Digital Payments Transformation
From transactions to consumer interactions
Contents

Executive summary 4

The shifting landscape of digital payments 6

How to capture the customers: harness the power of mass-adoption to cross the chasm from physical to digital 14

How to capture the merchants: expose payment APIs to retailers 16

Five factors to get right in formulating a digital payments strategy 20

Five factors to get right in executing a digital payments strategy 26

Conclusion: participating in the intermediation layer 28

Appendix: Accenture's proposition checklist for digital payments offerings 30
We've come a long way in the digital economy, and today multi-channel delivery is an imperative for every business. Now the next stage of connectivity is upon us, as customers progress from choosing purchases and making payments to undertaking seamless customer-driven interactions via mobile devices.

This stage of connectivity is driving digital payments transformation – the migration of cash payments and plastic card payments to payments made over digital channels, either from dematerialized cards held on digital wallets or in the cloud, or from new digital payment mechanisms.

The addressable market is huge: Accenture's analysis shows that cash and card payments total about three trillion transactions a year globally, worth around US$13 trillion in aggregate. How many of these payments will move to digital – and how quickly – is anyone's guess, but we can be certain migration is happening as the digital economy develops. It explains why mobile and digital payments are now a white-hot topic, attracting significant investments and innovation, often backed by private equity and venture capital.

However, there is little so far to show for these investments, and achieving success in the digital payments landscape is proving to be a major challenge. While banks recognize this new environment, many are unsure how best to react. They struggle with the plethora of evolving technologies, partnerships and emerging digital ecosystems – and are often hampered by the normal bank investment cycle, which can be out of synch with the need for fast decision-making and innovation.

But we believe it is possible for banks to cut through the fog in the fast-changing and sometimes chaotic world of digital payments, and take concrete strategic steps to position themselves within it.
The objectives of this report therefore are to help banks and practitioners:

1. Make sense of the trends in payments and how they are shaping the digital payments landscape
2. Understand key features to make a digital payment proposition successful
3. Identify the key actions to set a digital payments strategy and build capabilities to bring digital payment propositions to market.

In summary, the key points to take from this report are:

Success stories of mass adoption of mobile/digital payments propositions are rare – but they do exist. In cases where these propositions are succeeding in building traction and usage, they usually share three key features:

- First, they tend to be retailer-centric propositions, such as the Starbucks mobile payment app. PayPal is also an obvious success, and has seen its growth boosted by its mass usage on eBay.
- Second, successful mobile/digital payment offerings usually have a well-defined ecosystem of merchants and consumers, enabling ubiquitous use of the payment proposition.
- Third, they generally have a frictionless user experience, where the payment is embedded as a seamless part of the end-to-end interaction. An example of this is the Hailo app for locating and booking taxi cabs, with its automatic but user- verifiable payment function.

To launch successful mobile/digital propositions, banks need to learn from these successes and target mass-market “plain vanilla” payments – such as buying a tube of toothpaste or a travel ticket.

- This role will enable banks’ mobile/digital propositions to displace cash and low-value card payments in everyday consumer interactions, and place, or intermediate themselves in the flow of their customers’ digital lives.
- Mass payments are a starting point for banks to help customers “cross the chasm” from paying with physical cards and cash to paying using a mobile device and on to more complex interactions for digital commerce such as paying with a combination of money and loyalty points, automatically selected by a digital wallet. An initial focus on vanilla payments and simple interactions also allows banks to build up gradually the internal capabilities required to enable digital commerce (technology, partners, management expertise, and so on).
- By definition, vanilla digital payments are a commodity; their value proposition is based on speed, convenience and robustness. But once mass adoption is established, richer revenue streams can then flow from more complex digital commerce interactions and payments.

The rapid growth in contactless card payments is the single biggest trend in payments in some markets at the moment – and exploiting this is a smart strategy for banks to pursue.

- With contactless payments seeing sustained hyper-growth rates of 300%-plus in Europe, harnessing this explosive expansion in usage will open the way for mass-adoption of mobile payment at the point of sale (PoS), and help consumers “cross the chasm” from physical to digital payments.

To commercialize digital payment propositions, banks should look beyond card-based revenue models and seek to generate revenue from payment application programming interfaces (APIs).

- By exposing their core payment systems to retailers and other third parties through APIs, banks can enable third-parties to drive growth by embedding the bank APIs for payments in their own offerings whenever they need them. This strategy has been adopted successfully by PayPal. Offering bank APIs externally opens the way to interactions in which consumers register their bank account on e.g. a retailer app and then seamlessly access the payment functions they need for that app – balance look-up, account selection, payment, receiving refunds, and so on.

- In exposing their APIs to third-parties, banks should aim to set a tariff for payment transactions at a level that is at or below the equivalent fees for card transactions, but additionally aim to charge for other API functions to generate new and incremental revenues.

- In pursuing the opportunities presented by mobile/digital payments, banks need to recognize and accept that card revenue will be cannibalized. This is inevitable. As long as new digital propositions have a clear and achievable commercial purpose – to acquire customers, retain existing customers or boost share-of-wallet – then this cannibalization is manageable.

Banks face a stark choice – either they enable accounts for their customers to make payments over any channel in digital commerce interactions; or they leave their customers to use their bank account as a "dumb" account to feed the smart, digitally-enabled payment accounts their customers hold with other banks and non-banks.

This report takes a comprehensive look at digital payments, and explores each of these points, providing tangible guidance along the way, including a digital proposition checklist as an “aide-memoire” at the end. It is designed both as a good read, and as a guide for industry practitioners to refer and dip into as they set and execute their strategies. Enjoy!
The shifting landscape of digital payments

Driven by rapid advances and investments in digital payments offerings and capabilities, the global payments landscape is undergoing a profound transformation. Yet, amid the flood of change and innovation, few initiatives have emerged as clear successes. The question is: why?
The forces reshaping payments

The first step towards answering this question is to identify the major trends that are under way. At an industry level, banking as a whole is going digital – the distinction between channels and devices is blurring, with interactions over the internet, mobile and with a physical presence converging into a common set of digital services, typically with a smartphone or tablet as the point of convergence and control. Consumers’ rapid adoption of these devices to manage their daily lives – ranging from reading books, to sending emails, to checking Facebook, to navigating the streets has taken many organizations by surprise. Whereas, 18 months ago mobile and digital were components of a typical strategy, now they are the strategy, and at the heart of business transformation.

In commerce and in banking, payments are at the forefront and center of the digital migration, reflecting their key role as the source of mass transactions for digital processes and the mechanism through which consumers interact on a daily basis with their bank and with retailers.

Within the overall shift towards digital payments, a number of distinct trends have become clear. These include:

**Contactless adoption**
Contactless transactions are growing at rates of 200% to 300% a year in some markets. Visa, for example, reported a rise of 46% in contactless transactions across Europe to 19 million a month in the first quarter of 2013, with the UK, Poland and Spain leading the way. With rising contactless adoption, the point-of-sale (PoS) readers in place can be used for near-field communication (NFC) transactions, and it is a small behavioral step for consumers to migrate from contactless cards to mobile NFC (or to other contactless technologies such as QR codes or bar codes). Contactless adoption is a profound yet largely unrecognized trend in payments that is driving new consumer behaviors and expectations away from cash and towards electronic interactions with retailers.

**End-to-end purchase integration**
Payments are becoming an integral part of digital commerce, where pre and post purchase activities such as search, comparison, selection, payment, and rewards operate seamlessly together – for example in digital wallets such as Google Wallet.

**Retail innovation**
Ongoing rapid innovation in retail, especially around omni-channel retailing, where consumers switch between channels such as mobile, internet and shops to complete a purchase. This shift is changing the way customers interact with merchants, driving rising demand for flexible and ubiquitous new payment methods that operate seamlessly across all channels. For example, PayPal has signed up large retailers such as Home Depot, Toys ‘R’ Us and JC Penney to accept PayPal in their stores.

**Retailer apps**
These have proved to be some of the most successful mobile payment methods launched to date. For example, Starbucks’ mobile payment app now accounts for nearly 10% of its US business, with four million payments a week in May 2013, up from two million a week at the end of 2012.

**Mobile point-of-sale (M-PoS) solutions**
Offerings such as Square enable merchants to accept card payments anywhere via mobile devices. Square’s success in the US – with over three million merchants and US$15 billion in annualized transaction volume – has catalyzed the emergence of a new industry to serve micro-merchants and to transform payments at the PoS, including in larger merchants.

**Cloud-based payment solutions**
There are an increasing number of mobile and internet applications, most notably Apple iTunes, where cards are registered once in the cloud and then re-used within these applications to make payments when a purchase is made.

**Real-time payments**
Immediate availability of funds on payment is very distinct and different from real-time authorization and guarantee of funds. It allows payment-versus-payment interactions, analogous to cash transactions – transferring electronic cash to someone so they can make a purchase. In the few countries that currently have a real-time payments capability, such as the UK, it is enabling new business models, including immediate availability of funds after online loan approval.

**Micropayments**
As a result of these trends, small cash payments are migrating to cards and electronic platforms. The displacement of physical cash will gather momentum in the years to come.

**Crypto-currencies**
Analogous to physical gold as a store of value and to physical cash in the way value is transferred, these virtual currency offerings – such as Bitcoin and Litecoin – are driving a wave of investment and innovation by players such as Bitpay. If these alternative currencies take off, banks will have the opportunity to support them by providing similar legitimacy (such as anti-money laundering and know-your-customer controls) and transparency as they do for government-backed currencies.

**Regulation**
Bank revenues from their cards businesses are under threat – regulation to cap fees is already in place in Australia and the US, and similar measures are proposed for the European Union. The adverse impact of regulation on card profitability is making non-card payment propositions more attractive.

Given the diversity of these trends, their relative relevance and criticality to digital payments are difficult to judge with certainty, but as we shall see later, contactless adoption, real-time payments, retailer apps and cloud-based payment solutions stand out as having a profound impact on the way we pay.
The emergence of digital ecosystems...

As these various payment trends gain momentum, a wider web of digital ecosystems is forming in parallel, as consumers connect themselves digitally to the organizations and communities with which they come into contact in their everyday lives. The next stage of connectivity is upon us.

A glance at the proliferation of apps on anyone’s smartphone (see Figure 1) or tablet, and the constant interaction of many people with social media sites such as Facebook or Instagram, provide clear evidence of the growth of such ecosystems. And as these ecosystems increasingly support commerce and purchasing, payments are becoming integral to many of the interactions within them. This goes to the core of digital payments and their future in consumer interactions.

While there is no universally-applicable definition of an ecosystem, they share a number of characteristics. In general, a digital ecosystem is a network of organizations and individuals relevant to a particular need or function such as commerce, which redefines the traditional boundaries between them from a physical to a digital relationship. Also, the ecosystem allows a customer to connect to it through any one of many digital access points, and then interact seamlessly with the various network participants.

Figure 1: Smartphone and tablet apps – interacting with digital ecosystems

Several types of ecosystem relevant to payments are forming, each driven by a different type of participant. The main types of ecosystem are:

**Consumer-driven**
Such as social media – Facebook, Twitter, and so on. In addition to the constant interactions they enable between individuals and between organizations and individuals, these ecosystems also enable commerce and payment interactions. Examples include Commonwealth Bank of Australia’s Kaching and Amex’s “Link, Like, Love”.

**Retailer-driven**
Specific to a store or brand, such as the Starbucks mobile payment and loyalty app allowing consumers to interact with the store through their mobile phones or tablets for browsing, searching, and ordering, as well as payment and loyalty points redemption.

**Bank-driven**
Such as the traditional merchant acquiring networks, where banks enable merchants with online payment capabilities; or mobile banking allowing consumers to interact with their bank on a daily basis for balance enquiries and bill payments, instead of weekly as they typically do for online or branch banking.

**Organization-driven**
Led by organizations in areas like healthcare and education, such as hospitals, schools and universities, allowing consumers to interact with the organization for information, communication and advice.

**Location-driven/dynamic**
Temporary ecosystems created around an event and/or location, such as a sports match, conference or music festival, or even around an individual’s immediate location. Examples include summoning a nearby taxi through apps such as Hailo or Uber.

**Aggregator-driven**
A merchant network assembled by an aggregator such as a telecom operator or around a commerce value chain, such as a car purchase or a night out, or city offers. Examples include Weve (in the UK), or Groupon.

Additional to these new digital ecosystems are the ecosystems of merchants long established with the card networks - Visa, MasterCard, American Express etc, and that developed by PayPal over the past 10 years. The challenge for these older ecosystems is to leverage them for digital commerce and innovate with digital payment propositions. Visa V.me, MasterCard PayPass, American Express Serve and PayPal Here are examples of how established players are innovating.

...demands a new mindset around payments

These ecosystems matter. Historically banks have pumped cash into consumers’ hands from ATMs and branches, and given them checks and cards enabling them to make purchases as they physically interact with merchants. But now, as these purchasing interactions become increasingly electronic within digital ecosystems, banks need to provide digital payment solutions that support them.

This is a fundamental shift away from their historical bank-centric or even customer-centric business model of payments, toward a buyer-driven interaction model. This means repositioning payments to work within ecosystems from a discrete, stand-alone activity, into one of several integrated elements within a wider end-to-end consumer interaction.

This change demands a major shift in the way banks and payment processors think about payments. Figure 2 shows the traditional banking view of payments, with the payment system handling the transfer of money from bank to bank on behalf of payer and payee.

In contrast, the emergence of digital payments and ecosystems mean today’s context for payments is very different and far more complex. Figure 3 shows a schematic of today’s end-user reality of payments, with the emergence of a payment intermediary domain to facilitate payments between end-users, originally for online ecommerce and now additionally for digital commerce within digital ecosystems.
Figure 2: A traditional banking view of payments

Figure 3: Today's complex reality of payments for the end-user
Size of the market

The addressable market for digital payment transformation is principally defined by cash payments and card transactions. Figure 4 shows rough figures for this market globally and for the main regions of the world.

As the chart indicates, the total global addressable market size is approximately three trillion transactions a year, valued at a total of around US$13 trillion. While cash and plastic card payments are not going to disappear any time soon, and estimating the extent and pace they will be displaced by digital payments is difficult, two messages are clear from Figure 4:

- The potential size of the digital payments market is huge
- Digital payment propositions need to scale to support mass volumes.

Every 10% of cash payments and 10% of plastic card payments migrating to digital payments represents a total of 300 billion transactions a year globally, with a combined value of US$1.3 trillion. Assuming an average transaction fee of up to 1% of transaction value, each 10% migration to digital payments also represents a global revenue pool of approximately US$13 billion a year, including US$4.5 billion annually in Europe and US$4.1 billion in North America. It is important to note that these revenue pools consist of new revenue from cash payments displaced to digital payments, migrated revenue from plastic cards to digital cards (i.e. digital payments using the card networks), and cannibalized revenue from cards substituted by non-card digital payment mechanisms.

Given this opportunity, the economic imperative to develop digital payment offerings is clear – as is the commercial imperative for banks to maintain and grow their payment revenues, and for new entrants to compete for them, as cash and card payments migrate to digital.

Characteristics of successful offerings to date

However, the patchy success of mobile and digital payments offerings to date suggests that few players have managed to adapt successfully to this new reality. Given the need to transform their view of payments and overcome the constraints of their core businesses, the challenges are especially significant for banks.

However, if they can understand the network effects and economic effects of an ecosystem structure, and exploit these effects commercially, banks are uniquely positioned to lead the way in an ecosystem-based future.

So, what attributes have characterized the successful offerings to date? The winners are succeeding through making their offering ubiquitous within an ecosystem, by being easy to register for or set up, and making the payment transaction itself an easy, seamless and even invisible – or “friction-free” – aspect of the end-to-end interaction. This is why mobile payments are very successful in some retailer apps, such as the one offered by Starbucks. These apps benefit from the fact that their ecosystem is well-defined; their network of stores and a loyal customer base makes ubiquitous reach viable; they support mass, repeatable payments; and the customer experience is free of friction.

Some mobile payment apps are so friction-free that the payment is invisible to the consumer. Examples include taxi apps, where on completion of the journey, payment is deducted from the consumer’s account without any action from the consumer. While consumers like the transaction to be friction-free and invisible, they also want to be in control. Therefore it is important to ensure the customer has control over the degree of visibility of the payment itself.

It is similar to handing over cash for a small purchase and getting change in return – some consumers won’t bother to check the change and will simply pocket it, while others will check it carefully. In the same way, digital payments should allow the consumer to move on from a purchase assuming the payment is made correctly, but also allow them to check and approve it if they wish.
Accenture’s Consumer Mobile Payments Survey: Driving Value and Adoption of Mobile Payments – Consumers Want More

Our survey of smartphone users across North America involved interviews with 4,002 adults in the US and Canada in October 2012. The sample was targeted to reflect the population of smartphone users across both countries, in terms of the type of phone used – such as Apple, Android or Blackberry – and both newer and more experienced users.

The study set out to understand how consumers can be encouraged to make mobile payments. The results revealed three critical findings:

- Consumers know that mobile payments are an option, but most still do not make them.
- Once consumers make their first mobile payments, they are much more likely to become converts to regular usage.
- While the industry is preoccupied with the technology roll-out for mobile payments, consumers are much more concerned about the security, privacy, convenience and value of using their phones to make payments.

The research also drilled down into the reasons for the gap between the levels of consumer awareness and consumer adoption, and into how financial institutions, retailers, mobile network operators, and equipment manufacturers can bridge that gap by converting reluctant consumers into regular, loyal users. The results suggested that merely making mobile payment infrastructure available to consumers is not enough. To attract more frequent and valuable customers in the long run and obtain valuable information about their location and purchase history, consumers should also be incentivized through rewards or other value-added tools.

To find out more, please download the Accenture Consumer Mobile Payments Survey at:

The future payments landscape...

As the winners start to emerge, what is the payments landscape in – say – five years’ time going to look like?

While not all elements of this landscape are clear as yet, many of its characteristics can be predicted with a fair degree of certainty. For example, there will be far fewer transactions in physical cash, and very high volumes of contactless transactions that will grow and migrate readily from plastic cards to mobile applications.

Plastic cards themselves will migrate to the cloud, stored in digital wallets and retailer apps giving consumers a convenient and secure way to shop online or by mobile and protecting the privacy of their personal card details. While cards in a dematerialized form will be around for a long time to come, they will be challenged by strong adoption of payments made direct from bank accounts, and by greater use of alternative payment mechanisms. Mechanisms to initiate payments will be embedded everywhere – in banking apps, retailer apps, and even machines such as electricity meters and cars (for pay-as-you-go insurance).

These account-driven payments will have three characteristics that significantly differentiate them from card-based payments:

1. No account, card or personal details need be shared with merchants or third-parties

Creating a more secure payments experience – the interaction flow is reversed, with retailers providing their ids to consumers for their apps to authenticate and retrieve details for sending the payment.

2. Account-driven payments can be enabled through APIs (application programming interfaces)

which expose banking services to retailer and third party apps – not just for payment initiation (as with an embedded card), but other services such as account balance display before and after the transaction, payment account selection and instant refunds.

3. The consumer is in control

They “press the button” to send the payment from their account, where they can see if they have sufficient funds to cover it - declined or queried cards at PoS due to insufficient funds or to over-zealous anti-fraud systems will be a relic of the past.

Account-driven payments are already established in countries such as the Netherlands, Poland and in the Nordics using an online banking e-payments model. In all these countries they are the preferred payments instruments for e-purchases.

Digital wallets will look very different from those available in the market today, where few – if any – have achieved much success so far. They will evolve into products that support all aspects of value transfer in digital commerce – payments, identification, offers, loyalty, coupons and so on – equipped with algorithms to optimize payment decisions, loyalty awards and price reductions from offers and coupons.

More generally, as payment becomes a more implicit or behind-the-scenes process within a wider interaction, there will be a sense of “putting it on the tab”. At the same time, growing use of real-time payments will support the development of associated new business models. Digital ecosystems, now at an early stage of development, will become established with payment innovations ubiquitous within them. The bigger ecosystems, such as banking, will drive interoperable, industry-wide solutions that connect all consumers with all merchants.

These shifts will also affect how banks provide payment services to their account-holders. Instead of banks interacting directly with end users for payments as they currently do for online banking, check and card payments, a new intermediation domain, as depicted in Figure 3, will appear. This domain will grow within digital ecosystems, and will sit between end-users and banks.
...creates a stark choice for banks

The emergence of this intermediary domain will bring some major implications for banks. One is that it will put pressure on the interbank payment systems to become more real-time and information-rich in order to feed the demands of digital commerce. Another is that banks will face a stark binary choice between extending into this intermediation domain and embedding themselves in its ecosystems, or remaining on the periphery as providers of “dumb” accounts that feed the smart accounts of others active in this domain.

This choice is illustrated in Figure 5. If banks do not extend into the intermediary digital payment ecosystems, their customers will use their bank accounts as a utility for storing value and funding ecosystem-based payment accounts run by other providers. In contrast, if banks offer digitally-enabled accounts from which customers can pay direct over any channel, then there will be little reason for those customers to use alternative accounts and payment mechanisms, other than perhaps for security reasons. It is therefore vital that in exposing bank accounts to digital channels, those accounts remain securely protected behind the bank firewall.

Under this model, the mobile handset acts more as a “remote control” device for the bank account that controls and monitors the flow of value, than as a digital wallet. This may appear to be a subtle distinction – but will probably be a crucial one to facilitate consumer trust in the mobile or tablet as a device for making payments, and to address consumer concerns with security.

Figure 5: The alternative roles for bank accounts: “dumb” feeder accounts to digitally connected competitor accounts – or digitally enabled bank accounts

Bank customers pay from competitor payment accounts funded from bank accounts OR Bank customers pay direct from digitally-enabled bank accounts

Bank account

Competing payment accounts and mechanisms
- Metro card
- Online stored value account
- Retailer account
- Telco digital wallet
- Prepaid card
- Social media account

Point of Sale
Person-to-Person (and small business)
Online
Outdoors
TV
How to capture the customers: harness the power of mass-adoption to cross the chasm from physical to digital

To date, many digital payment solutions have started out with propositions that integrate mobile search, offers, rewards and coupons with digital payments mechanisms.

The logic is that these offerings will incentivize consumers to use mobile payments. However, digital payment mechanisms need to be targeted at mass payment transactions to achieve mass adoption first—and the fact is that of the many billions of payments made each year in a developed economy, only a small proportion, perhaps less than 5%, involve some form of discount, offer or loyalty redemption. This is both because retailers’ margins and business models can sustain only a limited percentage of discounted sales, and because consumers don’t have the patience to seek them out on every small purchase.
In Accenture’s view, it may be better to target a mass payment proposition that can scale out to more sophisticated consumer interactions with offers etc, than to start with complex interactions and attempt to scale them up. Figure 6 shows this route to achieving scale. Mass adoption of simple payments allows consumers to “cross the chasm” from physical to digital payments, and enables banks to build core capabilities—technology, partnerships, management expertise and so on. It then paves the way for more complex interactions in digital commerce where revenue opportunities are potentially richer than those in commodity, vanilla payments such as payment for a purchase from a temporary offer triggered by an event such as an earlier purchase of a related item.

In our Mobile Payments Survey
d, 41 percent of smartphone users were highly aware that their phones could be used as payment devices at retail counters, but only 16 percent said they had done this. Also, only 7 percent of non-users said they were willing to switch phones in order to make mobile payments, while changing bank accounts or credit cards garnered even less support. So, to encourage both existing users and non-users to make mobile payments, mobile payment applications need to be as widely available and accessible as possible – including being supported across a range of different devices, banks and mobile networks.

A prudent way to seek mass adoption is to follow relevant developments in the marketplace. Figure 7 shows possible mass adoption paths based on current trends. For example, it is clear that digital payments in retailer apps can achieve mass adoption, so in-app commerce and retailer-driven propositions are attractive starting points. Additionally, it is clear that contactless card adoption is accelerating rapidly and could achieve mass adoption in economies such as the UK, Poland and Turkey within a few years. Once this mass contactless adoption is in place, it will be a relatively simple behavioral step for consumers to adopt mobile NFC – tapping a phone at PoS instead of tapping a card (although it will be dependent on consumers having NFC phones, with additional provisioning capabilities, but the core contactless PoS infrastructure can be re-used). It follows that mobile payment propositions that build on the contactless card experience have a good chance of success.

Finally, mobile banking apps are gaining rapid traction. Consumers like the user interface offered by smartphone and tablet operating systems, and they like using mobile banking when they are on the move to view balances and initiate bill payments. Adding a payment capability to a popular mobile banking app that supports payments at PoS and over the internet may be a surer way of achieving mass adoption than, say, creating a digital wallet with a base of zero customers at launch.

Consumers will make the choice between digital wallets and mobile banking apps for payments, and it is likely that the richer functionality of a digital wallet will be their preference in the long term. However, in terms of “crossing the chasm” from simple to complex digital payments, mobile banking apps are a good starting point.
How to capture the merchants:
 expose payment APIs to retailers

Retailers are currently grappling with the digital transformation of their own industry. Across the world, their sector is facing disruptive developments including accelerating online migration of retail spending and the need to meet consumers’ demand for a seamless omni-channel buying experience.
Physical and digital retailing are also combining in new ways, leading to innovations including in-aisle buying, where consumers use the smartphone or tablet to capture barcodes before going to the checkout. Customers can also now scan bar codes or QR codes in a variety of locations – for example through the window of a physical store even when it is closed, from posters or from virtual stores such as Tesco's virtual QR code supermarket in Seoul’s subway. They can then order and pay with their mobiles for later home delivery.

While innovation is continuing, retailers' interest in payments remains purely commercial. Whether the transfer of value from the consumer takes place physically or digitally, at the PoS, or via fixed or mobile devices, the key from retailers’ point of view is that they get the sale, at a low transaction fee, and are paid in a secure, efficient and timely manner, with easy reconciliation and useful MI. The consumer experience with the payment should not detract from the purchasing experience, and ideally should enhance it and be integral to it. So at root, they are seeking payment options that enable higher footfall or clicks, lower abandonment rates at checkout, more sales at lower cost (including lower fraud and chargebacks), and higher numbers of repeat and loyal customers.

To help them achieve these goals, retailers are keen to move away from their current heavy reliance on card networks. However, they want to do this without bringing in new intermediaries, without giving third-parties access to their customers’ data, and without having to make heavy investments in new infrastructure – especially not new multiple PoS devices. They also require payment systems that all customers can use. Their dilemma is that the card networks do bring this ubiquity, which very few new payment propositions can match.

To accept cards, merchants sign up to a merchant acquirer, usually a bank or a multi-bank processor. This is a traditional model, but it is also one that frustrates merchants, with its high fees, legacy technology and inflexibility. If banks are to retain this model in the digital world, then getting the merchant proposition right will be critical – not only in offering alternatives to cards, but also in settlement (same day is becoming important), reporting, data, channel capabilities, dynamic pricing etc.

If a bank has – say – a 15% market share of consumers, then a payment mechanism confined to this set of consumers on its own will not be attractive to merchants. This means banks need to collaborate in an industry solution for “all consumers, all merchants”, or to partner with a complementary third-party such as a telecom operator to achieve a critical mass of consumers.

Retailers are responding to the digital transformation of payments through a range of approaches including creating their own payment apps and industry systems (examples include MCX in the USA). To build take-up among retailers, banks’ digital payment propositions need to reflect the changes in retailing. However, banks cannot claim to know what retailers need better than retailers do themselves.

So, in Accenture’s view, a smart approach for banks to drive mass-adoption of digital payments among consumers is to expose the APIs in their own payments offerings for retailers and third-party developers to build into their customer apps and transactions. The growing trend towards exposing APIs is driving digital processes and connectivity across all industries, as reflected by Accenture’s creation of a strategic relationship with world-leading API specialist Apigee (see information panel). For banks specifically, exposing their payments APIs will enable retailers and other players to integrate the payments function and other banking services such as selection of the payment account, or a request for credit to their own requirements as they innovate around the customer purchasing experience.

Harnessing the power of APIs: Accenture Mobility's strategic relationship with Apigee

As Accenture’s clients across all sectors – including banking and retailing – go digital, they are increasingly seeking ways to deploy mobile applications more rapidly and integrate cloud platforms across their enterprise systems. API-based infrastructure has emerged as an innovative and high-potential solution to these challenges.

To help clients capitalize on these opportunities, Accenture Mobility announced in August 2013 that it had forged a strategic relationship with Apigee – a global leader in developing software to help companies build mobile platforms with apps, data and application programming interfaces (APIs). To cement the relationship, Accenture and Apigee have formed a global alliance and Accenture has also invested in Apigee, joining the company’s Advisory Board.

Apigee’s flagship offering is Apigee Enterprise, a complete platform for creating, managing and measuring digital initiatives built on apps, data and APIs. Apigee also offers Apigee Insights, a big data analytics platform that helps organizations gain new business insights in the app economy; and the Apigee API Exchange, an API interoperability platform that powers app ecosystems across any industry.
This opens up many opportunities. For example, when a consumer downloads a retailer app, instead of registering their debit or credit card with it, they can simply register their bank account, or even just their phone number (which their bank can then decode into an account). Then, when the customer uses the retailer app to make a purchase, the bank’s API allows a payment to be made direct from the consumer’s account to the retailer.

With a registered card, the retailer app can only initiate a payment. In contrast, an embedded bank API means the retailer app can offer a much richer series of functions – such as instant refunds, credit, receipt storage for expense management, and bank-hosted loyalty programs. Figure 8 shows a list of possible APIs and their capabilities versus an embedded card.

In this way, banks can meet retailers’ demand for payment mechanisms relevant to their digital offering. Such a solution allows retailers and others to proliferate banks’ payment APIs across the digital ecosystems, and enables consumers to use their bank accounts directly and safely to pay in digital interactions. PayPal has made its APIs available for several years through its PayPal Developer service, while a banking example is Credit Agricole which has launched an app store service allowing developers to co-create apps using the bank’s APIs.

When payment APIs become widespread, banks can go further by providing merchants, through APIs, with the opportunity to fund their own loyalty, coupon and discount programs from behind the bank’s firewall. At the same time, payments for different types of customer interaction will migrate to different digital channels, with – for example – store-specific items being paid for via retailer apps, merchant-funded offers or loyalty discounts via aggregator apps, impulse buys via social media, and low-value everyday purchases via contactless payments. By exposing their APIs, banks will be able to capture the transactions within these different interactions.

---

**Figure 8: Capabilities available with exposed payment APIs versus embedded cards**

<table>
<thead>
<tr>
<th>Embedded Cards</th>
<th>Exposed Payment APIs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumer Control</strong></td>
<td><strong>Consumer Control</strong></td>
</tr>
<tr>
<td>• Allow merchant to use card</td>
<td>• Select account</td>
</tr>
<tr>
<td><strong>Card Function</strong></td>
<td>• Release payment</td>
</tr>
<tr>
<td>• Authorise payment</td>
<td>• Request credit</td>
</tr>
<tr>
<td>• Decline card</td>
<td>• Share data</td>
</tr>
<tr>
<td>• Query card</td>
<td><strong>Merchant Settlement</strong></td>
</tr>
<tr>
<td><strong>Merchant Settlement</strong></td>
<td>• Direct from consumer’s bank</td>
</tr>
<tr>
<td>• Through merchant’s bank</td>
<td><strong>API Function</strong></td>
</tr>
<tr>
<td></td>
<td>• Send payment</td>
</tr>
<tr>
<td></td>
<td>• Retrieve balance</td>
</tr>
<tr>
<td></td>
<td>• Retrieve forecast balance</td>
</tr>
<tr>
<td></td>
<td>• Show accounts</td>
</tr>
<tr>
<td></td>
<td>• Refund payment</td>
</tr>
<tr>
<td></td>
<td>• Store receipt</td>
</tr>
<tr>
<td></td>
<td>• Redeem loyalty points</td>
</tr>
<tr>
<td></td>
<td>• Set up multiple-payments</td>
</tr>
<tr>
<td></td>
<td>• Set up billing agreement</td>
</tr>
<tr>
<td></td>
<td>• Set up payment schedule</td>
</tr>
<tr>
<td></td>
<td>• Search transactions</td>
</tr>
<tr>
<td></td>
<td>• Retrieve address</td>
</tr>
<tr>
<td></td>
<td>• Retrieve payment profile</td>
</tr>
</tbody>
</table>
In Accenture’s view, there are five key factors that banks need to get right to formulate a successful digital payments strategy – one that will enable them to define the right propositions and proposition roadmap.
Enable customers to use their accounts directly in digital purchases, via "remote control" handsets

While mobile wallet propositions have recently been a major focus of mobile and digital innovation, it is unclear what it will take to become a winning wallet proposition. A key challenge is addressing the "all consumers, all merchants" ubiquity principle.

Another challenge is using the cards networks. Cards evolved over several decades when the technology and connectivity options between consumers and merchants were very limited compared to today. Shoehorning cards ever deeper into digital ecosystems through tokenization and cloud solutions can only go so far. A wallet solution which has access to hundreds of millions of registered cards may sound like a fortress solution for digital payments, but – alongside the fact that the information has to be refreshed over a three to four-year cycle as cards expire – it represents a huge potential liability from a security and compliance perspective.

Therefore, while it is logical to start digital payments propositions building digital wallets using cards as a proven mass-adopted payment method, banks should also aim to enable their core consumer accounts to be useable in digital purchase interactions by enabling bank accounts, as well as cards, to operate on digital channels. There are successful examples of this approach already, such as the iDeal payments system in the Netherlands, under which consumers pay for ecommerce purchases directly from their bank account without sharing any financial details with the merchant.

The mobile handset or tablet has a fundamental role in these account-driven payments. It can be used as a "remote control" device for a bank account, useable in any online, mobile or PoS purchase to make the payment. This is a very different customer proposition from a digital wallet, which consumers can perceive to be a digital equivalent of a leather wallet, namely a "container" of digital cards.

Consumer protection is also critical. Not only should the proposition align with consumer protection regulation, it should match the chargeback and dispute capabilities that are standard with card schemes; and it should also protect the bank and merchant against consumer protection abuse e.g. fraudulent refund claims.

Creating a mobile wallet Infrastructure in Asia Pacific

Accenture is helping one of the leading payment services providers in the Asia Pacific region to execute its strategy to become the leading mWallet and mobile financial services provider in Greater China.

Established in 2000, the client currently has 25 branches and 500 employees, offering PoS management, card issuing and payments processing services, with a network of partner banks and merchants. It has already been granted a license as a third-party party payment institution by The People’s Bank of China (PBOC).

The client entered a multi-channel service arrangement with the leading local payment scheme China UnionPay, initially to provide remote payment and develop future NFC capability. To support these initiatives, the client engaged Accenture to help it launch and manage pioneering mobile payment services across China through the Accenture Mobility Platform (AMS), supporting both bank cards and pre-paid stored value accounts.

This is a value-based arrangement, where Accenture will split the revenue with the client for each transaction performed over the platform. Under this arrangement, the client will be able to "pay as it grows" the volumes of the transactions, and Accenture will deliver end-to-end managed services. The initial engagement is focused on payment authorization, and Accenture is now also helping to design an mWallet, while also creating and managing marketing campaigns to boost consumer uptake and recruit and connect local and multinational merchants.

If an account-based proposition is to succeed, it is important to get the commercial model right as well as the customer experience. It needs to be clear on whether the proposition is focused on customer acquisition, retention, share-of-wallet or a combination. It also needs to generate core revenue that replaces that lost from cards, and to focus on the value to merchants from enabling them to complete a sale by guaranteeing payment from the purchaser.

For these new models it makes sense to set transaction prices at a level equal to or less than a comparable card transaction, and to position them as a bilaterally-agreed "authentication fee". As a rule of thumb, the economics of the proposition should work with revenue equivalent to no more than 1% of total transaction value processed. Any revenue above that is a bonus.

However, additional revenue can come from API functions that accompany the payment function e.g. balance look up, or refunds. This is where banks can provide value beyond traditional payments, and generate new profits – again highlighting the importance of exposing their payments capabilities through APIs.
A good case study of payments innovation aimed at driving mass-adoption is the launch by BNP Paribas Fortis and Belgacom – supported by Accenture – of a complete shopping experience seamlessly integrated in the various apps on consumers' smartphones. In combination, BNP Paribas Fortis and Belgacom are estimated to reach 75% of the Belgian population. The "in-app commerce" solution will be based on a Belgian national mobile wallet that integrates mobile payments, virtual ticketing, e-couponing and loyalty programs with convenience and high security. Pilots are planned for the end of 2013, in collaboration with selected key participants in the transport, retail, entertainment and app development industries. Full rollout is planned as from spring 2014.

From the consumer point of view the mWallet will enable people across Belgium to put the wallet into their smartphone, gain time by avoiding queues, and get access to better shopping deals – thus meeting consumers' demands for extra convenience and services on their smartphones. For merchants and other service providers, it opens up a new world of sales opportunities while reducing costs and increasing security.

To support the offering, Accenture is building an end-to-end mPayments platform including wallet management. Accenture's scope includes both client-side components such as mobile apps and m-site, and a full merchants' hub for mCommerce, including checkout.
Build digital payment propositions for mass adoption—then target niches

As economies transform and migrate to the digital world, digital ecosystems will become widespread and digital interactions ubiquitous. Consequently, digital payment propositions need to be targeted at mass payment transactions and mass adoption. In a typical developed economy, there are tens of billions of card transactions and even more cash transactions. These are the target markets for digital payments. The vast majority of these payments are simple, “plain vanilla” transactions, so it is important to design digital payment propositions for this mass market. More complex propositions for smarter transactions such as coupon redemption can then follow.

Given the pace and scope of change in the digital payments landscape, it is impossible to predict how the future will play out. But what banks can do today is identify the key mass adoption growth trends that appear to be sustainable, and develop offerings that will capitalize on them.

Figure 9: Projected transaction growth (millions p.a.) and total change in transaction volume (%) 2012-2017 – major Western European market

Transaction growth (m p.a) and total change in transaction volume (%) over 5 years

An example of the mass-market trends that banks should be tracking and seeking to leverage is the rapidly-rising adoption of contactless debit and credit cards. Extrapolating data from Visa, contactless card transactions are growing at over 300% a year in Europe. As Figure 9 shows from Accenture analysis of a European market, if this trend is sustained over the next few years, by 2017 these products will dominate the payments industry, while a corresponding drop in physical cash is possible.

By identifying trends like these and developing products that anticipate their future impact on consumer behavior, banks and other participants in digital payments ecosystems can reap major benefits in terms of customer and payment volumes. These trends open up further opportunities in turn. Once mass-adoption of contactless cards by consumers and retailers is under way, it is a relatively straightforward step to leverage the same infrastructure for mobile contactless payments. Similarly, rapid growth in the adoption and usage of mobile banking apps – now part of the daily routine for millions of consumers in many markets – offers banks the potential to enhance their mobile banking offering by adding a payment function, which will become available instantly to a large, growing and sophisticated part of their customer base.

In launching such offerings, banks should not be afraid of cannibalizing their existing revenues from legacy payment products such as cards. Clearly, the current massive user base for cards means banks will need to continue to offer them for years to come, and to embed them in digital wallets. But as Figure 8 shows, cards are limited in their function and user experience in comparison to exposed payment APIs. So, while banks should continue to offer card-based solutions to leverage a vast installed card base and to launch digital payment propositions quickly, better opportunities to innovate exist beyond cards.

Figure 9: Projected transaction growth (millions p.a.) and total change in transaction volume (%) 2012-2017 – major Western European market

Transaction growth (m p.a) and total change in transaction volume (%) over 5 years

Source: Accenture analysis
Leverage existing and emerging technologies

Advances in technology have created the digital payment opportunity, and banks must continue to monitor emerging technologies to help evolve and enhance their payment offerings. A clear example is the growing ability of the smartphone and tablet to act as a remote control for activities ranging from ordering taxis to turning on the central heating or recording TV programs at home. This makes controlling payments from a bank account a logical next step. To control payments, digital propositions must use security, privacy, authentication and verification technologies deployed in a robust, but non-intrusive way.

However, several other technologies are expanding the opportunities still further. As the accompanying information panel explains, Accenture’s Technology Vision for Banking 2013 – entitled “Every bank is a digital bank” – highlights the potential benefits of data analytics, social media and cloud computing in the banking industry, not least in payments.

Analytics, for example, can help to bring a digital payments ecosystem to life by providing the data-driven insights and intelligence needed to respond in a relevant and appropriate way to consumers’ needs, location, personal preferences and lifestyles. Rather than users being bombarded with coupons, analytics means they can be targeted only with those they are actively interested in and likely to use. Similarly, social media – again blended with analytics – provides a whole new environment in which banks can embed their payment APIs and become part of wider interactions.

Cloud computing’s disruptive combination of low and flexible pay-per-use cost structures, high scalability and elasticity, unprecedented speed-to-market and agility, and access to massive computing capacity on demand all support the qualities that banks will need to compete and win in the future. By blending cloud’s capabilities with the converging technologies of mobile connectivity and social media, banks can re-examine and re-engineer their business models in general, and their payments offerings in particular.

In developed markets, banks are seeing mobile banking services grow faster than internet banking did in a similar timeframe after launch, with leading banks reporting penetration of 40% to 50% of their internet banking user base with mobile services. At the same time, usage of social media is rocketing. Today there are more than a dozen social networks across the world with over 100 million users – and most banks have built a social presence, many with millions of "likes".

These trends are all adding further to the flood of data from which banks need to derive insights and intelligence. Banks already manage vast amounts of customer, payments and market data, but many struggle to make sense of the growing volume and velocity of information.

In response to this rapid and pervasive digital change, banks are ramping up their investments in new technologies – not least cloud computing. The financial services industry’s spending on cloud computing is forecast to grow at a compound annual rate of 47% through 2015. Over the same period, investments in mobile payments services will increase at a CAGR an 18%. And while less that half – 39% – of financial services firms have implemented social networking technology to date, some 85% expect to have done so by 2016.

This investment has major implications for banks’ digital payments offerings. Underpinned by the ubiquitous reach and consumer engagement of social media together with the power and flexibility of cloud-driven analytics, banks will be have a platform both to drive mass-adoption of digital payments in their chosen ecosystems, and to gain the insights to target and exploit attractive niches with products that add value for consumers, retailers and other participants.
Five factors to get right in executing a digital payments strategy

Having applied the five factors above to put the right strategy in place, there are five further factors that banks must get right to ensure effective execution of their chosen strategy.
Deliver fast, and with low investment

A related requirement is to bring digital payment propositions to market quickly and at low cost through an agile and industrialized design and development process, potentially drawing on flexible processing power from the cloud and complementary capabilities provided by ecosystem partners and/or specialist third-party providers and developers. Rather than focusing on long-term planning, the emphasis should be on getting propositions out of the door and seeing which ones fly. This approach may be culturally alien to many banks, but is well-suited to the fast-changing landscape of digital payments.

Fix and integrate the core payment systems

In combination with a single strategy and governance, successful execution requires banks to have one platform for all payments, including real-time payments, capable of handling industrial-scale payment volumes. The platform should be equipped to do this through supporting multi-channel services including social media; exposing APIs to third-parties including retailers and app developers; and enabling accounts (current, savings, loan) in core banking systems to make digital payments over any channel. Our publication “Payments for Growth – fixing the core” goes into the detail of implementing industrial strength payment platforms.

Set one strategy and governance across the bank

Banks’ digital payments offerings are all too often undermined and stalled by internal dislocation and lack of coherence. For example, some banks have launched highly successful mobile banking apps that have achieved strong take-up among customers, while simultaneously rolling out stand-alone mobile or contactless NFC payments solutions that have struggled to build usage. In doing so, these banks have missed out on the potential synergies springing from offering customers both services within one integrated solution.

This type of dislocation can result from structural and organizational divisions within the bank. So, as well as focusing on creating compelling external propositions, it is also important to examine opportunities for internal change to help deliver the solution that will best suit the users and other participants in the chosen ecosystems.

Fix and integrate the core payment systems

In combination with a single strategy and governance, successful execution requires banks to have one platform for all payments, including real-time payments, capable of handling industrial-scale payment volumes. The platform should be equipped to do this through supporting multi-channel services including social media; exposing APIs to third-parties including retailers and app developers; and enabling accounts (current, savings, loan) in core banking systems to make digital payments over any channel. Our publication “Payments for Growth – fixing the core” goes into the detail of implementing industrial strength payment platforms.

Build a radically new execution capability

This capability needs to leverage the potential of mobile, cloud and analytics to maximize the convenience, relevance and accessibility of digital payment offerings for mass-adoption. Interoperability is key: a mobile payment solution needs to work with at least five different mobile operating systems and across at least 50 handsets and tablets to reach the vast majority of potential users. It also needs to work in a multi-channel architecture to support payments on all digital channels.

Many of the skills are very different too – for example, analytics requires data scientists, and mobility requires visual and spatial programming and design skills.

The high cost and effort involved in developing such an execution capability may mean that the best option may be to outsource some or all of it to a third-party specialist.

Focus on connectivity solutions between consumers and merchants

To realize the opportunity in digital and mobile payments, banks need to embed their transactions between consumer and retailer. This means concentrating in interposing themselves in the connectivity space that exists in processes such as merchant acceptance at point-of-sale, e-commerce interactions via retailers’ websites, and in-app financial transactions. In particular, it means exposing their payment APIs for retailers and third parties to draw them to where they are needed within apps and digital ecosystems.

Deliver fast, and with low investment

A related requirement is to bring digital payment propositions to market quickly and at low cost through an agile and industrialized design and development process, potentially drawing on flexible processing power from the cloud and complementary capabilities provided by ecosystem partners and/or specialist third-party providers and developers. Rather than focusing on long-term planning, the emphasis should be on getting propositions out of the door and seeing which ones fly. This approach may be culturally alien to many banks, but is well-suited to the fast-changing landscape of digital payments.
Conclusion

As digital ecosystems grow, both consumers and merchants are demanding payment mechanisms relevant to the way they interact within them.

In our view, meeting this need requires banks to go beyond building a digital wallet proposition with digitized card capability. It means enabling bank accounts to be used in all digital commerce purchases, exposing payment APIs for retailers to use and spread, and it means creating an experience that consumers love and that benefit merchants. It also means building solutions for mass payment volumes, mass digital commerce and mass consumer adoption. This in turn means that extensive change is required not just in developing external digital propositions, but also internally in the capabilities needed to deliver them.

"Disintermediation" is an overused and largely worn-out term often trotted out to spur banks into action. However, in digital commerce, the challenge is not so much disintermediation itself as the emergence of a new intermediation layer, rich in functions and interactions between consumers and merchants. Banks have the opportunity to participate in this intermediation layer and spread their payments capabilities through APIs embedded within it. And they have one huge competitive advantage in their favor: to make or receive a payment, you need an account – and banks supply those in abundance.

Banks also have a distinct competitive advantage in their payments expertise. One reason for the lack of market success in many new digital payment propositions is the lack of payments knowledge and understanding by the entrepreneurs developing them – of the settlement, liquidity, finality, financial crime, regulatory, mass volume, commodity, economic, risk and other factors that are critical. But similarly, many banks lack the digital skills, empathy for the digital consumer and the entrepreneurial mindset to capitalize on their competitive advantages, and perhaps they lack also the courage to do so. They need to change.

In essence, digital payments are a transformational opportunity. Every business is becoming a digital business. Is yours?
Accenture’s proposition checklist for digital payments offerings

To help banks design, develop and deliver successful digital payments propositions, Accenture has developed the following checklist of key characteristics. In our view, propositions should look to tick as many of the relevant boxes as possible to maximize their chances of success.

Digital payment proposition checklist

Customer Experience

Is the consumer in control?

Will the consumer become emotionally attached to this proposition, will it delight them, will they love it?

Is the user interface beautifully and elegantly designed?

Is the real time account balance displayed on payment initiation, and updated immediately after?

Does the app forecast the balance tomorrow, next week, next month, based on prior month history and pending payments, in order to show how much budget the consumer actually has?

Does the proposition store digital receipts which can be reused for other functions – proof of purchase, product guarantees, refunds, expense management, PFM etc?

Is the consumer experience friction free end-to-end (registration, security access, payment selection, payment initiation)?

Is the proposition available on an existing app in mass consumer use e.g. a payment function on mobile banking?

Does the proposition work in the same way on any channel?

Does the proposition support buyer driven interactions seamlessly with commerce processes?

Is the consumer protected in the event of a merchant dispute, fraud, or chargeback?

Does the consumer have one point of contact in the event of a query or dispute, regardless of the number of organisations participating in the proposition?

Does the consumer instantly associate the payment branding with merchant acceptance?

Is the visibility, or seamlessness of the payment in the end-to-end commerce interaction appropriate?

Does the consumer have control over how seamless or invisible a payment is in a commerce interaction?
<table>
<thead>
<tr>
<th><strong>Commercial and Economic Model</strong></th>
<th>Is it clear whether the proposition is targeted at customer acquisition, retention, share-of-wallet or a combination?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Is the vanilla transaction cost the same or cheaper for a merchant as a debit card transaction?</td>
</tr>
<tr>
<td></td>
<td>Does the proposition avoid multi-lateral interchange fees?</td>
</tr>
<tr>
<td></td>
<td>Does the proposition allow a fee to be paid to the sending, account-owning institution – for guaranteeing payment to the recipient e.g. a bilateral authentication fee?</td>
</tr>
<tr>
<td></td>
<td>Does the revenue model allow for fees for payment API functions (balance display, receipt storage etc.) in addition to the payment transaction?</td>
</tr>
<tr>
<td></td>
<td>Does the proposition work economically assuming an average transaction fee of no more than 1% of transaction value?</td>
</tr>
<tr>
<td><strong>Target Market</strong></td>
<td>Is the digital ecosystem(s) the proposition will serve clearly defined?</td>
</tr>
<tr>
<td></td>
<td>Is the proposition likely to be ubiquitous in its targeted ecosystem(s) – all merchants, all consumers within it?</td>
</tr>
<tr>
<td></td>
<td>Are the adoption dynamics natural and viral i.e. easier, more convenient and not dependent on marketing and sales, new branding nor loyalty or incentives?</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>Is the launch of the proposition targeted at tier 1 merchants?</td>
</tr>
<tr>
<td></td>
<td>Does the proposition support open APIs, allowing merchants and other third parties to embed them into their apps?</td>
</tr>
<tr>
<td></td>
<td>Does the proposition support mass transactions?</td>
</tr>
<tr>
<td></td>
<td>Does the proposition enable bank accounts (current, savings, loan) to work in digital ecosystems, controlled by the consumer?</td>
</tr>
<tr>
<td></td>
<td>Where the proposition is brought by a partnership, are the partners' contributions to the proposition clearly separate and complementary?</td>
</tr>
<tr>
<td></td>
<td>Is the proposition attractive to merchants as well as to consumers?</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td>Does the proposition work with any widely available connectivity method – Wi-Fi, QR codes, NFC, 3G etc?</td>
</tr>
<tr>
<td></td>
<td>Does the proposition reuse existing merchant and consumer technology and avoid dependency on new physical infrastructure?</td>
</tr>
<tr>
<td></td>
<td>Does the solution make use of exposed payment APIs, either used within a bank application or made available to third-party applications?</td>
</tr>
<tr>
<td><strong>Security, Compliance and Privacy</strong></td>
<td>Is the consumer able to conduct the transaction without providing sensitive information to a third party – card numbers, bank account details, mobile phone number, address etc?</td>
</tr>
<tr>
<td></td>
<td>Does the consumer have the option to release sensitive information where it helps in the relationship and interaction with the merchant e.g. delivery address?</td>
</tr>
<tr>
<td></td>
<td>Is the risk of fraud low?</td>
</tr>
<tr>
<td></td>
<td>Is the proposition inherently fraud free, without requiring sophisticated anti-fraud mechanisms throughout the ecosystem in which the proposition operates?</td>
</tr>
<tr>
<td></td>
<td>Does the proposition align with consumer protection and other relevant regulation?</td>
</tr>
<tr>
<td></td>
<td>Are the bank and merchant protected against fraudulent abuse of regulation e.g. fraudulent refund claims?</td>
</tr>
<tr>
<td><strong>Payment and Settlement Model</strong></td>
<td>Does the proposition use consumer initiated credit transfers direct to the recipient account?</td>
</tr>
<tr>
<td></td>
<td>If the proposition uses cards and card networks, does it have the option to make account-driven payments, either now or in the roadmap?</td>
</tr>
<tr>
<td></td>
<td>If the proposition bypasses bank settlement systems – cards or ACH, can the proposition scale from a liquidity and settlement perspective?</td>
</tr>
</tbody>
</table>
References
1 Cards & Payments World summer 2013 - http://www.cardworldonline.com/
3 Business Insider, 22 May 2013 - www.businessinsider.com
4 2013 Accenture Mobile Payments Survey - www.accenture.com
5 2013 Accenture Mobile Payments Survey - www.accenture.com
7 The Credit Agricole Store - http://finovate.com/2013/02/credit-agricole-launches-app-store.html
10 Accenture Technology Vision for Banking 2013 – “Every bank is a digital bank” - www.accenture.com
11 Accenture Technology Vision for Banking 2013 – “Every bank is a digital bank” - www.accenture.com
13 Accenture point of view paper – Payments for Growth – fixing the core www.accenture.com

Contact
For further information, contact:

Jeremy Light
Managing Director,
Accenture Payment Services,
Europe, Africa, Middle East and Latin America,
jeremy.light@accenture.com

About Accenture
Accenture is a global management consulting, technology services and outsourcing company, with approximately 266,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$27.9 billion for the fiscal year ended Aug. 31, 2012. Its home page is www.accenture.com.

Accenture Payment Services
Accenture Payment Services helps banks improve business strategy, technology and operational efficiency in five key areas: core payments, card payments, digital payments, transaction banking, and compliance, risk, and operations. Accenture and its more than 1,500 professionals dedicated to payment engagements can help banks simplify and integrate their payments systems and operations to reduce costs and improve productivity, meet new regulatory requirements, enable new mobile and digital offerings, and maintain payments as a revenue generator. More than 50 clients worldwide have engaged Accenture Payment Services to help them turn their payment operations into high-performing businesses.