border

- Special tariffs for MC and MAE cardholders.
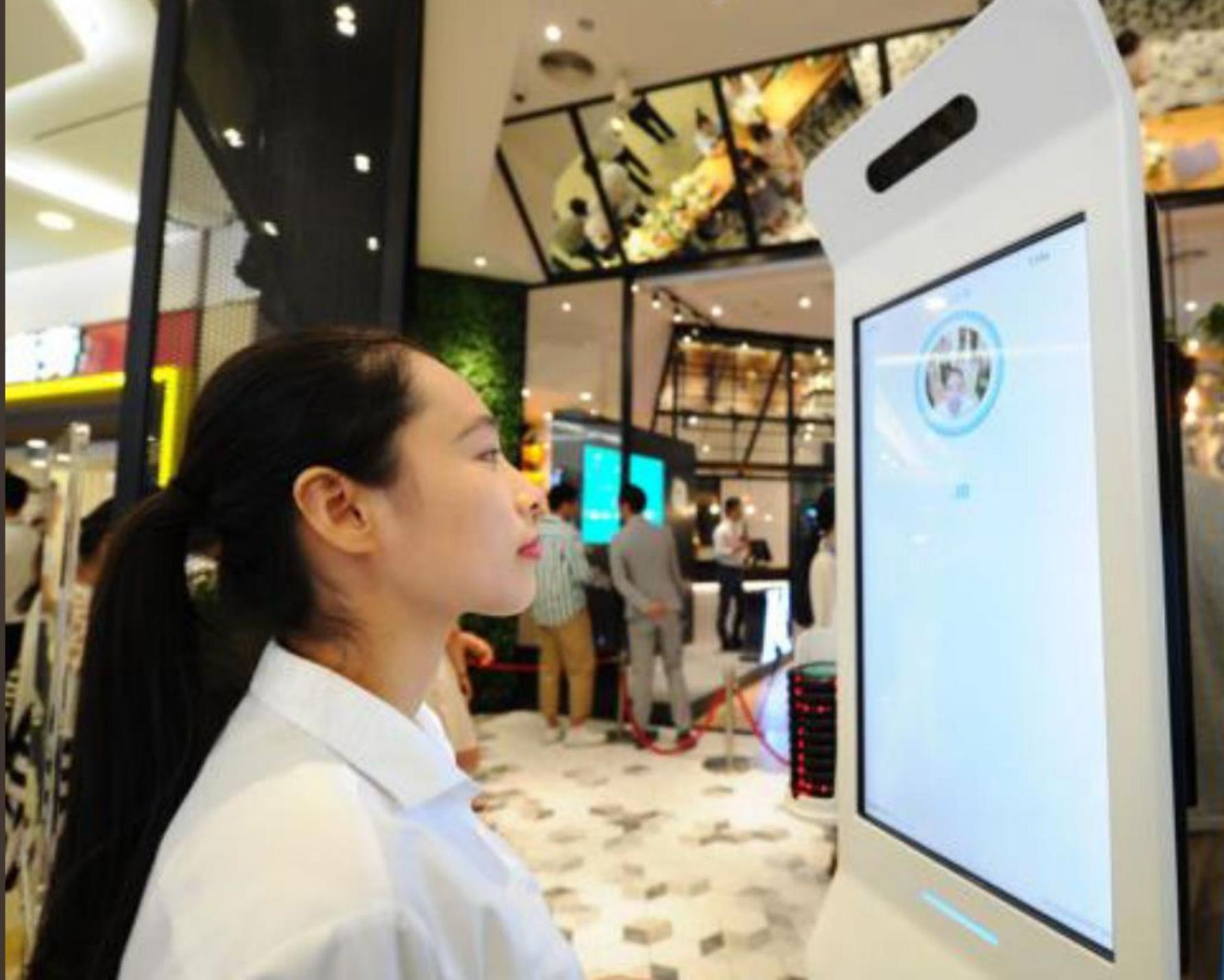
- Promo: transfers from MC and MAE are free-of-charge

Game Changers

KFC CHINA

Fast food outlet
enables customers
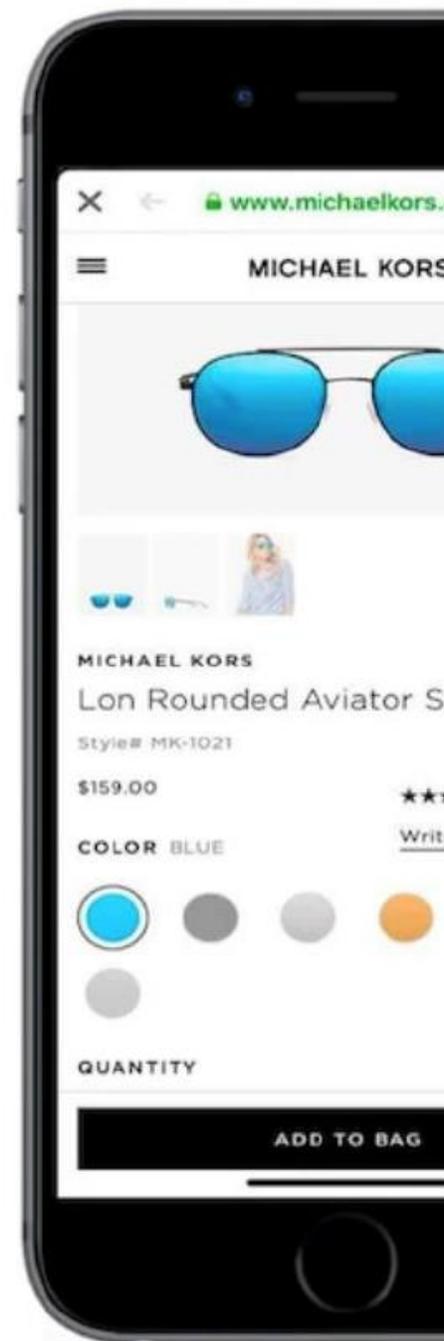to 'Smile to Pay' at
facial recognition
terminals

FARFETCH

Smart store uses online customer data to personalize experience

FACEBOOK

AR will turn News Feed into 'virtual fitting room'

Reorder

Here is a list of your last order.

CHAT BOT

Cappuccino

Hot
Size : XL
Quantity : 1

Cancel   Reorder

BY 2020 THE AVERAGE PERSON WILL HAVE MORE CONVERSATIONS WITH BOTS THAN WITH THEIR SPOUSE (Gartner)

Personalized Experience

Private offers or loyalty offers for reccuring customers

GATEBOX

Home assistant has
Avatar
'living' inside it

G Gatebox

3D Printers

3D Printing Technology Make
Anything You Want
Pay and Do It Yourself

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Thank you