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The Digital Divide

Growing Costs in Card Not Present

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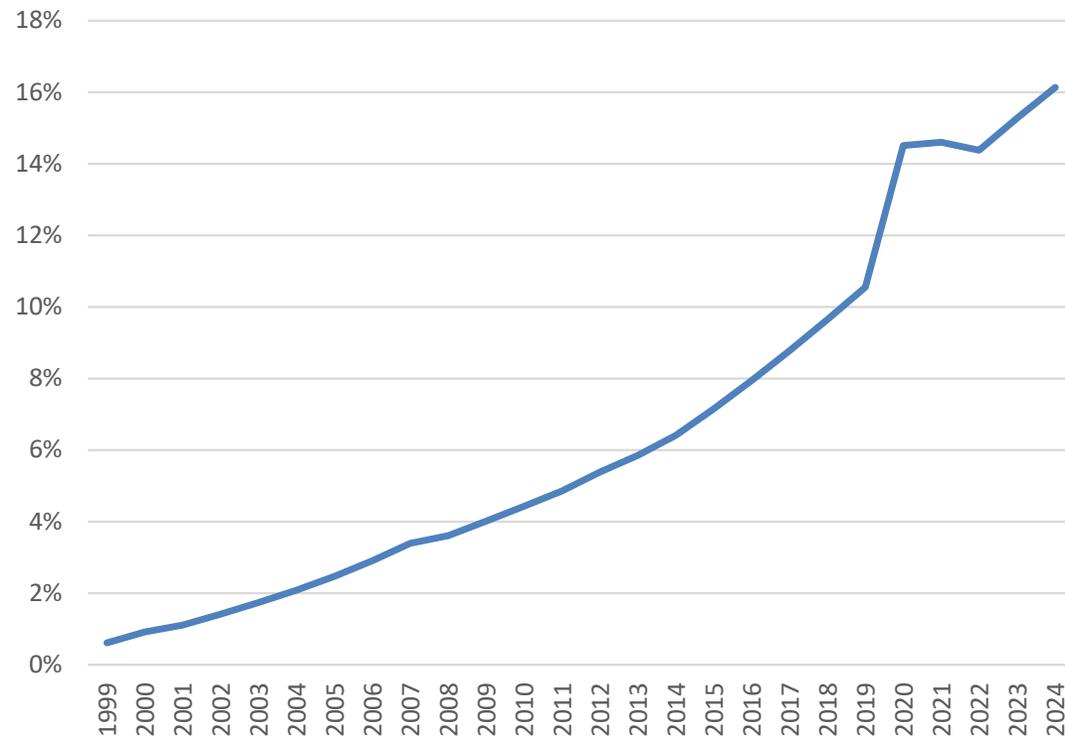


Session Objectives

1. Know the Card Present versus Card Not Present designation, and what it means for merchants.
2. Know the 6 key drivers of the Digital Divide.
3. Leverage opportunities created by the Digital Divide.

Ecommerce Versus Card Not Present

Share of U.S. Retailer Sales via Ecommerce



Menus Fizzled but QR Codes Find Favor Powering Pay at Table at Restaurants

Brands and retailers are still trying to figure out the secret to impulse purchases in online grocery

97% of drivers want in-car payment system for tolls, parking, charging

Why quick service restaurants are doubling down on kiosks

The Digital Divide



Consumer

Pay at Table | Pay by QR Code | Pay by Plate | BOPIS | BORIS | Shop and Go | Kiosks | Pay by Transfer

Merchant

Designations | Fees | Regulation | Risk | Providers | Approval Rates | Tokens | Competition | Location Rules | Payment Methods



Definitions

Card-Absent Environment	<p>An environment that meets any of the following criteria:</p> <ul style="list-style-type: none">• The Card and the Cardholder are not physically present at one of the following:<ul style="list-style-type: none">– The premises of a Merchant or Member– A Merchant that does not trade in a fixed location– An Unattended Cardholder-Activated Terminal• The Transaction is not completed using an Acceptance Device or a Manual Imprint device• The Transaction is completed using a Stored Credential <p>ID# 0024362 Edition: Oct 2024 Last Updated: Apr 2024</p>
Card-Present Environment	<p>An environment that meets all of the following criteria:</p> <ul style="list-style-type: none">• The Card and the Cardholder are physically present at one of the following:<ul style="list-style-type: none">– The premises of a Merchant or Member– A Merchant that does not trade in a fixed location– An Unattended Cardholder-Activated Terminal• The Transaction is completed using an Acceptance Device or a Manual Imprint device• The Transaction is not completed using Stored Credential <p>ID# 0024363 Edition: Oct 2024 Last Updated: Apr 2024</p>

3.1 Card-Present Transactions

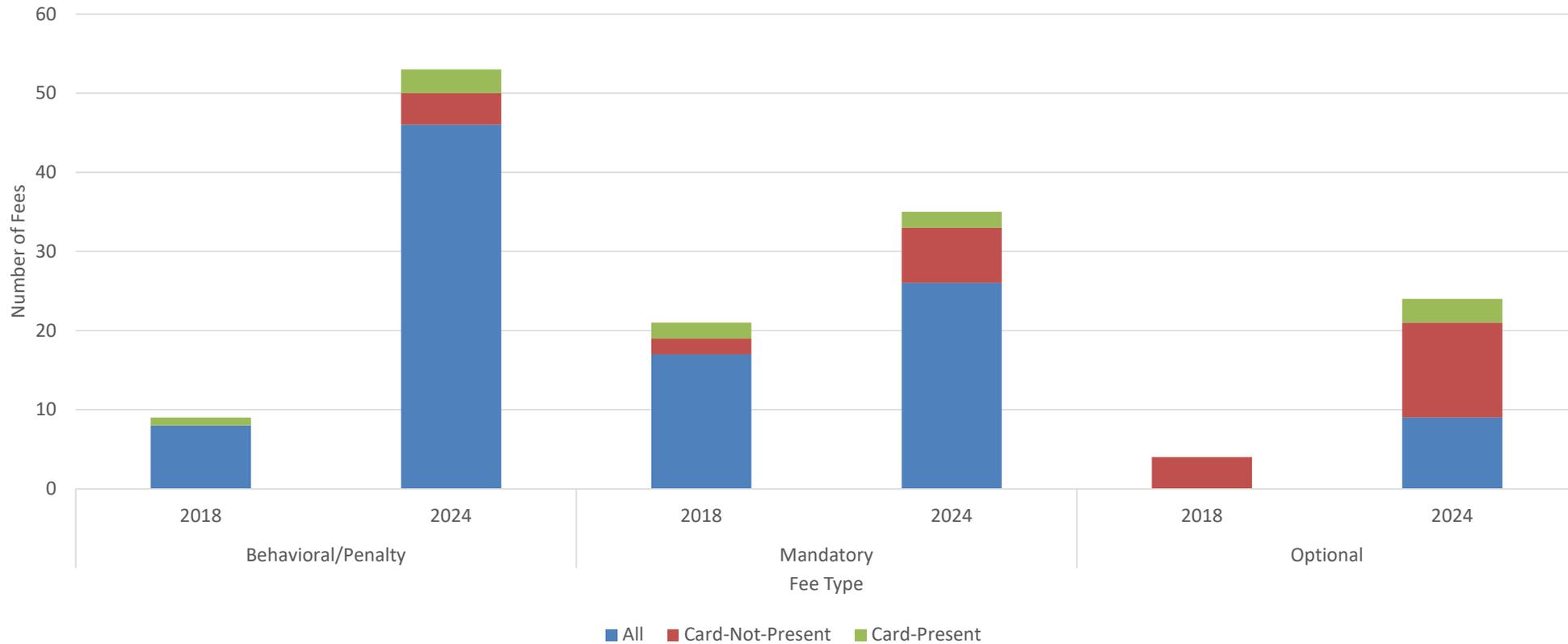
A Card-present Transaction occurs when the Cardholder has presented a Card or Access Device to a Merchant or Customer representative in a face-to-face environment, or uses a Card or Access Device to initiate a Transaction at an ATM Terminal or unattended POS Terminal.

∨ Are Apple Pay payments considered card present, or card not present?

Apple Pay payments made in store are considered card present transactions, while payments made using Apple Pay in-app are considered card not present.

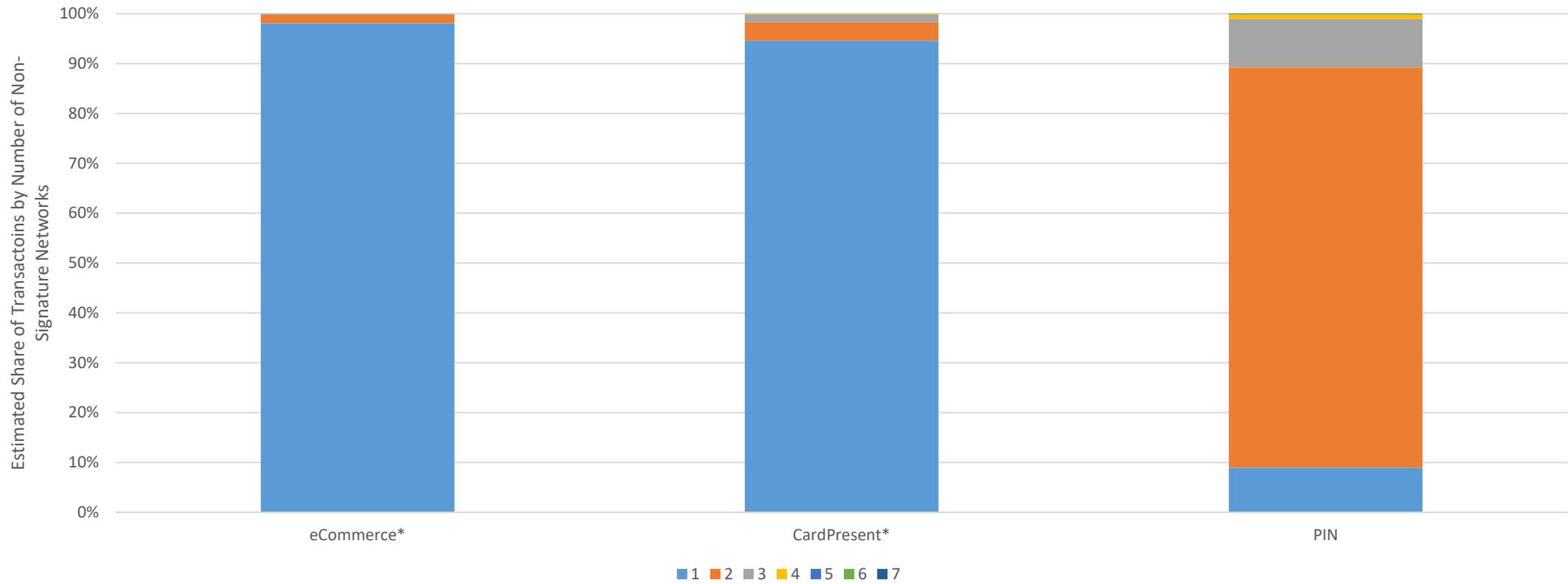
1. Acceptance Fees

Number of Fees by Type and Channel



2. Competition

Non-Signature Debit Network Availability



Number of Non-Signature Networks

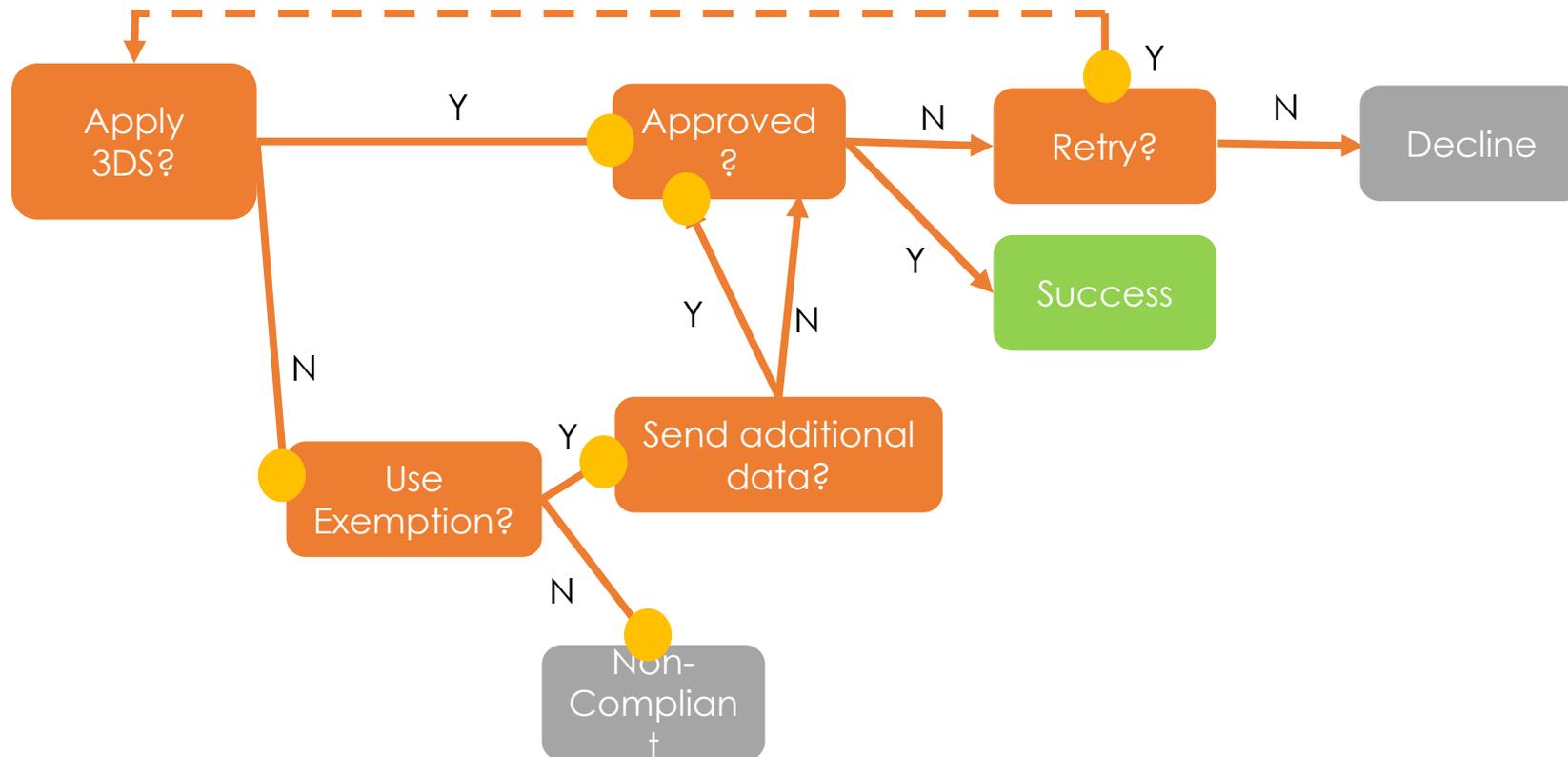
3. Alternative Payment Methods

	Cost	Approval Rates	Fraud Risk	ATV Uplift	Incremental Volume	Settlement Timescales	Checkout Friction	Average Score
<i>Merchant Weightings</i>	20%	20%	20%	7%	15%	5%	13%	
Payment Method 1	6	6	4	2	4	5	6	4.97
Payment Method 2	9	8	3	1	1	9	5	5.91
Payment Method 3	1	2	4	5	6	1	8	2.69
Payment Method 4	1	2	4	7	8	3	9	6.63
Payment Method 5	7	8	8	1	1	5	3	3.29

Average Score: 1 = Least Effective, 10 = Most Effective

4. Regulation

Case Study: Strong Customer Authentication in Europe



Sample Fees

- CVC fees
- Reattempt fees
- Exemption indicator fees
- Secure credential CNP fees
- 3DS authentication request fees

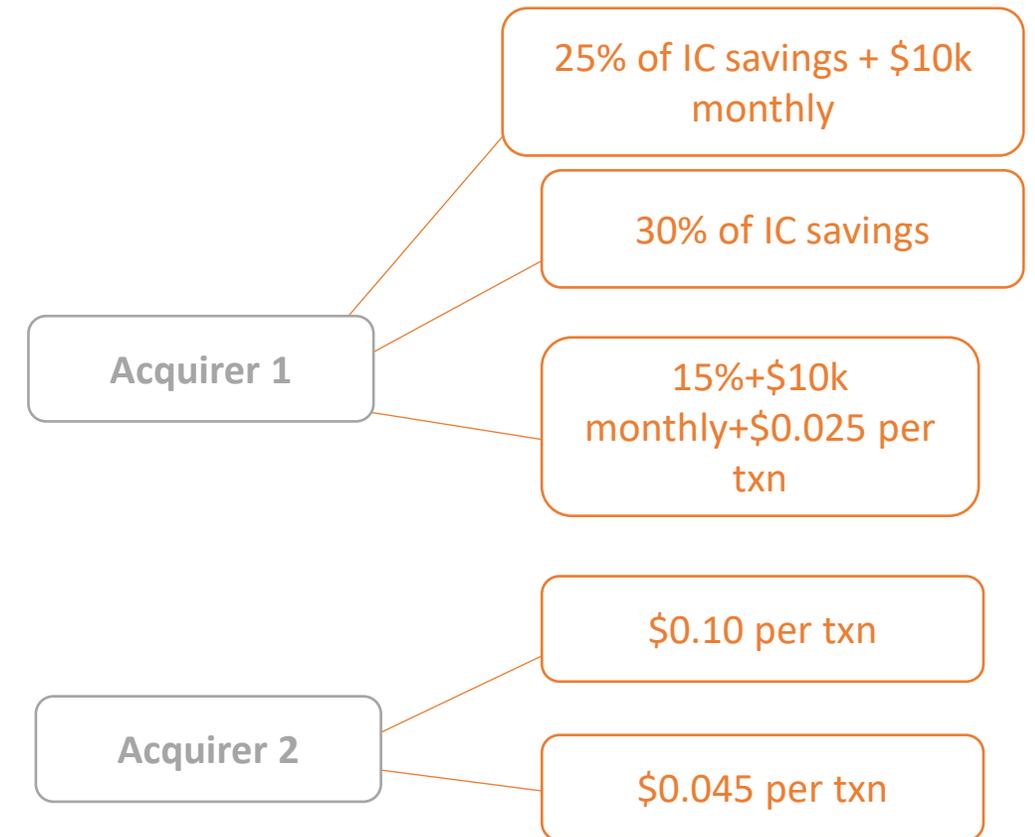
● Potential Fee Points

5. Risk Solutions

Case Study: Tokens

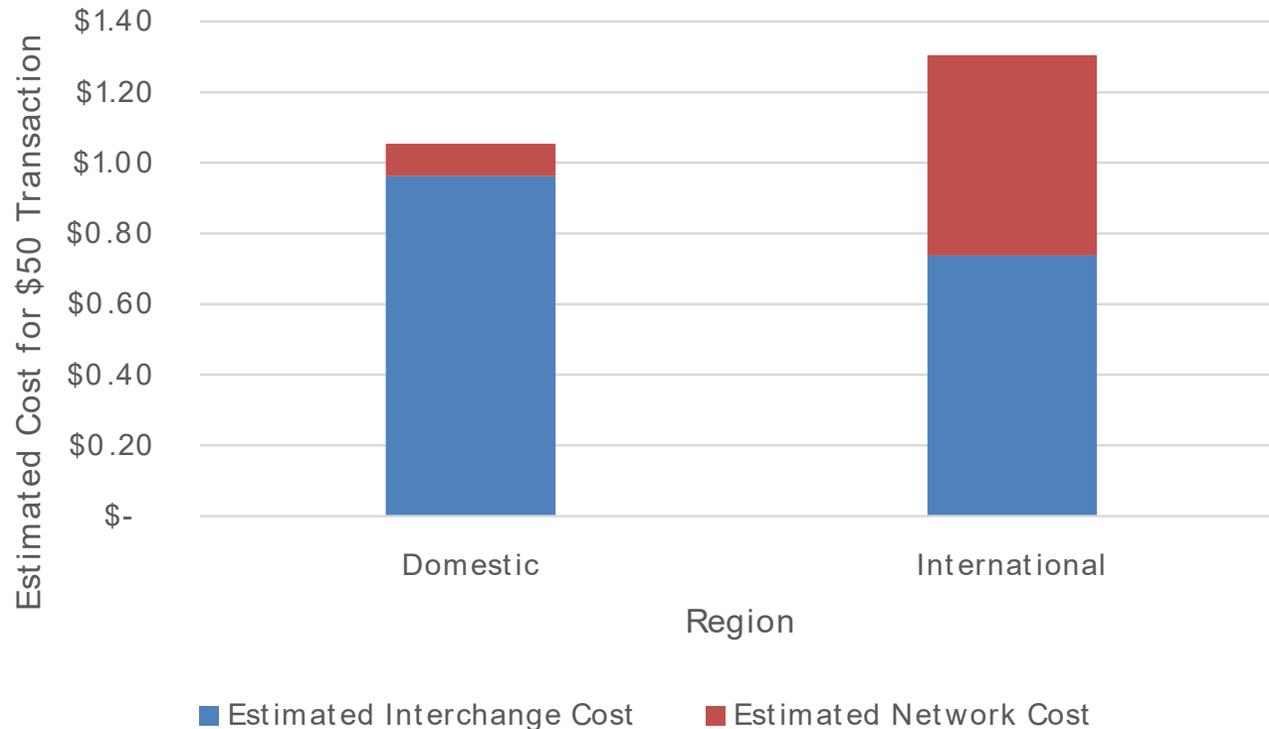
		Party Managing the Token Vault						
		Merchant	Acquirer	Gateway	Third Party	Network	Issuer	None
Fee Benefit To...	Merchant					✓		
	Acquirer		✓			✓	✓	
	Gateway			✓				
	Third Party				✓			
	Network					✓	✓	✓
	Issuer					✓		

PSPs acting as Token Requestor



6. Regional Classifications

Domestic Versus International Transaction Costs for a Sample Transaction (Four-Party Networks)



- Cross-border transactions can be significantly more costly.
- Merchant location rules considerations for CNP environment

Bridging the Digital Divide



Cross-channel personalization



Using flexibility to drive innovation



Choosing services intentionally



Taking advantage of competition

Thank you

- Don't forget to submit your session evaluation!

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