

How will consumers pay in the future?

What can be done to ensure fraud prevention is taking into account in emerging channel design?

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Agenda

1. Themes
2. How will consumers pay in the future?
3. Fraud/risk prevention issues?
4. What can be done?

Themes

- Primary vs Secondary systems
- Cooperative vs Commercial systems
- Allocation of risk to those that can manage it
- How can we prescribe and enforce risk/security controls

How will Consumers pay in the future

1. Trends
2. Tentative predictions
3. The future payments
landscape

How will consumers pay in the future

Trend 1 - Technology



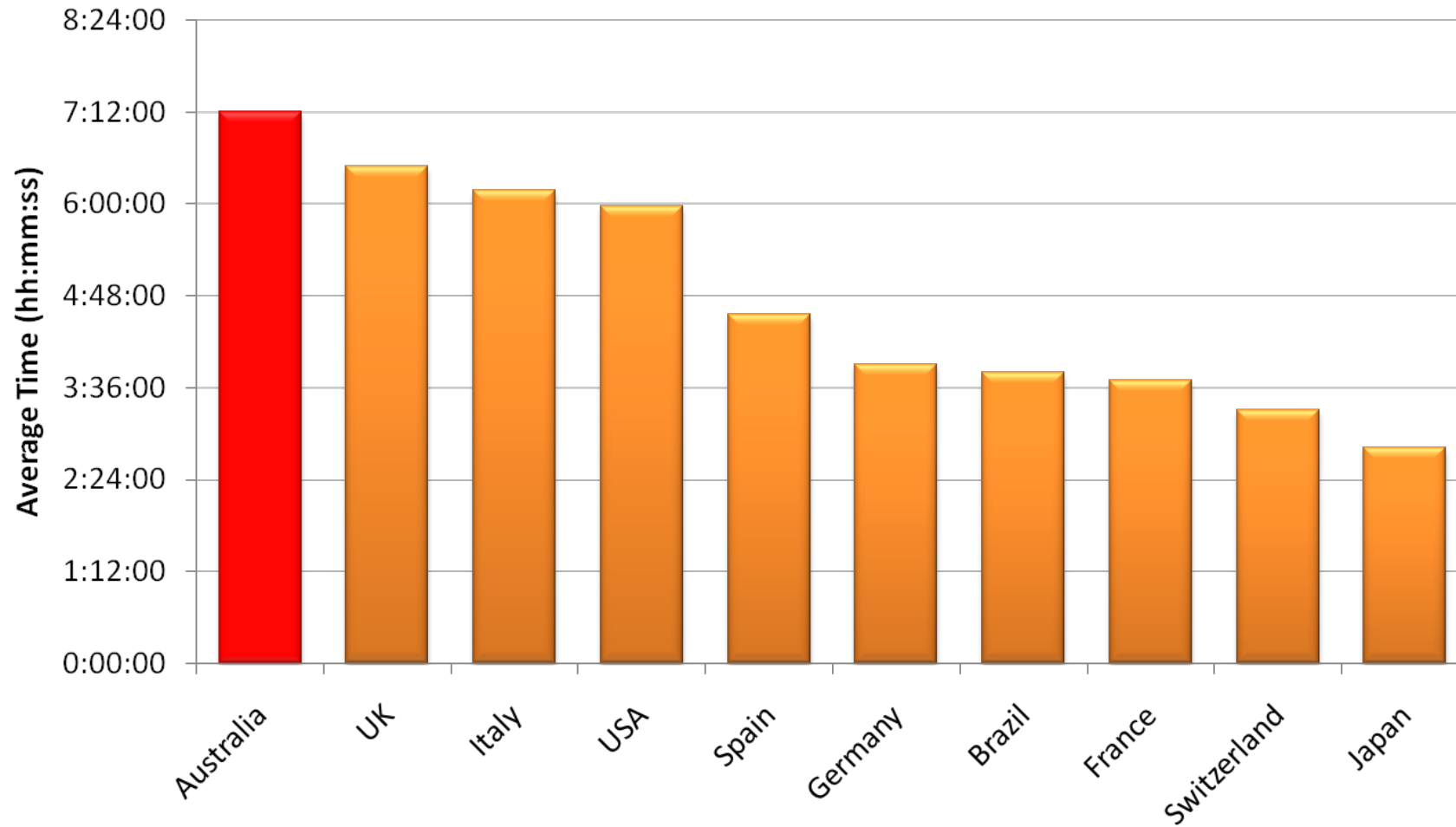
How will consumers pay in the future

Trend 2 – Consumers and Social Media



Time Spent on Social Media

Source: Nielsen Wire, January 2010, Global Time Spent on Social Media a month



How will consumers pay in the future

Trend 3 – Merchants and the Apple experience



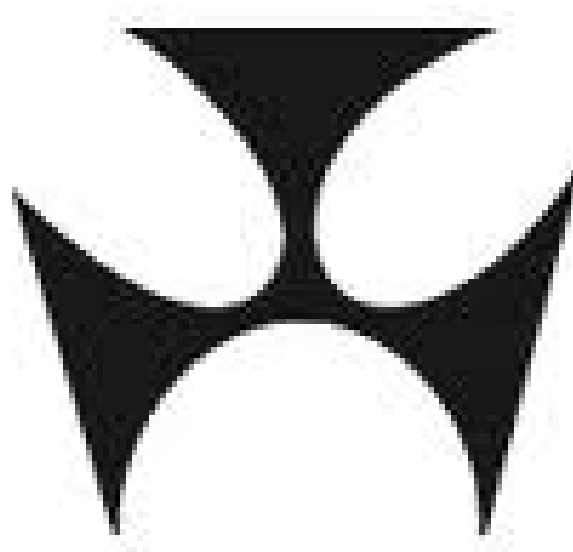
How will consumers pay in the future

Trend 4 – Payments Industry: More Secondary Systems



How will consumers pay in the future

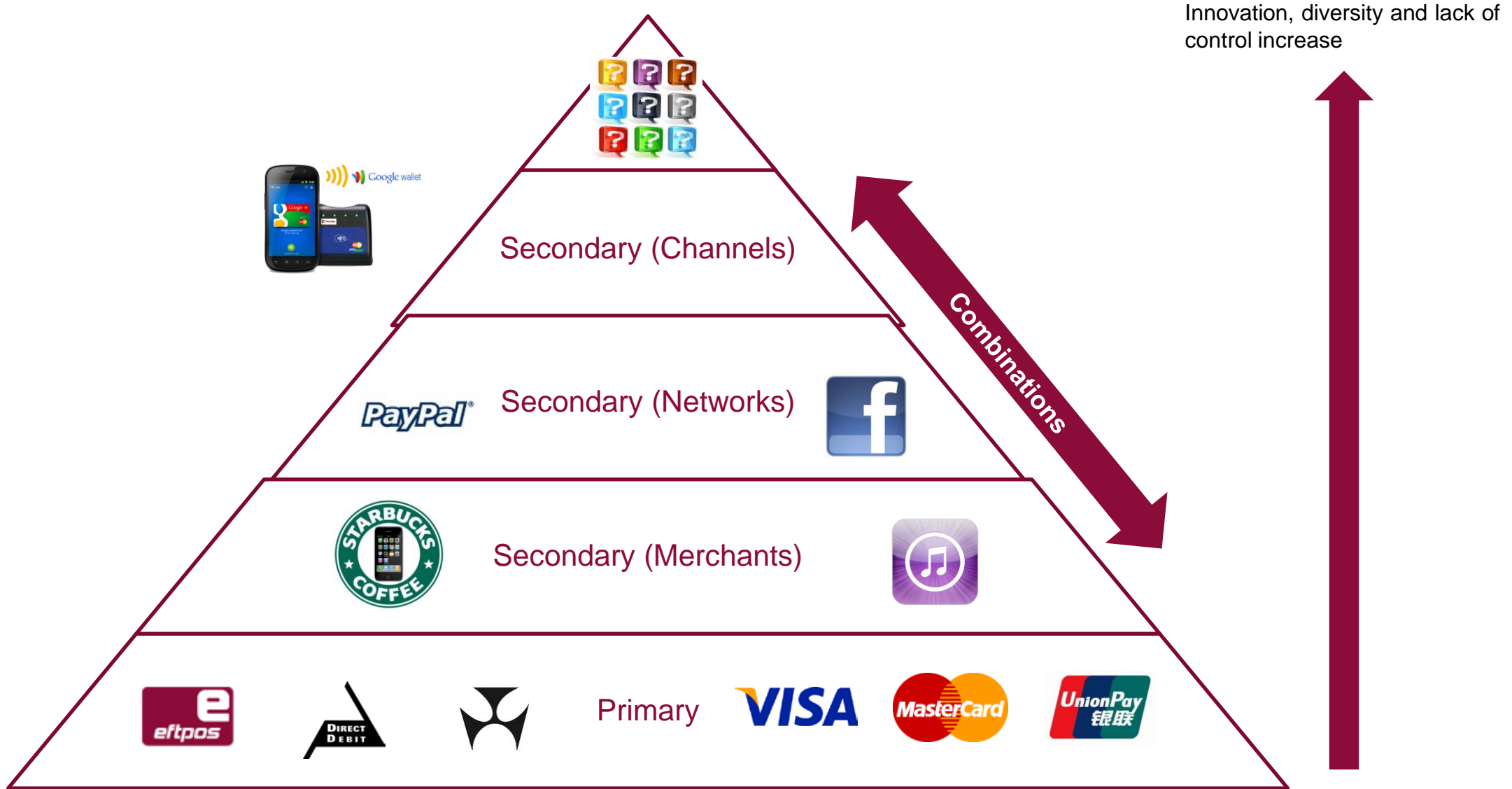
Trend 5 – Regulators will focus on stability



Tentative Conclusions

- The mobile phone will be the consumer payment device
- Network effects and prudential regulation mean that new primary systems are unlikely
 - the existing systems will evolve (or be relegated to wholesale provision)
 - internationals may arrive
- Channel innovation will be lead by secondary systems with primary systems trying to keep up and/or entering into partnerships
- The convergence of social media, retailing, mobile and internet will generate many new secondary systems:
 - Merchants eg iTunes P2P
 - Social networks eg Facebook P2P and P2B
 - Channel eg Google Wallet
- More and more merchants will look to own the payment experience

The future payments landscape



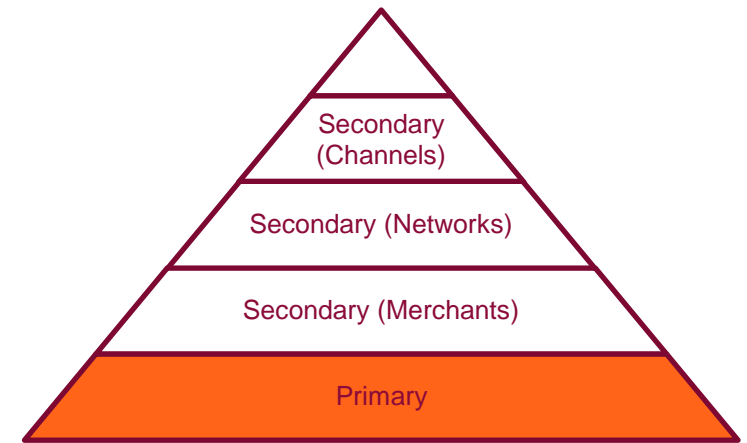
The future payments landscape

Fraud/Risk Prevention Issues

The future payments landscape

Fraud / Risk Prevention Issues – Primary Systems

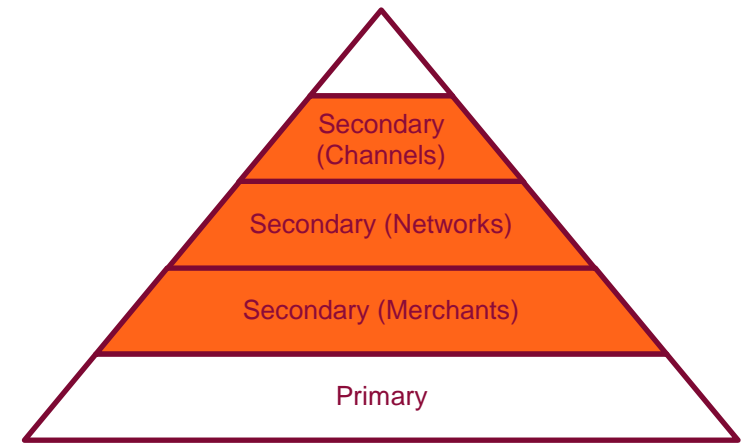
- Cooperative Systems (BAU)
 - ensure fraud and risk trade offs are made on an informed basis
 - decision making structures to need to evolve to keep pace
- Commercial Systems
 - pace of change, globalisation and competitive drivers will make it increasingly difficult to participate in fraud and risk trade offs
 - potential for fraud and risk issues to be relegated
 - Is this acceptable?



The future payments landscape

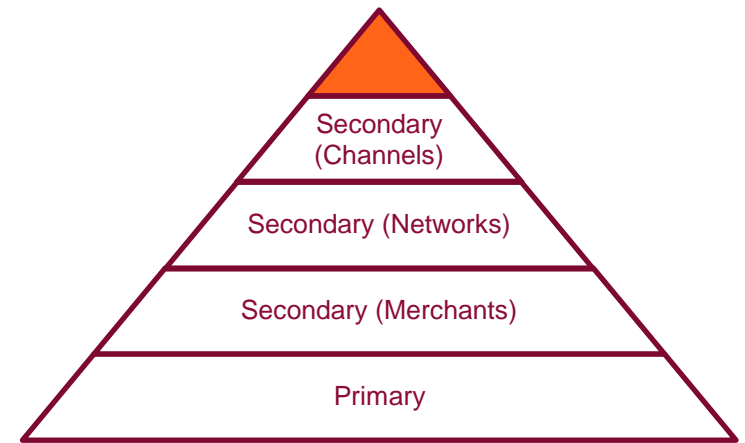
Fraud / Risk Prevention Issues – Secondary Systems

- Bespoke authorisation – is it possible to force secondary systems to follow preferred authorisation procedures
- Diversity, aggregation and transparency
- Personal and payment data security
- Are primary system security standards a practical solution:
 - pace of change - can they keep up?
 - globalisation and the importation of solutions
 - jurisdiction and enforcement



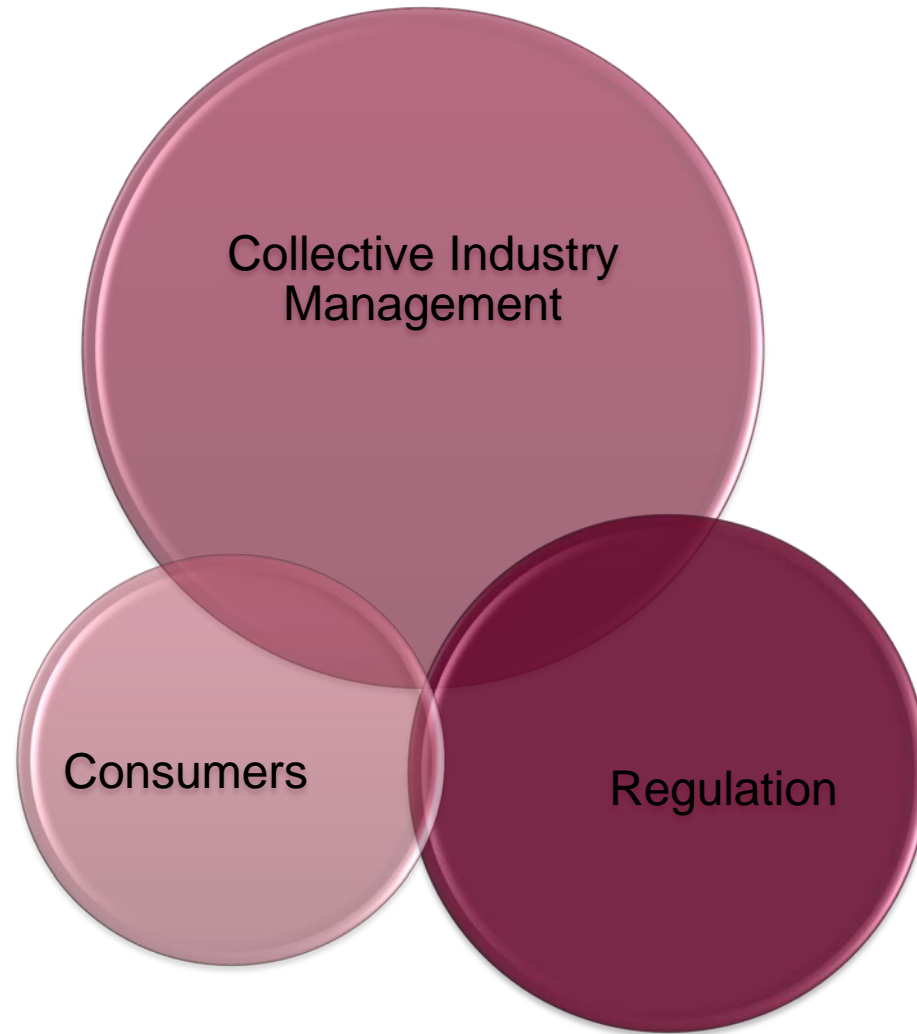
The future payments landscape

Fraud / Risk Prevention Issues – What's Next?



What can be
done?

What can be done?



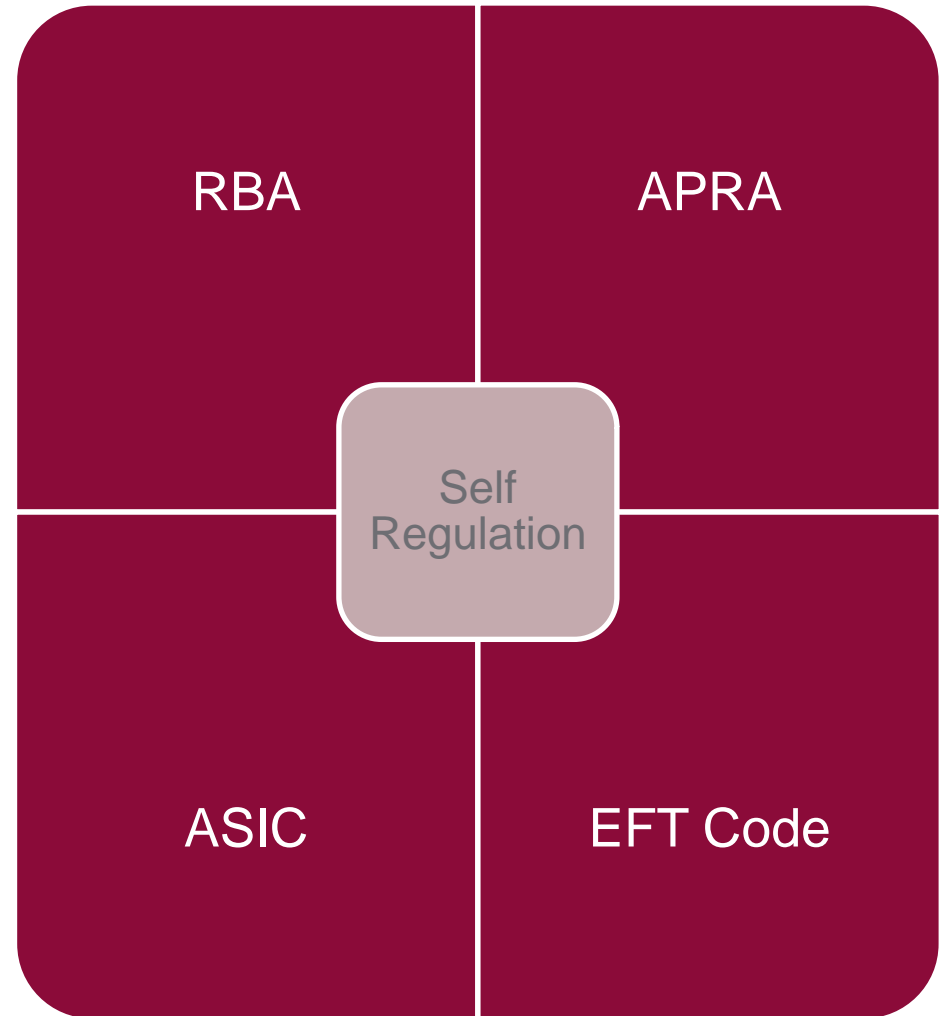
Collective Industry Management

- Commercial Primary systems and Secondary systems will increasingly operate independently of industry
 - to respond industry must collectively take ownership and set the minimum requirements
 - this may require additional collective structures/industry bodies
 - how the obligations can be imposed also needs to be considered
- Compliance and enforcement must also become a focus
 - audit
 - investigation
 - by an industry body?
- Collective intelligence gathering and monitoring

Regulation

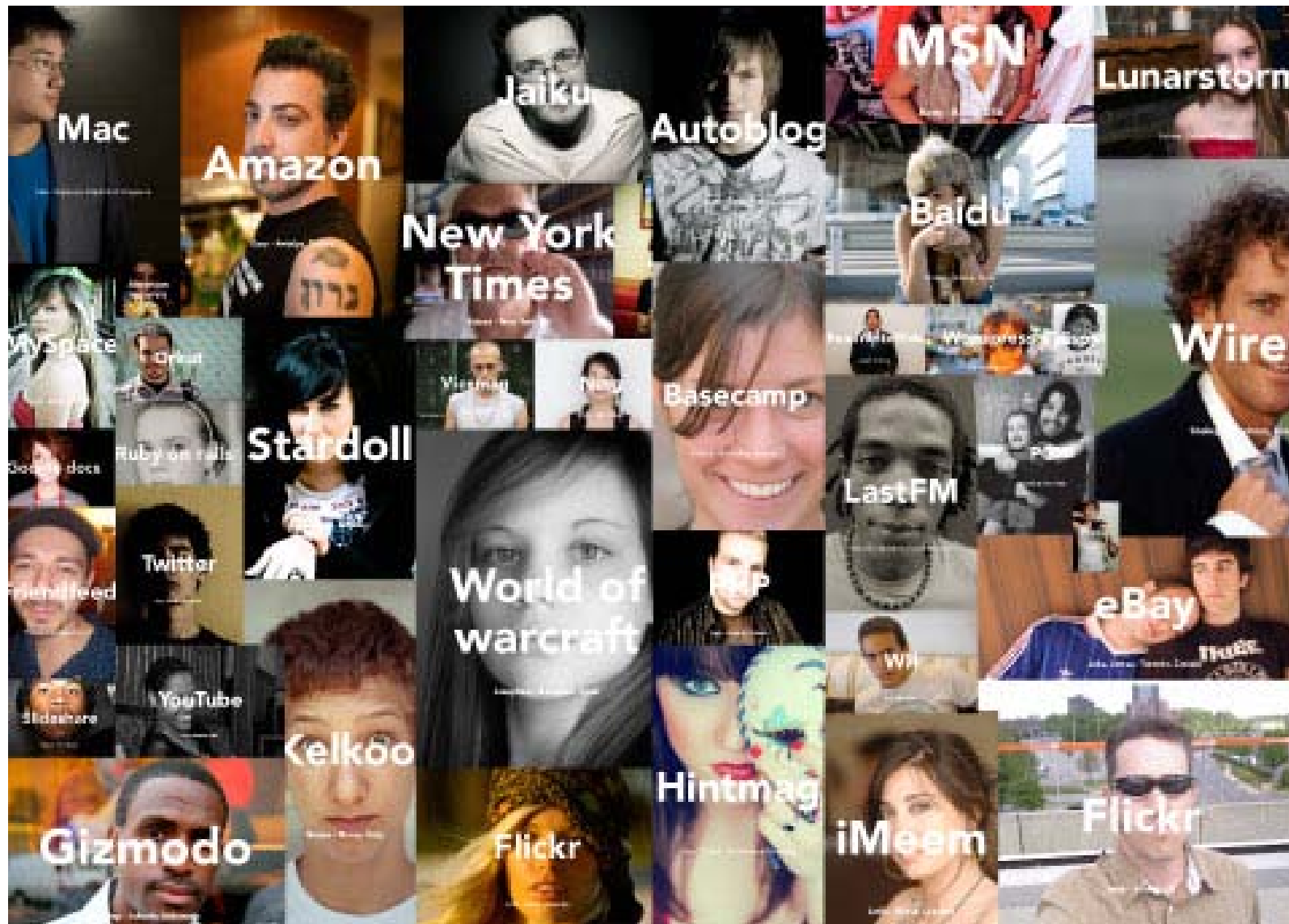
Friend or Foe?

- Creating an equal playing field
- Compliance and jurisdiction
- Tension with innovation and competitive factors
- Industry should take the lead



Consumers

Responsibility and Education = better choices



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