Global Trends in Payments
Contactless
Public Transport

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GLOBAL TRENDS IN PAYMENTS

Future of Payments – Trends, Regulation and Innovation

Macro-economic
- **Big-data**, profiling of customers, data-driven targeting
- Convergence blurs online and offline channels into omni-channel experience

Technical
- **Smart devices**, e.g. tablets
- Spreading NFC technology and mobile payment solutions
- Increasing importance of software and availability of app markets
- Security methods & **authentication** – biometrics, tokenization

Social
- Consumer **experience and interaction** paramount
- Consumers are **always connected** - at home and on the go
- Consumers demand **convenience**, flexibility and mobility

Regulatory
- EU payment regulation: Increased **transparency** and IC caps resulting in focus on VAS
- PSD2 will allow **TPPs** to play more **important** role in payments ecosystem
- Development of PCI standards and **contactless requirements**
MASTERCARD CONTACTLESS
FAST, SAFE & SMART
way to pay
Contactless Payment Is Available Worldwide

6 Million+
Mastercard and Maestro merchant locations across 77 countries accept contactless payments

1 in 5 credit cards
in Europe are contactless-enabled and 64% of smartphones will be NFC compliant by 2018

73% of European consumers find mobile contactless payment a convenient payment procedure
All new POS terminals in Europe must be contactless enabled by 2017 and all terminals by 2020.

1: Mastercard Data Warehouse—2Q’16
2: MasterCard, RTI Market Research
In 45 countries, almost 30% of merchant locations have a contactless terminal

Contactless/total merchant locations

- 60%+
- 40%-59%
- 20%-39%
- <20%
- No contactless acceptance
The Ongoing Evolution of Contactless Payment devices

- Card
- Mobile tag (sticker)
- Mobile
- Watch
- Keyfob
- Wristband
New Entrants to the Table

Banks and Networks have a role to play

Who will be the interface to the consumer and own the relationship?

Avoid the Mobile Operator destiny and become “dumb pipes”...
Mastercard and Public Transport
Contactless Enable Mastercard to Join the Evolution of Mass Transit Fare Payment

110+ YEARS

TODAY TRIAL GOAL

TICKETING SOLUTIONS OPEN PAYMENTS

- Coins
- Tokens
- Magnetic Stripe
- Smart Cards
- Contactless Cards & Devices (open)
- Tap to Ride

110+ YEARS
Why We’re Interested in Transit

- Grow acceptance footprint
- Grow volume - $400bn GDV, lots in cash
- True every-day spend
- Touches all consumers
- Global Interoperable Solutions
- Inefficiencies & Frustration
- Smart City core solution
Most day-to-day expenses accept open loop

But Transit service providers still operate 100s of individual currencies
Requirements specific to transit payments

- Performance requirements < 0.5secs => Mandate speeds and risk models
- Non traditional authorizations => Transit risk assessment
- No PIN entry => Offline and transit transactions
- Unknown ticket value => Aggregated transaction model

High frequency and time critical
Benefits Open Loop – Cardholder

• Reduces barrier to travel
• Globally interoperable
• Decreases journey time
• Money is no longer ‘locked away’
• Fewer cards in wallet
• Simple Proposition
Benefits Open Loop – Acquirer and Issuer

- Cash to Card Cannibalisation
- Rapidly Teaches Behaviour
- Increases Top-of-Wallet effect
- Deeper Relationship with Merchant
Benefits Open Loop – Transit Operator

- Reduces Cost of Ticket Sales
- Reduces congestion
- Open Standards enable vendor competition
- Tourist friendly
- Increases Ridership

"The MTA spends 15 cents out of each fare dollar just to sell or collect that fare... customers see nothing in return for their 15 cents. We must determine how to significantly reduce this expense" ¹

"As more people use their bank-issued cards to pay for their travel directly, TfL's costs will reduce, delivering better value for money for London's fare and taxpayers" ²

Sources:
Transit projects – 73 projects launched/in-progress
42 further active prospects
Reference case: London
2 years from launch - results have surpassed expectations

+30% of all transactions
- Original target 6%

25,000 new contactless users every day
- Sep 2016

7.7 million journeys a week
- Sep 2016

Reducing overall transaction cost by 35%
- allowing for investment in service improvements
Thank you!

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