

Expansion of Cashless Payments in Vending Emerging Payments / Emerging Presentments

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Bank of America 

Merchant Services





Overview

- Businesses must accept methods of payment other than cash in order stay competitive in today's marketplace. Consumers demand it.
- As the payments industry continuously changes in response to diverse market drivers, new players and emerging processes, there are many proactive ways vending operators can make actionable changes to reduce overall payment costs.
- Understanding what various options exist today while the vending industry is just emerging from cash to card will help ensure you can compete effectively by leveraging innovation to meet your customer's demands. Simply help control your company's destiny by making informed decisions.



Rise of Electronic Payments

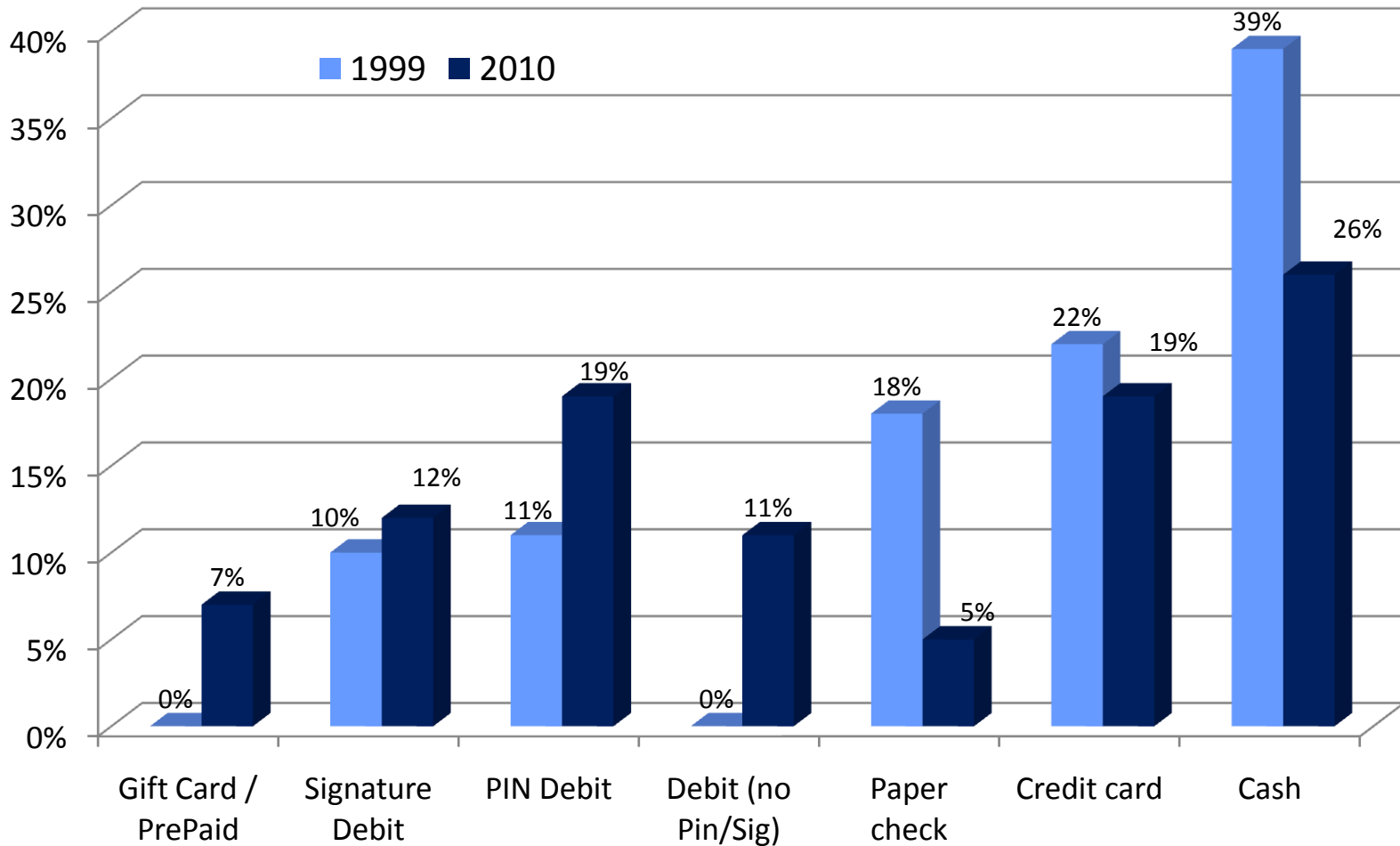
Market Drivers

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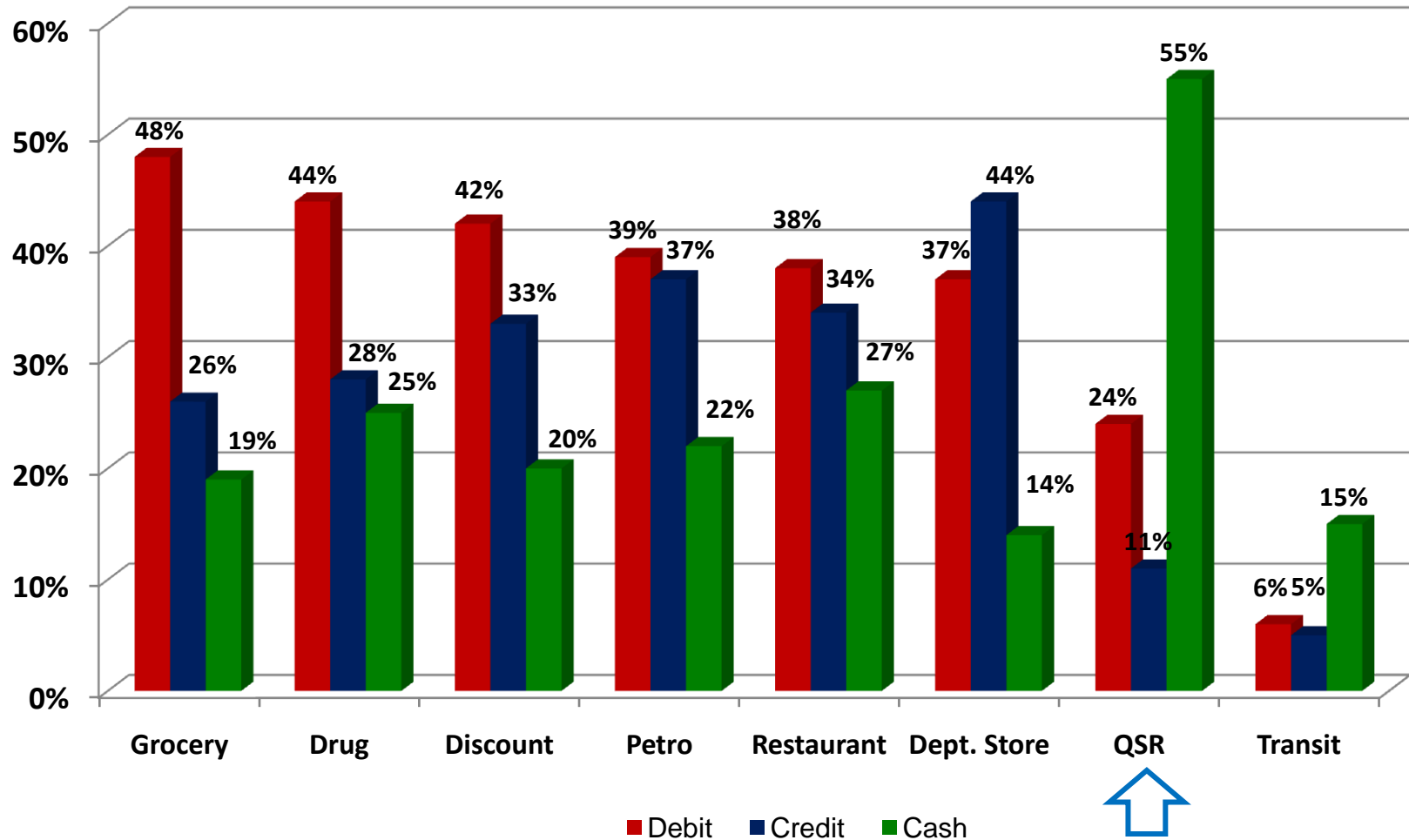
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Significant Growth in Prepaid and Debit Transactions

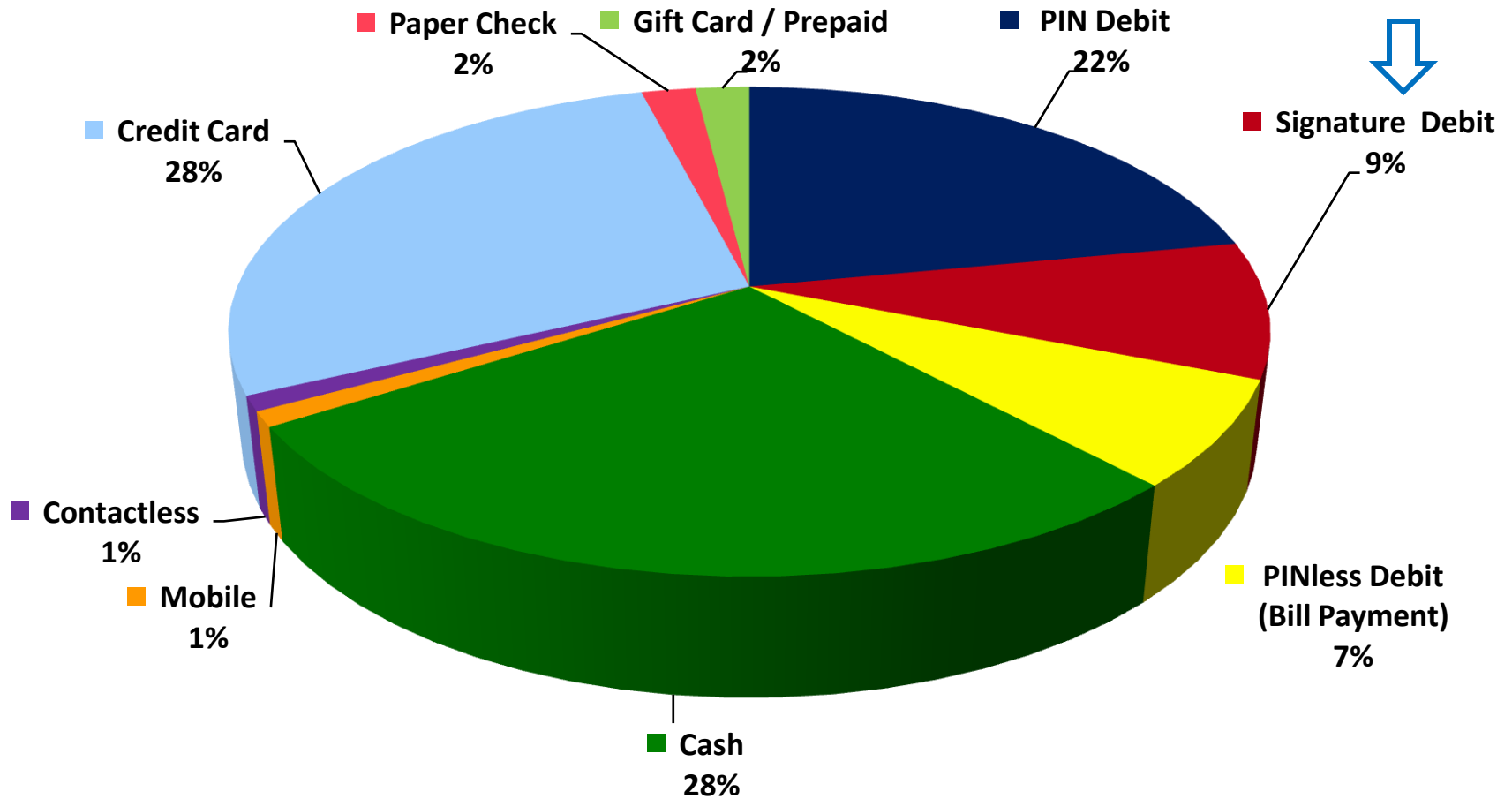
In-store payment trends 1999 - 2010



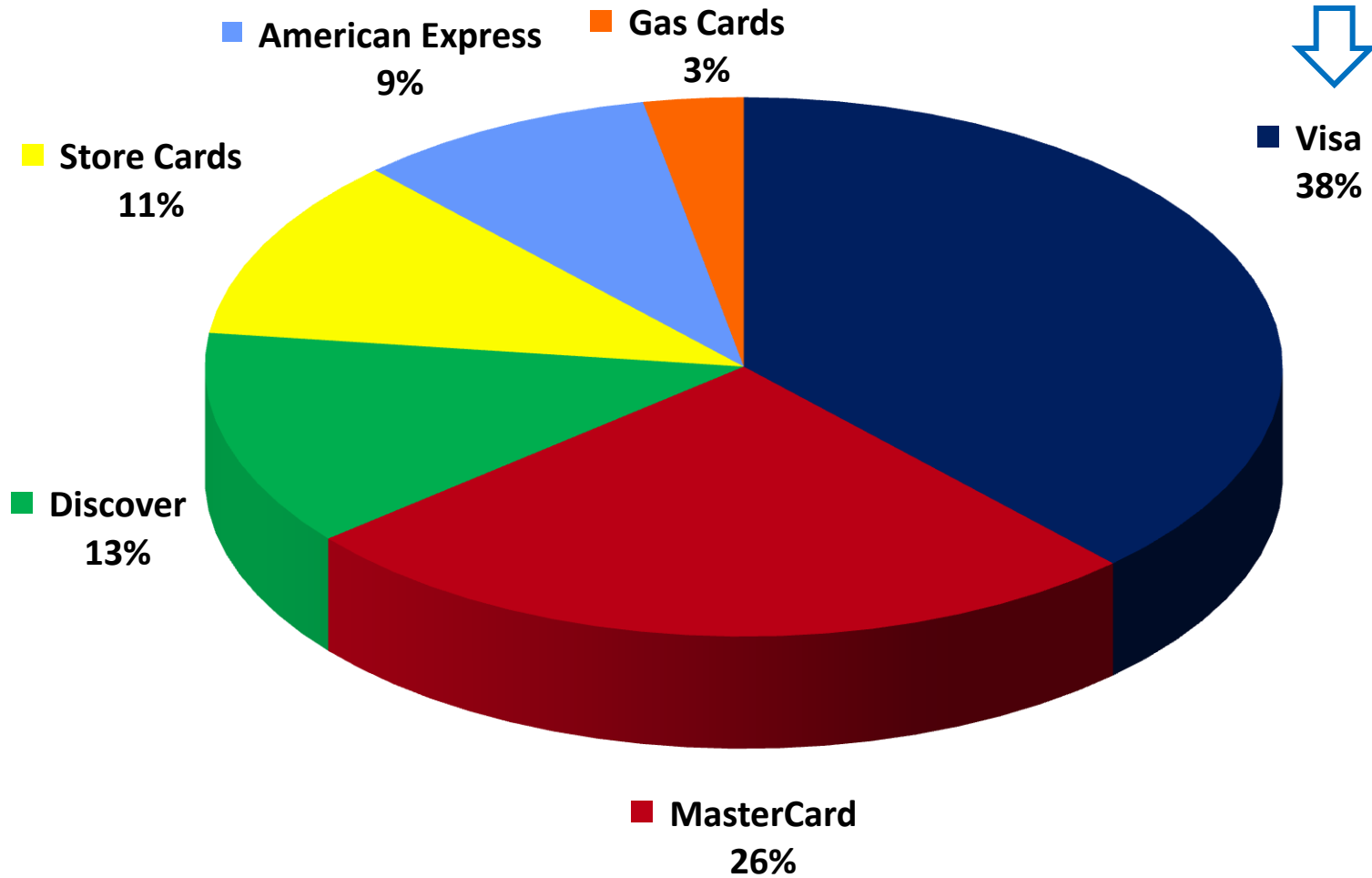
2010 Cash/Credit/Check Transactions by Merchant Category



2010 Consumer Payment Methods (transactions)



2010 Share of General Purpose Cards (transactions)



Simple Question:

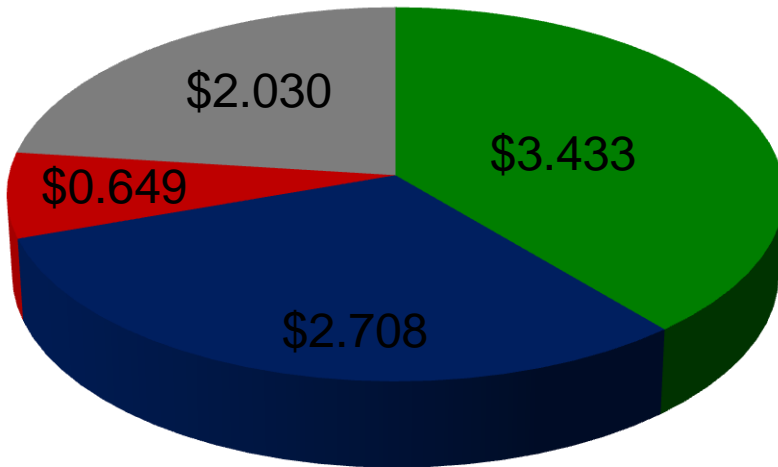
Do your business decisions and the strategic partners you choose today prepare you for tomorrow's challenges?



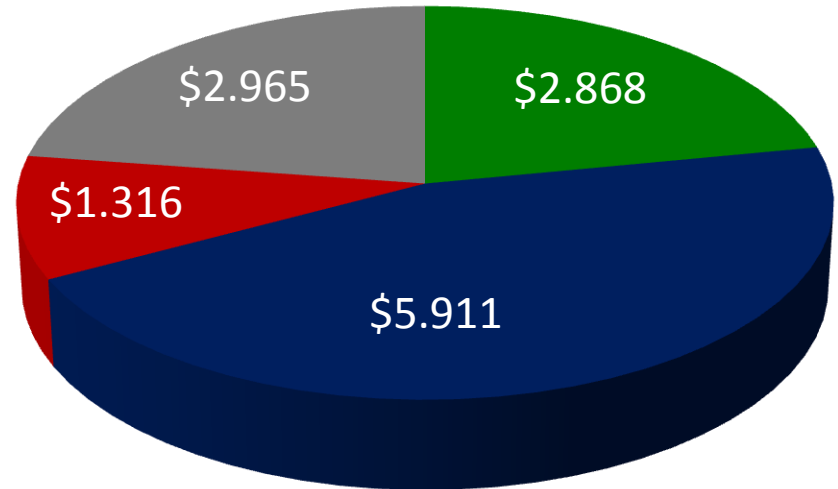
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Future U.S. Personal Consumption Expenditures (in \$Trillions USD)

2005

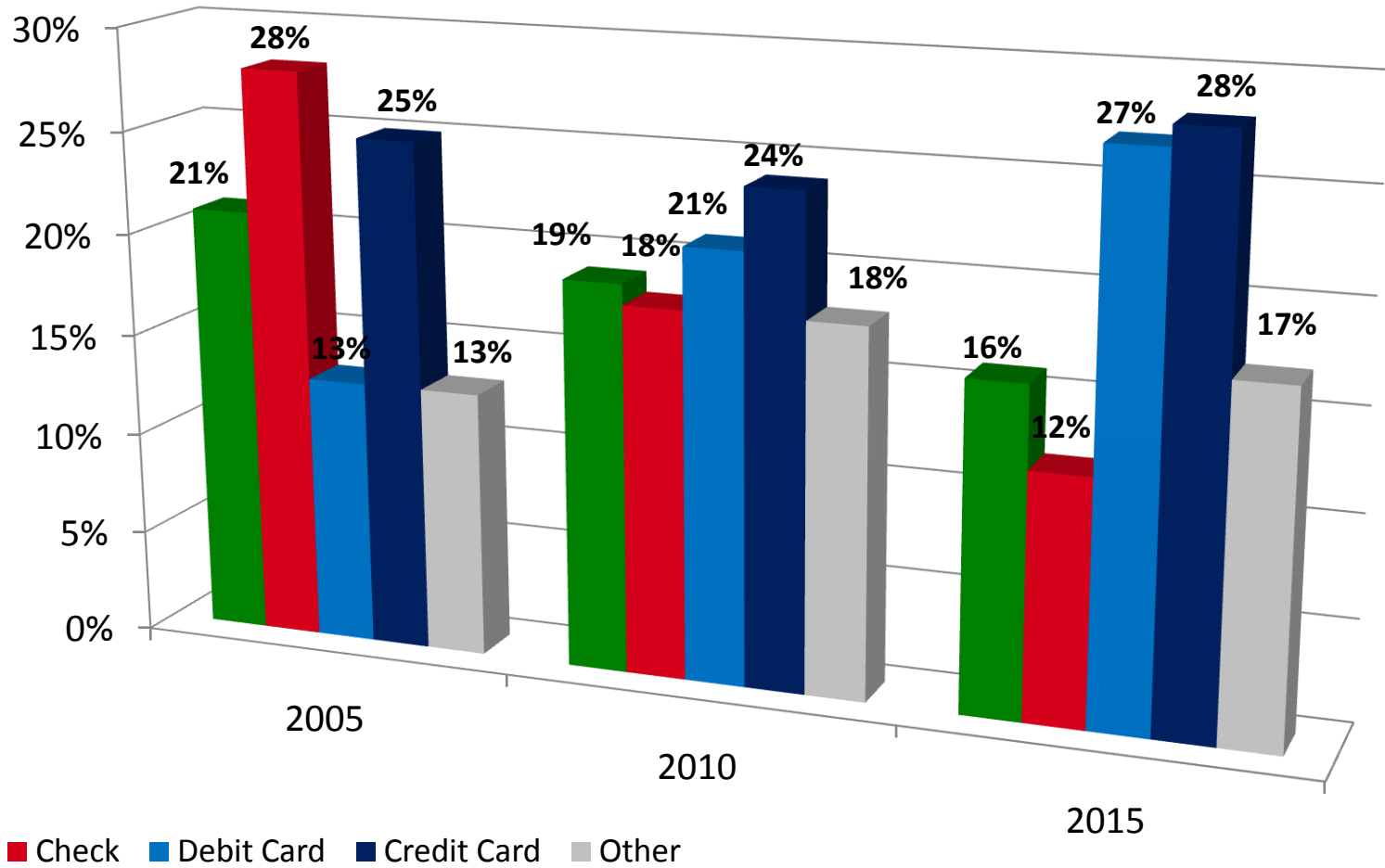


2015



■ Paper ■ Card ■ Electronic ■ Non-purchases

Future US Consumer Payments – Volume by Payment Type



Key Trends

- Multi-Function Cards
 - Card that gives card holder access to multiple accounts on a single piece of plastic (i.e. credit & debit, personal & business account, credit accounts with different payment terms, etc.)
 - Combat diminishing wallet share
- Mobile payments
 - Payment functions delivered directly from the handset to an acceptance device. Payments made via mobile phone
 - Replace leather wallet with electronic wallet
- Contactless cards
 - Enables consumers to wave or tap a card instead of swiping
- Fraud Protection



Alternative Payments

- Closed Loop Prepaid Programs
 - Cafeteria card program / payroll deduction programs
 - Student card / University card programs
 - Retail gift cards
 - T&E card programs (lodging, resorts, amusement parks, events)
- Open Loop Prepaid Programs
 - Incentive, Rebate and Rewards programs
 - General purpose reloadable programs
 - Payroll card programs
 - T&E card programs (lodging, resorts, amusement parks, events)
- Loyalty Programs
 - Mobile commerce driven – less and less plastic
 - Marketing programs– including co-branded programs
 - Integrated into either closed loop or open loop programs



Alternative Payments – No Longer for Just Online Sales

- Instant Credit
 - Real-time credit approval at time of transaction (deferred billing)
- Online Banking
 - Pay via online banking bill pay function
- Virtual Card
 - One-time or reloadable debit or credit card number generated via Internet to purchase online
- Internet PIN Debit
 - Customer keys debit card and floating PIN at merchant website



Durbin Amendment – Brief Summary

- July 21, 2010 Dodd-Frank Wall Street Reform and Consumer Financial Protection Act signed into law. Section 1075 – Durbin Amendment
- The amendment includes provisions relating to debit and prepaid interchange and to certain network rules applicable to merchants.
 - *Debit and prepaid interchange - the amendment provides that the amount of any fee established by a network to compensate an issuer or the network for its involvement in a debit or prepaid card transaction must be “reasonable and proportional to the cost incurred” by the issuer or network with respect to the transaction. The debit interchange provision does not apply to any issuers that have assets of less than \$10 billion.*
- The amendment prohibits a payment card network from inhibiting the ability of a merchant to:
 - *Provide a discount or in-kind incentive for payment through the use of a card or device of another payment card network*
 - *Provide a discount or in-kind incentive for payment by cash, check, debit card, or credit card*
 - *set a minimum or maximum dollar value for the acceptance of credit cards.*
- Proposed Fed Rules:
 - *The Board is requesting comment on two alternative interchange fee standards that would apply to all covered issuers: one based on each issuer's costs, with a safe harbor (initially set at 7 cents per transaction) and a cap (initially set at 12 cents per transaction); and the other a stand-alone cap (initially set at 12 cents per transaction). Under both alternatives, circumvention or evasion of the interchange fee limitations would be prohibited. The Board also is requesting comment on possible frameworks for an adjustment to the interchange fees to reflect certain issuer costs associated with fraud prevention.*