

# Making Money in the Payments Chain

## Where are the opportunities?

### The Future of Payments

The payments industry globally is undergoing major transformation. Existing and potential new participants, such as Google and Telco providers are actively assessing their new place in the payments industry. The impact of changing technologies and the globalisation of the payments models, driven by consumers and regulators globally, require a much greater understanding of the market.

Critically, the need to make key investment planning decisions to replace ageing technology is driving the immediate demand to better understand the strategies and options available. Banks are currently reinvesting millions of dollars on upgrading their IT technologies in order to stay relevant in this ever changing and increasingly competitive environment.

### The Rise of the Debit card

In the Australian market, Debit cards since their introduction, have garnered rapid growth, and have now eclipsed Credit cards as the biggest source of merchant receivables.

This dominance of Debit is seen across merchants of all sizes, with 40.5 percent of merchant receivables, market wide, now coming through Debit card payments. Fuelling this growth have been both the card schemes and the issuing banks.

Although payment volumes now favour Debit cards, Visa and MasterCard Credit cards continue to be the most widely accepted payment methods, evidenced by a 100 percent acceptance rate across the 2294 card accepting merchants East has most recently researched. East & Partners' analysis continues to show that the cost of processing is the main influence on payment acceptance decisions for more than 70 percent of the merchants, another key driver of both Debit and EFTPOS.

### Online Payments

Despite the "public" rise of e-commerce, a surprisingly modest 13.9 percent of all merchants actually currently accept online payments, however this does represent a rapid 74 percent increase from 2009. As many as one in five merchants say they have never considered accepting payments online, with over half of these merchants declining online payments due to concerns around safety and security.

This Online demand, together with Mobile Payment Devices represents the key battleground for alternative providers looking to carve out a role in the payments value chain. There exist a variety of ever evolving points in the payments chain where innovative players are looking to carve out niches.

Key questions lie around ROI, business case sustainability, infrastructure requirements and go to market propositions for both merchants and consumers.

The risks are high, potential rewards way higher still.

