

# Profitability In Transactions

**Tuesday 4<sup>th</sup> July 2001**  
**Sandton Sun and Towers**

**pa**  
philip andreae  
and associates

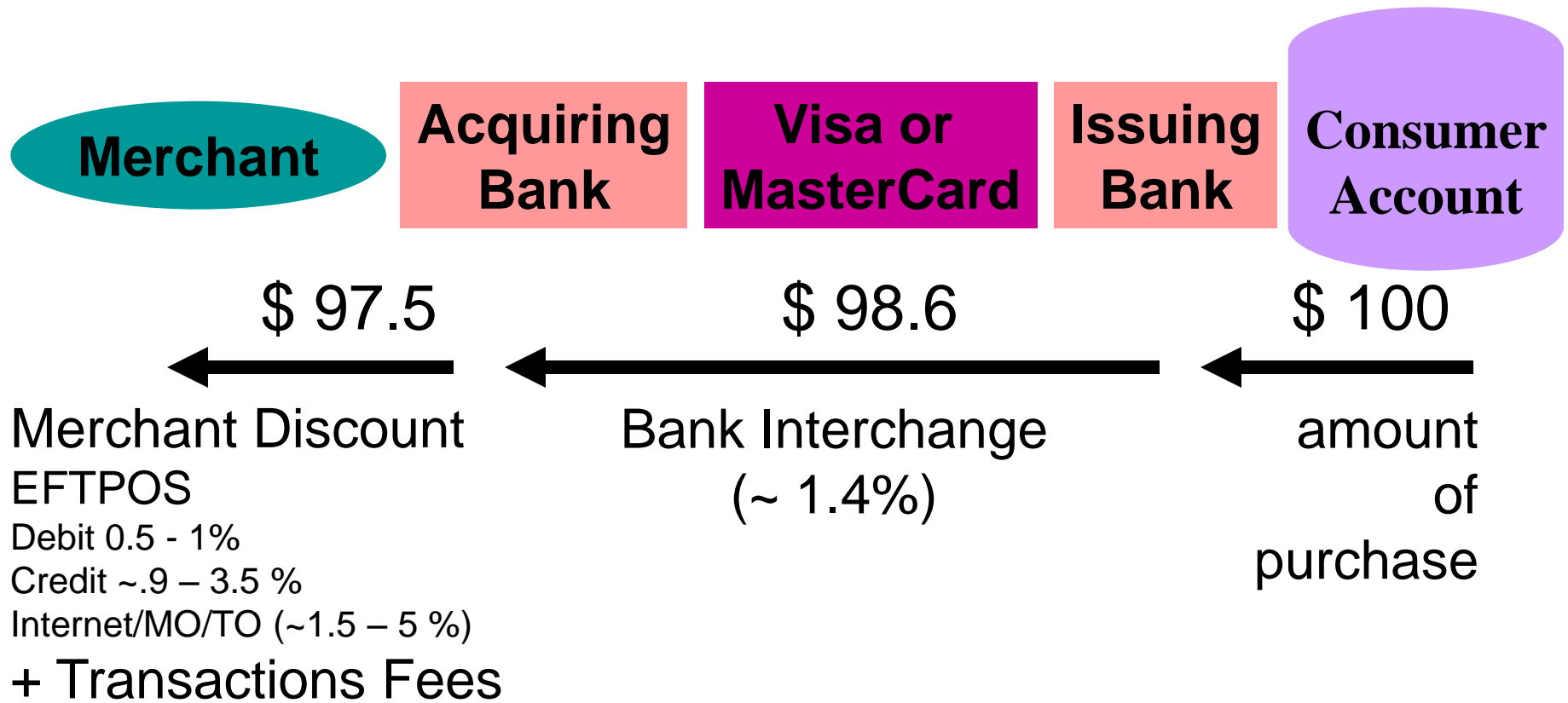
# Today We Are Focused on Retail Card Payment Systems



**One Public the other Owned by  
Banks and *Fearlessly* Competitive**

# Merchant Discount & Interchange <sup>© 2006</sup>

## An Object of Confusion and Dis-taste



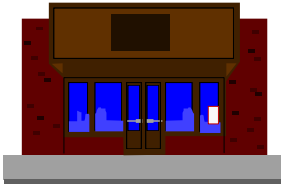
**We Claim it Covers Fraud, Cost of Funds and Bank Processing Cost**

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# SET, EMV, ePurse, CRM, ERP ... Are An Economic Nightmare

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## AND?



Local X.25

National Processors

Int'l Schemes

Legacy Banking System Modifications

### What Is The Merchant Value Proposition

National Processors

Bank Card Processors

Issuer

### Legacy Network Issues

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# Electronic Purse

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Will they come again for cash?





# Retail Banking & Payment Systems Must Change to Survive

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- Economics & Globalization Drives Consolidation
- The Internet Demands a New Way of Thinking
- Notes and Coins Earn Seigniorage, Cost Money & Hinders Low Value Internet Purchases
- Many Non-Banks Claim They Can Process Payments
- The Banks “Position of Trust” Is in Question

**Are the Dinosaurs Ready for Tomorrow**



# The Internet Is Changing Society

## Mega \$, Technically Savvy & 5 Billion Others

- Like in life sex for hire came first
- Gambling a close second
- Chat rooms, forums & email are changing our lifestyles and challenging social values
- Trust, Privacy and Tax - Still Unresolved
- The Internet changed it all



# Profitability a Question of

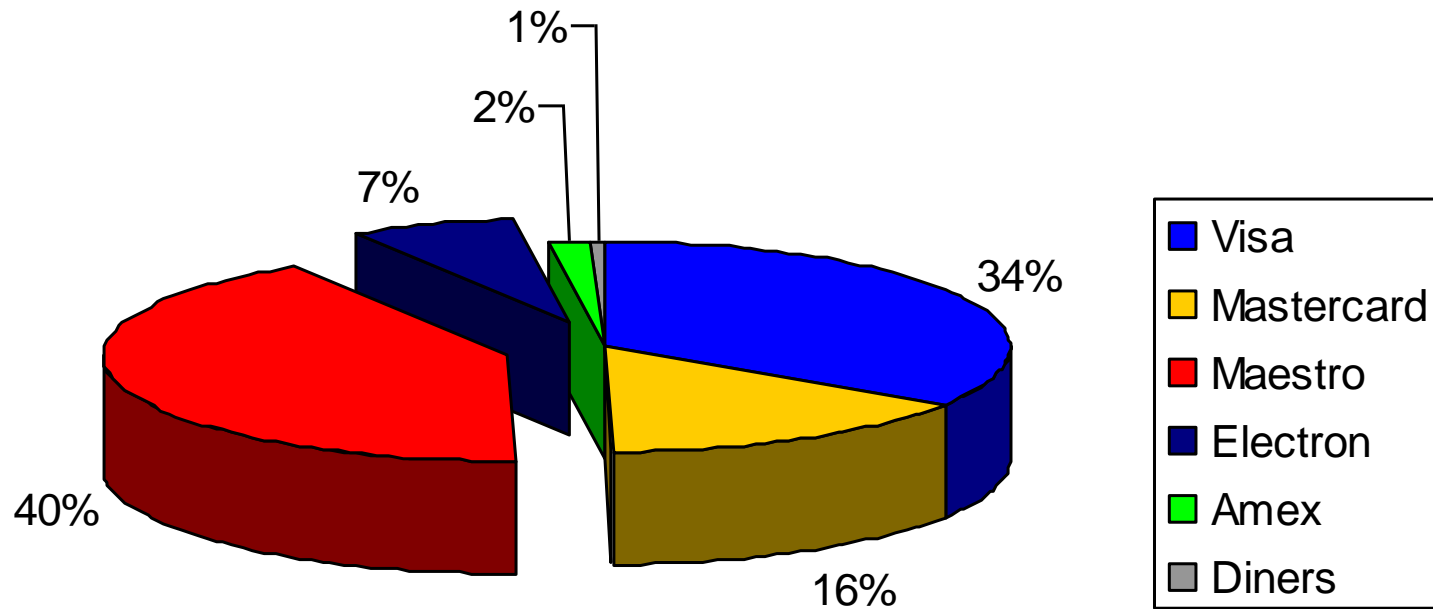
- Volume - Real and Virtual World
- Exploiting a role as a Trusted third Party
- What Extention To The Services Currently Offered
- Reducing the Cost of Operation
- Cross Sell Opportunities
- Customer Retention



- **Two Options:**
  - 1) **Reduce Expenses**
  - 2) **Increase Revenues**

<p><b>Focus on Revenue Increases</b></p>	<p><b>Branding</b> <b>Rationalizing Channels</b> <b>Profitable Cross Selling</b></p>	<p><b>Challenges of the Millennium</b></p>
<p><b>Focus on Expense Reduction</b></p>	<p><b>Technology Deployment</b> <b>Call Centers</b> <b>Re-engineering &amp; Workflow</b></p>	<p><b>Mergers</b> <b>Re-Organization</b></p>
	<p><i><b>Tactical Activities</b></i></p>	<p><i><b>Strategic Activities</b></i></p>

### Number of Cards by Brand





# Fraud - A Business with Cycles

- Counterfeit
- Lost & Stolen
- Merchant Collusion
- Skimming
- Hacking

**And Now Friendly Fraud**



# Help Reduce “Clutter”

## An Opportunity to Serve the Consumer

- Consumers face too many messages, choices and possibilities and will reduce the increasing “noise”
- Consolidated accounts and specialty banking products can address these concerns
- More than half of households state that they prefer to have all of their financial needs served by one financial provider
- Consumers say that their desire for consolidation has been growing, however, consumer action toward consolidation has not followed



## The Consumers' Concept of Value is Changing ...

- They judge value based on a combination of
  - Dependability
  - Convenience
  - Quality
  - Rather than price alone
- 89% of the public somewhat or strongly agree that the reputation of a company will often determine which product or service they buy



# New Payment Terminals

- Extend the possibilities of traditional terminals and Create new Transactions
- Not only secure electronic payment transactions but also access to a wide range of Internet-based services: email, on-screen advertising, interactive electronic coupons...



# ePayments Are Set to Grow

- Electronic Server Sided Wallets are gaining momentum from both merchants and card issuers
- Secure integration of ePayments into back-office legacy payment systems need to be defined, refined and implemented
- Fraud prevention and detection will become even more important as the volume of eCommerce accelerates

Source Meridian Research February 2001



# Getting Close to Payments

## A Unique Opportunity to Leverage

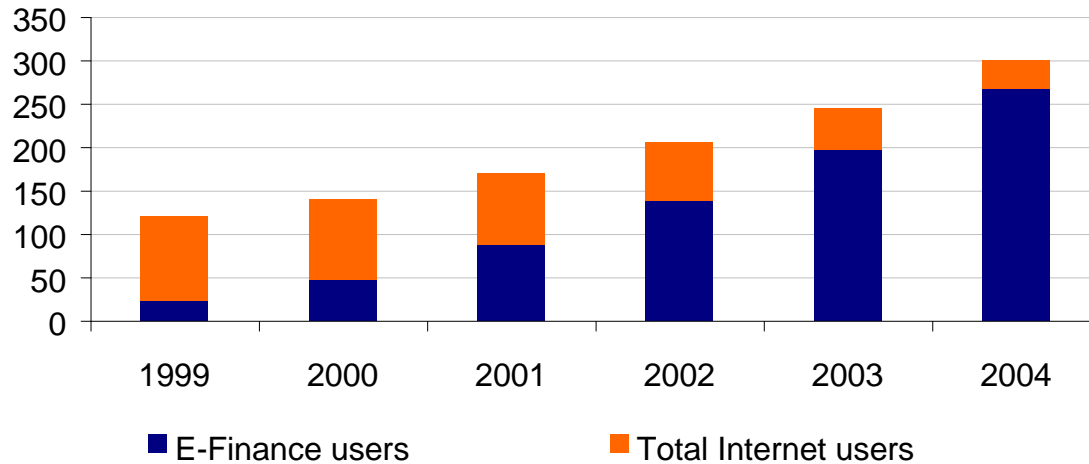
### Relationships through a Bank Payment Portal

- Payments: Very Sticky and Repetitive
- The Payment Transaction Is a Unique Touch Point With Your Cardholders
- A Time to Cultivate Brand-awareness, Trust and Enhance Your Customer Relationship
- Offers a Reliable and Accurate Insight Into Customer Behaviors Through CRM



# The Internet a Chance For Leverage

## Payments, Home Banking and Customer Care

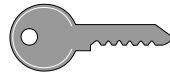


Banks are aware of the need to control Internet payments

Yet, adoption and decision making is slow due to the need for a “Level Playing Field”

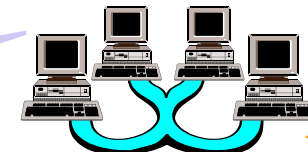
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# Customers' Demand Innovation



**Multiple Devices**

**Shopping**



**Networks**

**Shopping**

**Browsing**

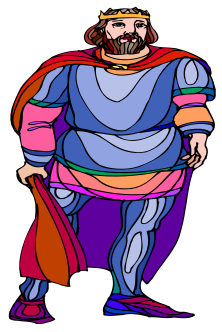
**Paying**

**Entertainment**

**Information Processing Services**

# *The Key Will Be* **A CUSTOMER-CENTRIC APPROACH**

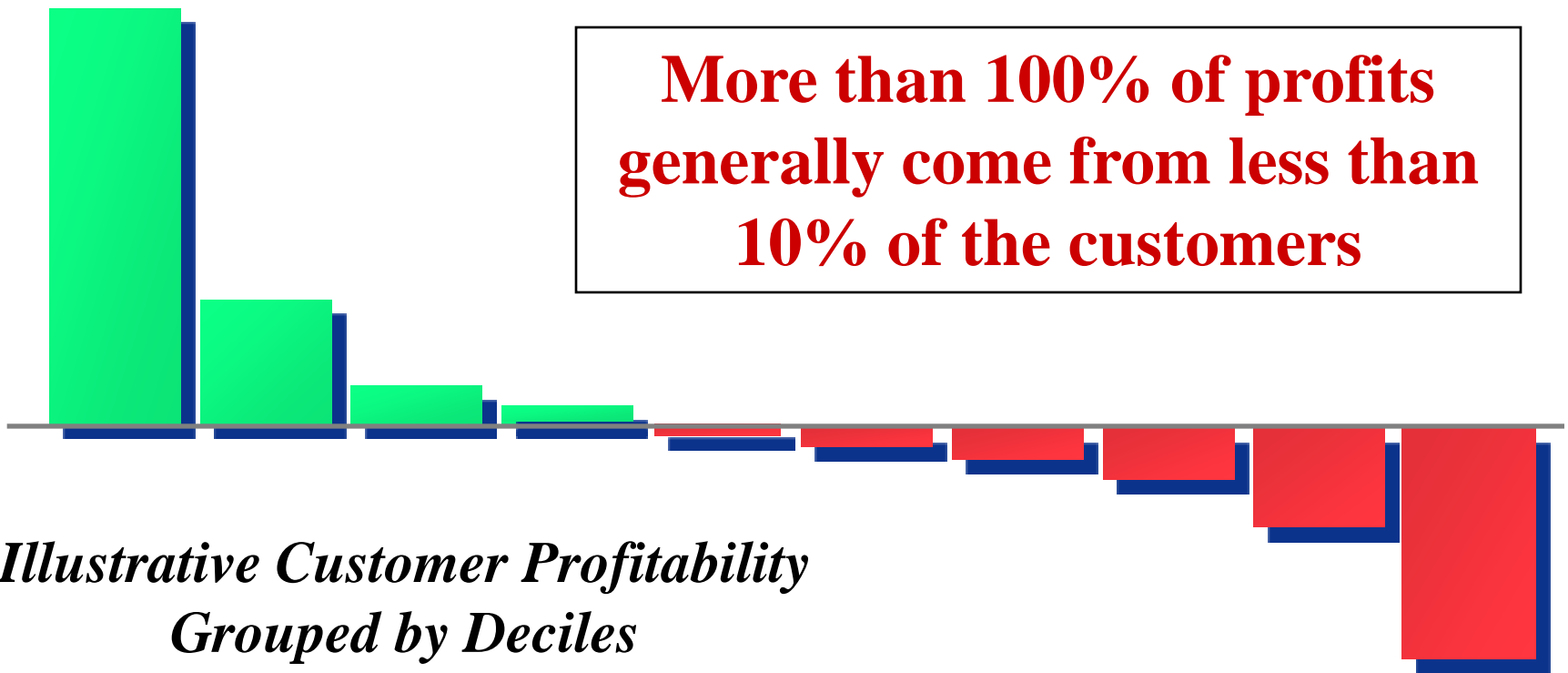
## **The Customer Will Be Your Neighbour**



**pa**  
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and associates

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# Range of Profitability is Wide





# A Customer Centric Approach?

- Manage a **relationship**
- Create products and services based on **individual needs**
- Sell **customized products and services** to specific customers
- **Market knowledge** based on a dialogue with individual customers

**Success is Not About Getting More Customers**  
**Its About Keeping & Growing Today's**

# pa Conclusion

- In the growing complexity of the Information Age, let the voice of the consumer lead your way...



“The successful companies of the next decade will be the ones that use digital tools to reinvent the way they work.”

*Bill Gates, “Business @ The Speed of Thought”, 1999*