

The future of payments

With the rollout of NFC technology, Visa's P2P mobile payment offering and what's been billed as the first contactless Olympic Games, **Neil Ainger** caught up with Visa Europe's svp of innovation, new product and channel development, **Sandra Alzetta**, to discuss the future of payments

In Europe, there are currently 430 million Visa debit, credit and commercial cards in circulation. The latest figures show that they were used to make purchases and cash withdrawals to the value of €1.6 trillion. More than 12.5% of consumer spending at the Point of Sale in Europe is with a Visa card, but the rise of the mobile channel, contactless technology and other developments threatens to change its traditional business model.

Owned and operated by more than 4,000 European member banks, Visa Europe was incorporated in July 2004 and its Plus global ATM network offers cash access in local currencies across 200 countries, alongside its more traditional PoS card scheme. But the future of payments lies elsewhere, with online e-commerce purchases and the virtual world of e-wallets and loyalty programmes pointing the way ahead.

Mobile Contactless Payment schemes, such as the initiatives Visa Europe has undertaken with Yapi Kredi Bank in Turkey, the first partner to rollout Wireless Dynamic's iCarte accessory in conjunction with Turkcell to enable non-NFC MCP payments, and its work with La Caixa and Telefónica in Sitges, Spain, on Near Field Communication-enabled payments, are key developments illustrating how payments are changing.

"The payments industry is evolving faster today than ever before," says Sandra Alzetta, Visa Europe's senior vice president of innovation, new product and channel development, pointing out that there are now more than 5.5 billion mobile phones in the world, more than double the number of cards. "The growth of e-commerce and mobile services, combined with the evolution of the mobile handset, present two of the most significant opportunities for the payments technology industry.

"One of the most exciting things about this evolution is the opportunity it gives us to bring our expertise to bear with partners from across the technology world," she adds, "which in turn allows our member banks to provide more choice for their customers."

"We are already working with partners from across the new technology ecosystem to bring the future of payments to life. For example, we recently granted Google a worldwide licence to Visa payWave, our NFC-based payment technology. As a result, our member banks will be able to give their Visa account holders the chance to add their debit, credit and prepaid cards to Google Wallet." The search giant's e-wallet was originally unveiled in beta form in May with Citi and MasterCard, with its PayPass technology, as launch partners. Visa, Discover and American Express have made their NFC specifications available after the full launch on 19 September so their cards can be added to future versions (see *news*, page 5).

Google Wallet could really kickstart the m-commerce revolution that has long been promised. "We're actively



working with other manufacturers and of course mobile network operators and retailers in this space too," adds Alzetta. "The ubiquity and power of mobile phones, and in particular the new breeds of advanced smartphones, offer a huge opportunity – not only in terms of Point of Sale payments but also in more accurate and creative loyalty and customer engagement programmes. That is why our work with retailers is as important a part of our future of payments strategy as the technology effort."

Alzetta isn't worried about disintermediation or Mobile Network Operators running their own MCP or loyalty schemes as Vodafone, O2 and Everything Everywhere are currently trying to do in the UK. Perhaps she has in mind the failure of the MNO-sponsored Isis scheme in America, where parent company Visa Inc has now been invited to participate, proving that it's not so easy to run payment schemes on a vast continent-wide scale?

"We welcome all developments that bring mobile payments to consumers," she says non-committedly. "The success of payment innovations will depend less on a particular piece of software or hardware than on the strength of the payments system that supports it – our payments processing system is the most reliable, robust and secure in Europe, and this is at the heart of the value that we offer as a business."

Visa Europe is investing €100 million annually into driving the future of payments. Alzetta believes that the convergence of payments and mobile technology is the key driver of growth for electronic payments and the opportunity for member banks is huge in her opinion.

The Sitges MCP scheme in Spain, which started out as a pilot in May last year involving 500 retailers and 1500 bank customers, and has since been made permanent and rolled out to 5,000 retailers and 150,000 customers in the Balearic Islands, has proven the validity of Near Field

Communication short-wave wireless communication technology. It has been an important testing ground for many of the other new developments now being rolled out by Visa Europe and its partners. The NFC technology links a smartphone with an in-built secure mobile SIM chip and a PoS reader, enabling purchases of less than €20 to be paid for simply by taping the mobile phone against the Visa PayWave readers installed across town in pharmacies, clothes and shoe shops, bars, supermarkets and so forth. MCP transactions above €20 in Sitges require a PIN. Subsequent feedback surveys by the bank partner, La Caixa, showed that more than 70% of customers were satisfied with the service, scoring it 8 out of 10 for service. 91% said that they had used the technology and would definitely or probably use MCP technology in the future. Better still, the scheme led to a 30% increase in Visa transactions and a 23% rise in billing to participating consumers, which enabled the full-scale commercial rollout in the Balearics.

Alzetta is confident that the next big push for contactless payments – both on the mobile and via the more established contactless cards front – will be provided by the Olympic Games in London during 2012. “For the first time at an Olympic and Paralympic Games, the majority of visitors will not need to use cash unless they want to,” she says. “This is a major milestone for contactless technology in London, showcasing to a global audience the benefits and advantages that it brings.”

Contactless payment technology will be implemented across the event venues, with more than 3,000 contactless terminals installed specifically for the Games, enabling entry, food and shop purchases. The interoperable PayWave terminals can accept either mobile or card initiated contactless payments. By the time of the Games next summer, there will also be more than 8,000 buses and 2,500 contactless taxis operating across London, so you can even get to the Games without cash should you choose to do so. Visa is sponsoring the Games and 1200 British athletes through the GB Team 2012 effort.

“We will also be showcasing Mobile Contactless Payments during the Games through our partnership with Samsung on the official Olympic mobile handset,” explains Alzetta. This NFC-enabled and Olympic badged phone will be made available to the general public as the event draws near as a marketing exercise to help encourage MCP uptake. The in-built SIM card will provide the secure element and the Visa app on the phone will enable low value contactless purchases to be made in exactly the same manner as the Sitges scheme. There are now more than 70,000 Visa payWave and similar MasterCard PayPass readers across the UK, so the acceptance infrastructure is growing across the nation. The special Olympic mobile phone has already been given away free to Visa-sponsored athletes and other Olympic sponsors are involved in the project. LloydsTSB acts as the bank issuer partner, for example, giving their users the ability to view real time account balances.

Away from the contactless arena Visa is also pinning its hopes for growth on mobile banking and Peer-to-Peer payments. “We recently announced our new mobile person-to-person and alerts service,” explains Alzetta. “Visa Mobile P2P payments allow registered users to transfer funds to any Visa cardholder in Europe from their mobile phone.” At present, the solution is only

Curriculum Vitae

Sandra Alzetta, Senior vice president, innovation, new products and channel development, Visa Europe.

1990 – Present: Holds a variety of relationship management roles across Visa. Responsibilities include the development of its acceptance network, business ownership of the core credit and debit card product lines, and developing the virtual world of online payments, MCP, e-commerce and e-wallets. Her degree in engineering is proving especially useful in this innovative and growing field. In addition, business ownership of all chip related activities within Europe falls under her remit, including the migration from magnetic stripe to EMV secure chip cards. At the start of her 20-year career with Visa, she was the vice president responsible for business development in Southern Europe.

1980s: Worked at Northern Telecom as a marketing executive before joining Visa. She helped develop the firm's X.25 data networks group.

Education: MEng degree in manufacturing sciences and engineering from the University of Strathclyde. She was sponsored on the course by IBM UK and worked in IBM's robotics lab and manufacturing plant, gaining valuable experience of the product development process.

available as an English-language Android app supporting transfers in a single currency for Visa and V Pay European cardholders, but other mobile operating systems and multiple currencies will be added shortly.

“The Visa Alerts service notifies registered Visa cardholders on a real-time basis whenever their card has been used to make a purchase or to withdraw cash through Visa Europe's payment network,” continues Alzetta. The idea is to improve customers' money management capabilities and to help fight fraud by making customers more aware of the transactions flowing through their accounts (*see news, page 7*).

“Mobile payments [in its various forms] are one of the key pillars of Visa's future of payments strategy,” concludes Alzetta. “It is an exciting area of our business and we have many more announcements coming in the next few months: watch this space!”

The mobile and virtual world isn't the core of Visa Europe's payments business just yet. As important as it is for the growth of the company; debit/credit and prepaid cards still make up the core product set. “Cards, including contactless cards, of which there are now 30 million around the world (half of them in the UK), will be around for many years,” asserts Alzetta. “Although we passionately believe mobile and other future forms of payments will become increasingly popular with consumers, we also believe that the majority of consumers will carry on paying with their plastic cards for the foreseeable future.

“That is why we are continuing to drive innovation in plastic cards. For example, we've announced the CodeSure Matrix Display card, which in addition to offering contactless technology, is designed to add security for consumers in Card Not Present online or phone purchasing environments. Integrated with our Verified by Visa system, CodeSure tech allows the cardholder to generate a One Time Password to authenticate their purchase using an integrated display and keypad.

“Our goal is to provide our members and their consumers with the flexibility to pay in as many different ways as possible: offering all the benefits of new payments technologies while continuing to support our core cards business.” **BT**