WEBINAR:

PSD2 SCA: How Merchants and Payment Providers Can Maximize Acceptance

EKATA

MERCHANT PAYMENTS ECOSYSTEM

Alan Moss (Moderator)

VP of Marketing @ Miura Systems Ltd.

Alan Moss is currently working as VP of Marketing at Miura Systems, a leading global provider of secure mobile acceptance technology. In parallel, Alan is Head of Fintech and Payments at the consulting company, BluSpecs Innovation.

Alan has over 20 years' experience in the electronic payments business, working with industry leaders such as Hypercom, Thales and Verifone, in a variety of roles from business development and product marketing to global relationship management. Alan also worked in international sales for De La Rue's security holographics and security print divisions.

Prior to working for BluSpecs, Alan was VP of Business Development at Verifone, where he was responsible for the deployment of new value-add applications and services in Europe. Whilst at Verifone, Alan was also a board member and Chairman of the General Assembly of Nexo, a leading pan-European standardization initiative promoting the interoperability of card payments.
Alan holds an International MBA from Madrid's leading business school, Instituto de Empresa, as well as a bachelor's degree from the University of London.

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Arjun Kakkar

VP of Strategy & Operations @ Ekata

Arjun manages Ekata's Payments business and is responsible for payments products, global revenue, and growth. He leads internal and external teams to drive value across Ekata's Payments customers. Ekata provides thousands of businesses global digital identity verification to enable a frictionless customer experience while keeping fraud at check. Before Ekata, Arjun was a Principal with Booz & Company, where he led engagements to help CxOs of Fortune 500 companies explore growth opportunities and solve business problems. Arjun has a B.Tech from IIT Bombay and an MBA from The Wharton School.

PSD2 SCA: How Merchants and Payment Providers Can Maximize Acceptance

Arjun Kakkar VP Strategy & Operations

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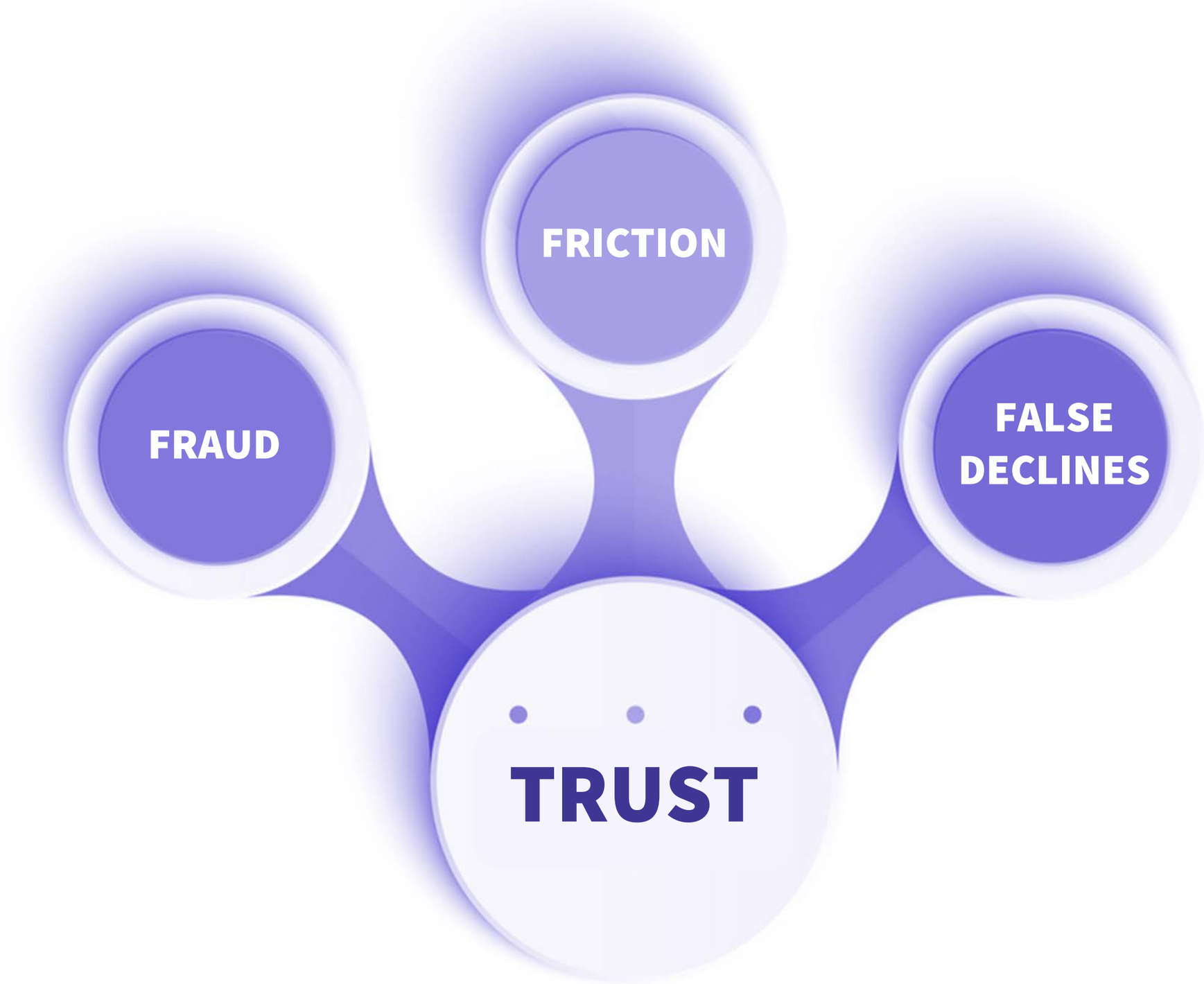
PSD2 SCA Intent: Improve Consumer Trust

European Banking Authority's Opinion on PSD2 SCA

The revised Payment Services Directive (PSD2, Directive 2015/2366/EU), proposed by the European Commission in July 2013 PSD2 became applicable on 13 January 2018. It facilitates innovation and competition in the EU retail payment market. It gives consumers more and better choice and introduces higher security standards for online payments. This makes consumers more confident when buying online.

Source: European Banking Authority's Opinion on PSD2 SCA
https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190621-eba-opinion-strong-customer-authentication-statement_en.pdf


FRICTION
FRAUD
FALSE DECLINES
TRUST

TRUST

Low
Friction
Chargebacks
Loss of trust
FRICTION
High
Friction
Lifetime revenue loss
Loss of trust
High
Fraud
FRAUD
Low
Fraud

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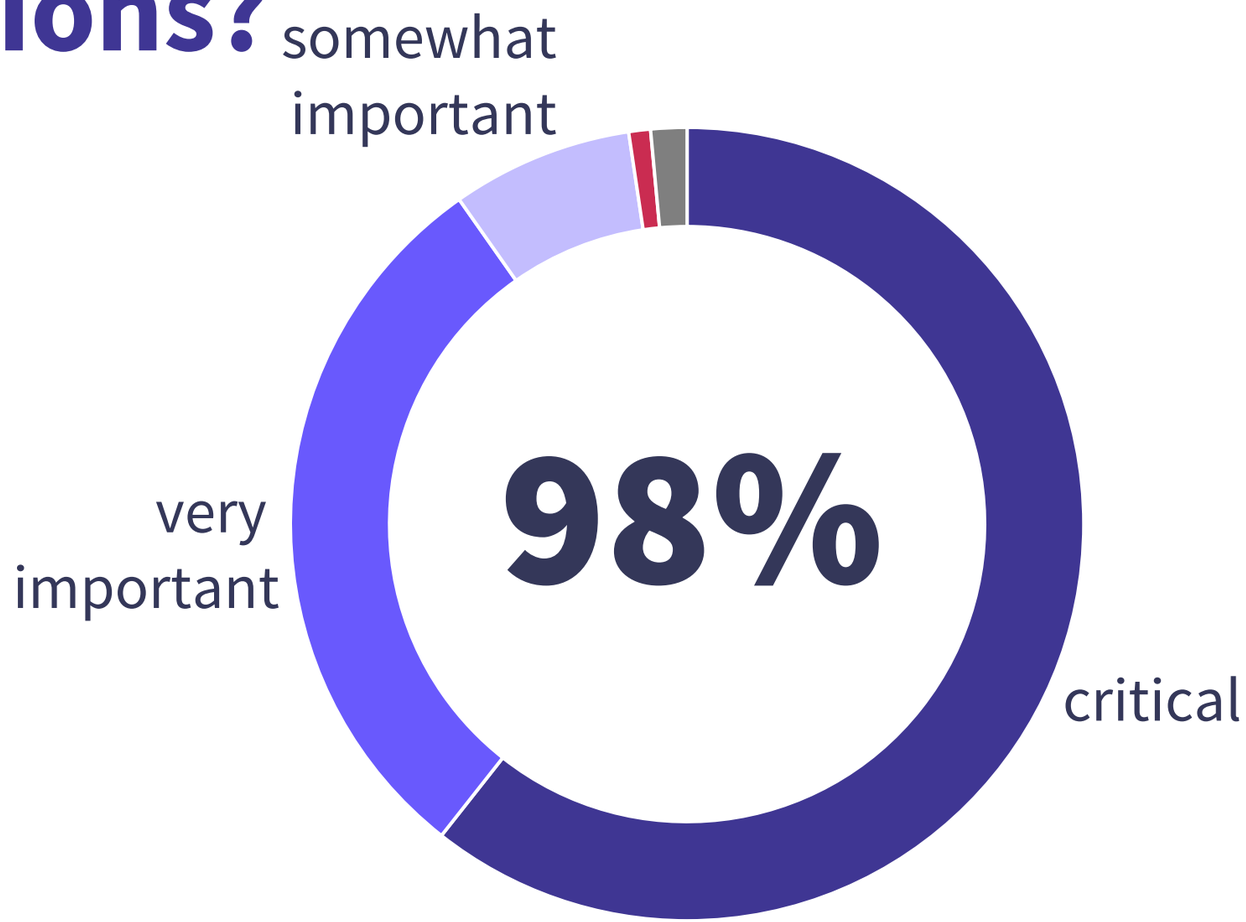
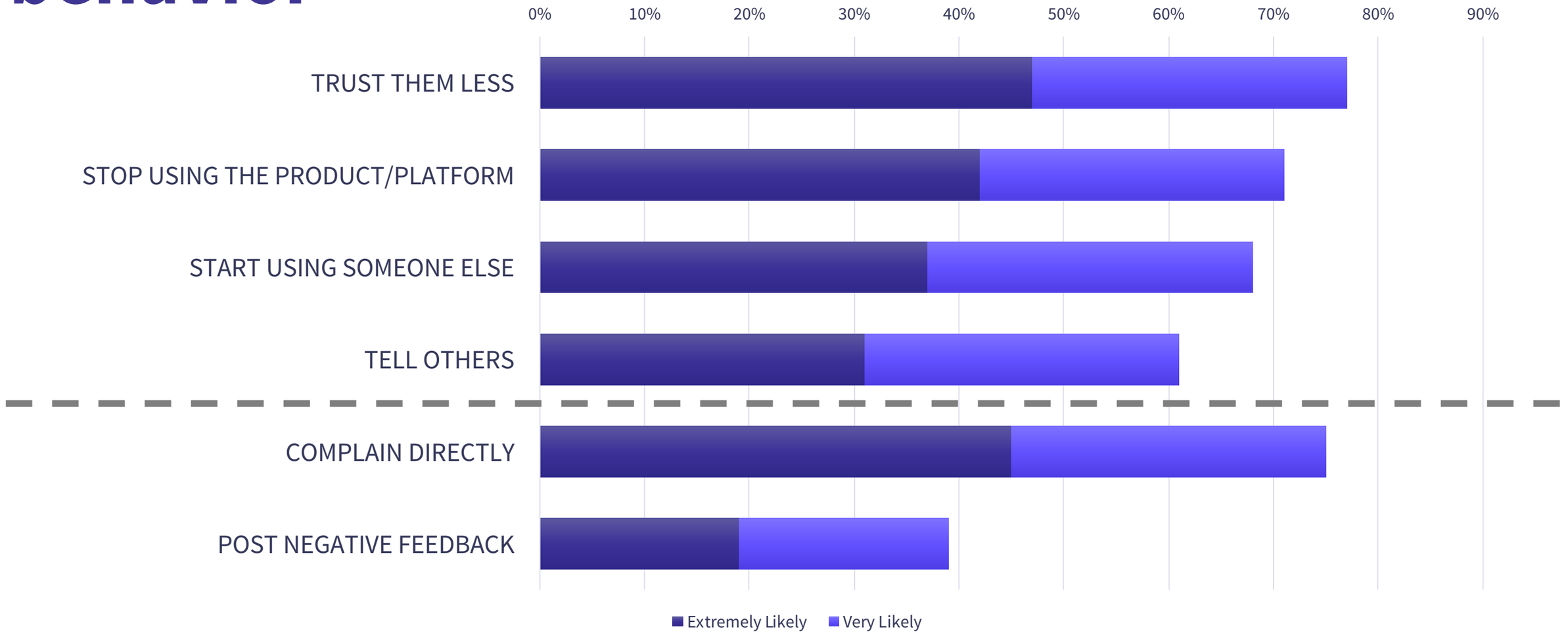
Does Trust matter for online transactions?



Source: EKATA Survey of 7,000 consumers in US and EU (2019)

Source: EKATA survey of 3000 NA and 4000 EU participants, conducted by VansonBourne. Question: “When using an online platform (including marketplaces, payment platforms, and online lenders), how important is it that you trust the platform that you’re using?”, a*sked to all respondents*

Impact of fraud on consumers' behavior



Source: EKATA Survey of 7,000 consumers in US and EU

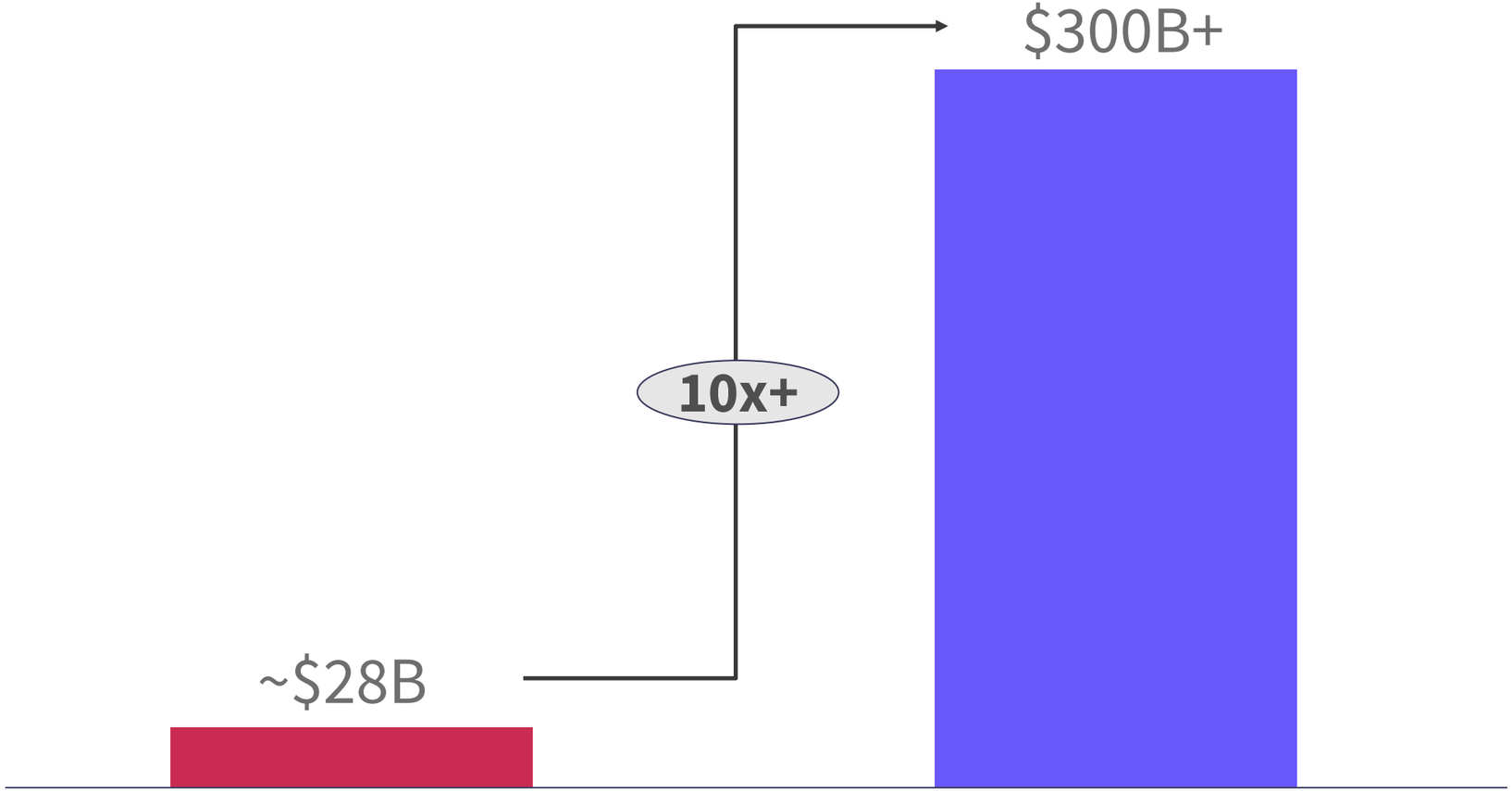
Source: EKATA survey of 3000 NA and 4000 EU participants, conducted by VansonBourne. Question: "How likely is it that you would do the above if you were to experience fraudulent activity when using a company's online platform?", a*sked to all respondents*

92% agree

"I want a **fast, frictionless experience** but I also want it to be as **trustworthy and secure as possible** when I use a company's digital platform"

Source: EKATA survey of 3000 NA and 4000 EU participants, conducted by VansonBourne

FALSE DECLINES



COST OF CARD FRAUD[1]

REVENUE LOST TO FALSE DECLINES[2]

Sources:
1. Nilson Report 2019
2. Ekata estimates – varies by region, based on US Payment Forum, Card-Not-Present Fraud Analysis 2017, Javelin, Mastercard

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The Harsh Reality of PSD2 SCA

LOWER TRUST

FRAUD

Stricter fraud thresholds for exemptions

FRICTION

More steps to make payment

3DS2 – 35+ seconds to complete

FALSE DECLINES

More false declines to meet stricter fraud thresholds

HIGHER COST

3DS processing cost

Potential authentication fees

Organizational and development costs

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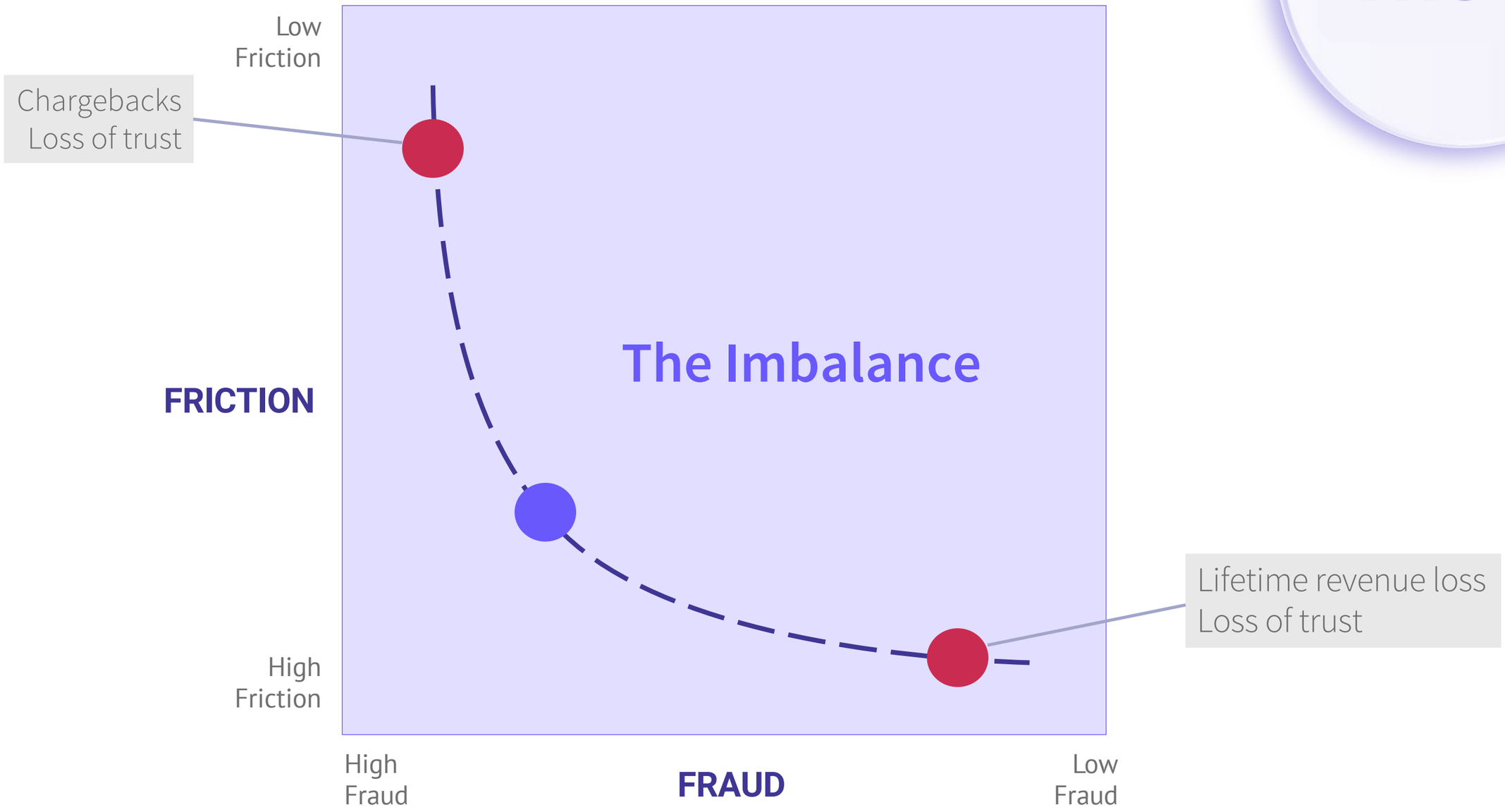
TRUST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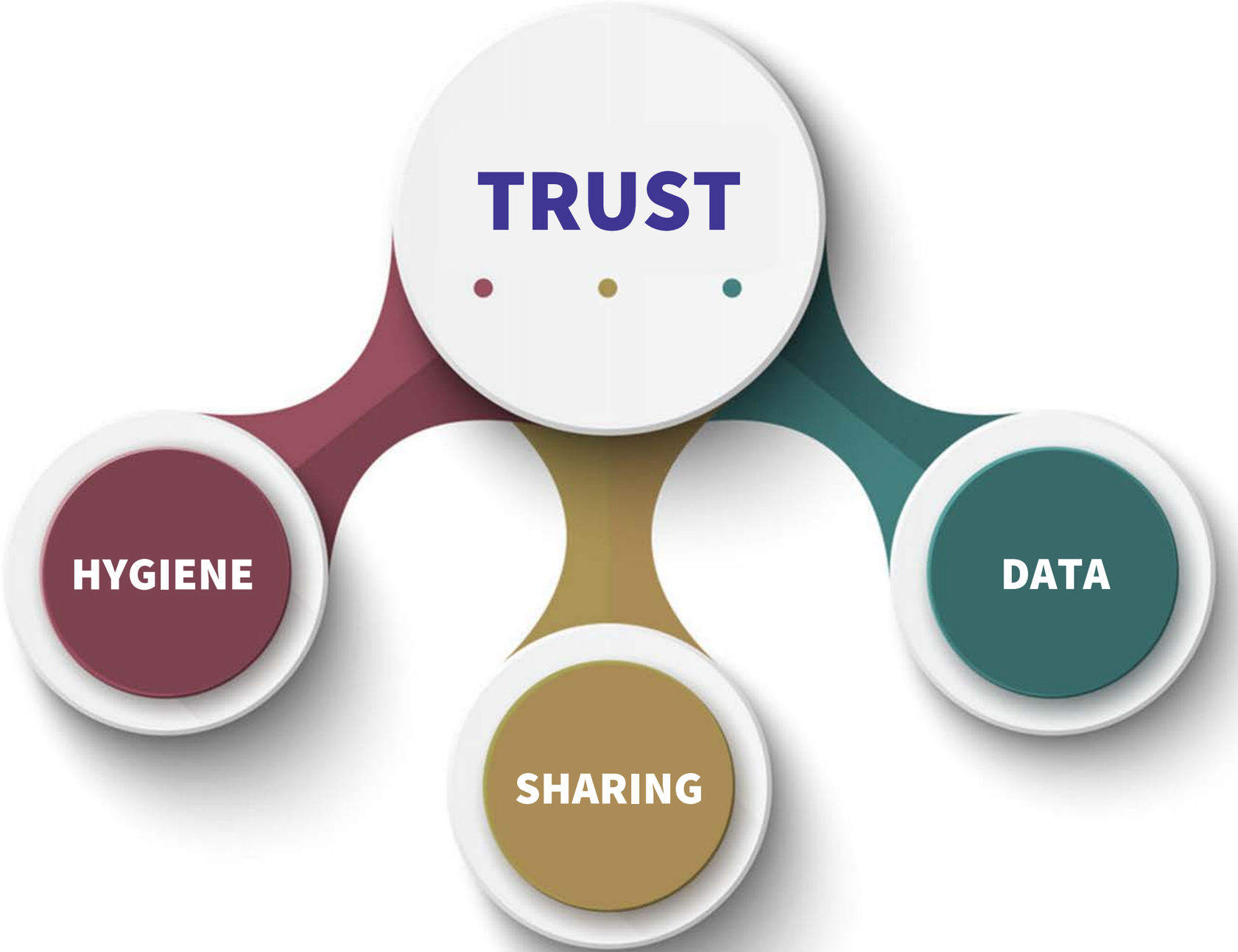

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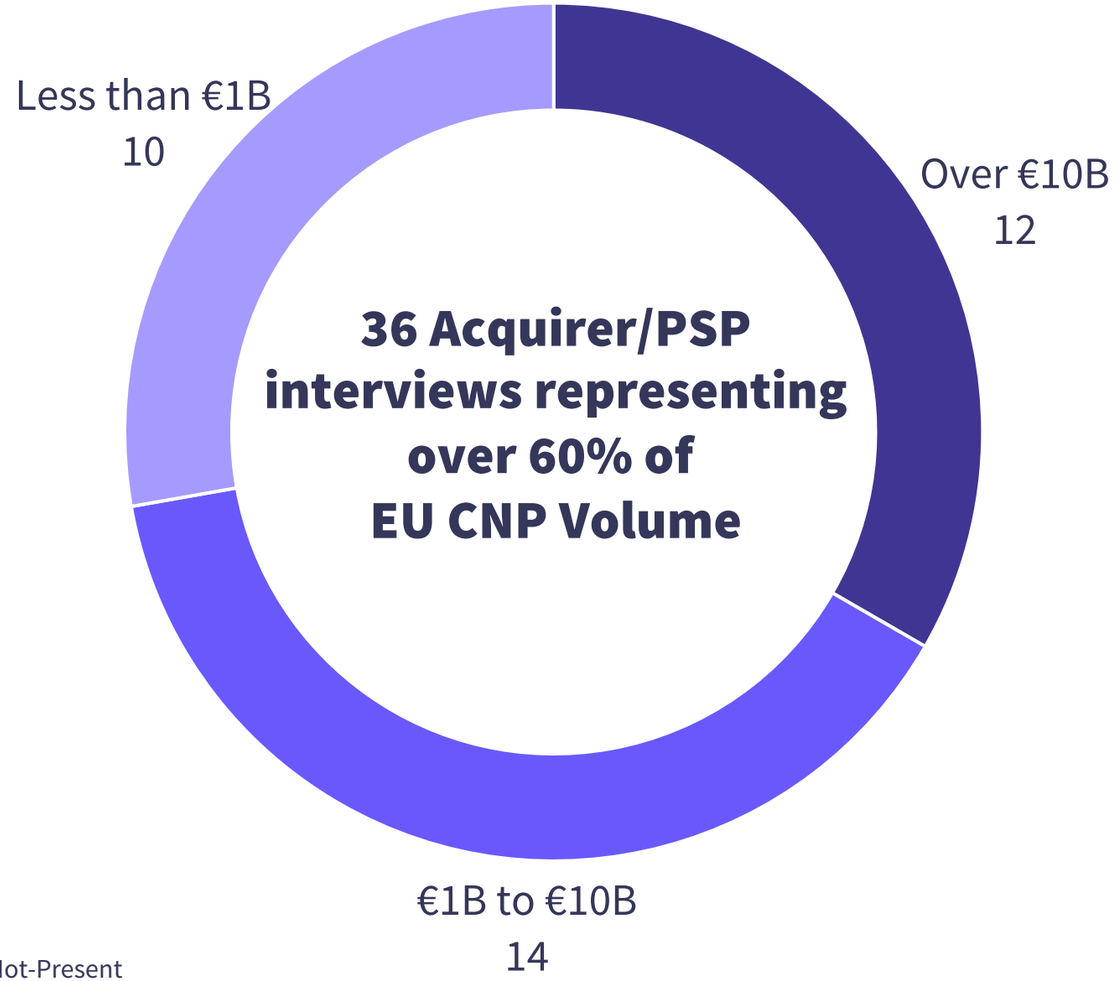
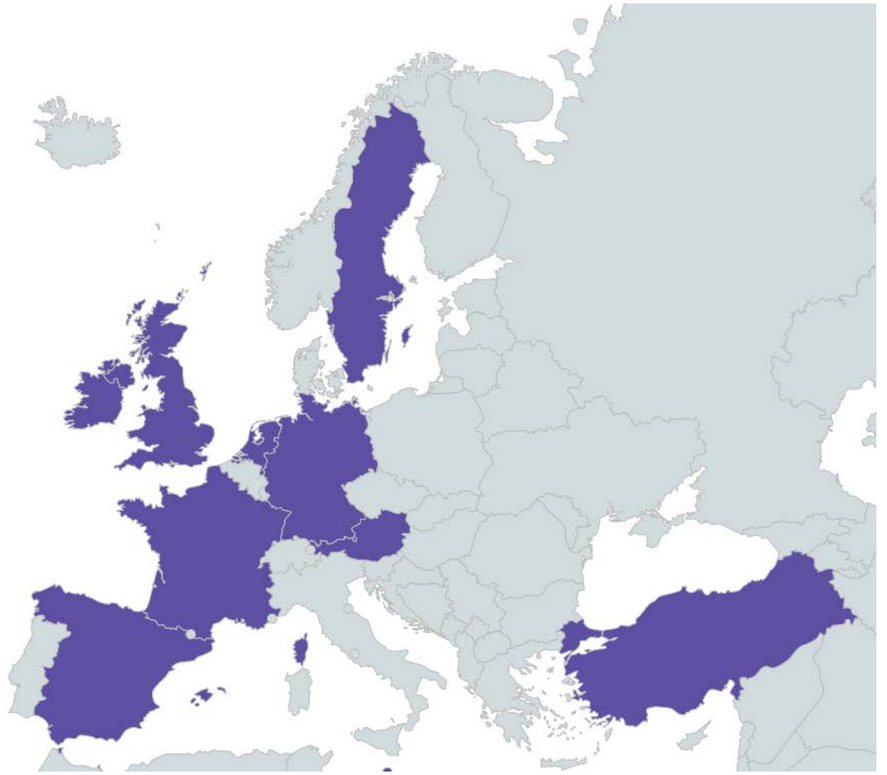
Learnings from Acquirers / PSPs which represent >60% of European CNP volume



Locations of Companies Interviewed

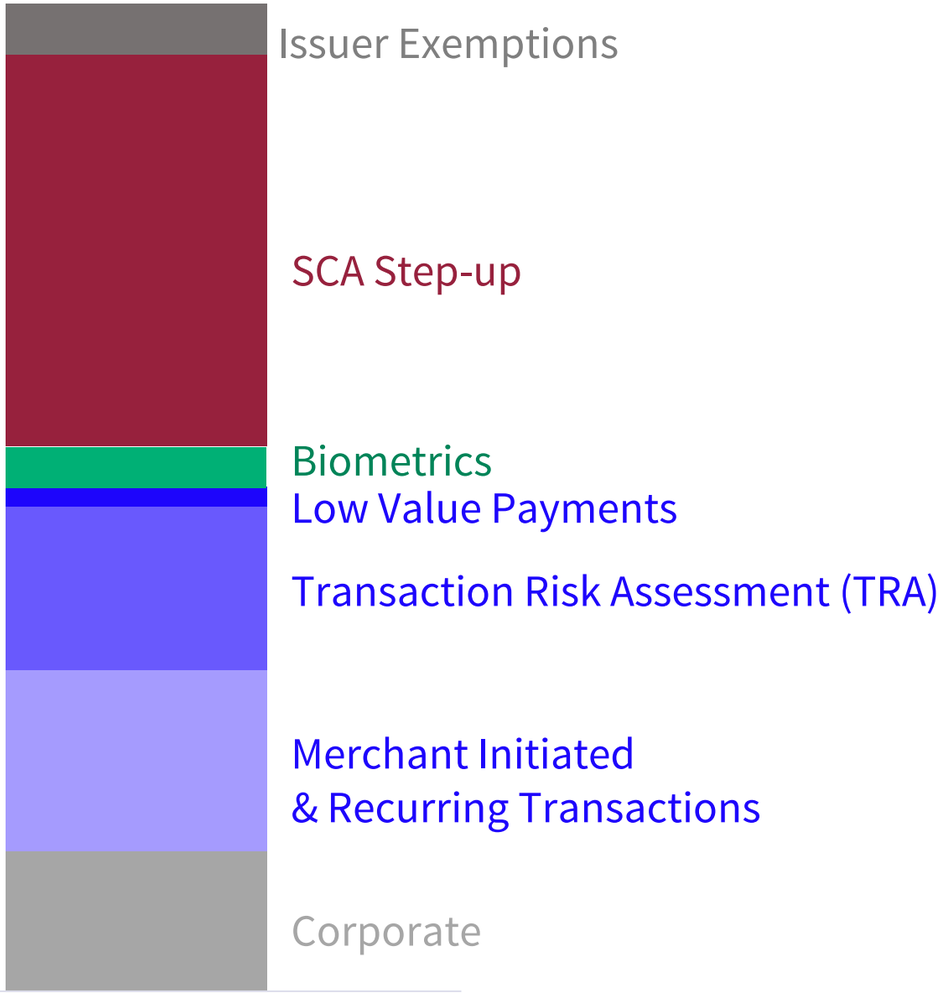


1. CNP: Card-Not-Present

Understand out-of-scope transactions

HYGIENE

Impact on EU eCommerce by Volume



Enable Low-Friction Options

- Merchant Initiated Transactions (MIT) - recurring, top-ups, installments
- Biometrics
- Low Value Payments
- Whitelists

Source: Mastercard, Feb 2020

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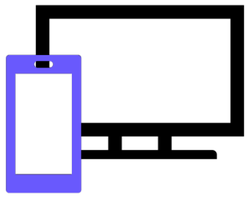
Minimize authentication

HYGIENE



MERCHANT

- Leverage biometrics
- Plan to get whitelisted
- Identify and tag MIT (out-of-scope)
- Identify and tag low-value exemptions

PROCESSOR / PSP

- Educate and help merchants, particularly those with limited resources

> *Merchant Awareness is 100%*
> *But Understanding is 30%*
> *… inconsistent acquirer communications*

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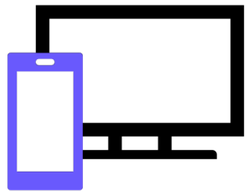
Source: Jan/Feb 2020: EKATA / STRATGranat interviews of 36 Acquirer Processors / PSPs

Share data for risky transactions

SHARING



MERCHANT

- Recognize that risky transactions require 3DS
- Utilize latest version of 3DS – high friction, but the lesser evil
- Required for biometric authentication
- Know your processor's capabilities

PROCESSOR / PSP

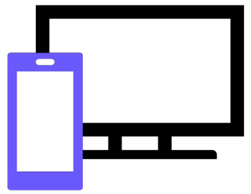
- Get to 3D Secure 2
- Support merchants to upgrade

~9 out of 10 ready with 3DS

EKATA

Source: Jan/Feb 2020: EKATA / STRATGranat interviews of 36 Acquirer Processors / PSPs

Know and optimize for the ecosystem



MERCHANT

- Understand and reach out to issuers
- Work with payments providers who can maximize conversions
- Large merchants – smart route across multiple acquirers

PROCESSOR / PSP

- Be ready with a strong understanding of issuers
- Offer solutions such as smart routing and full liability shift

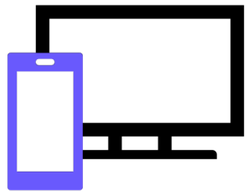
Over half consider offering full liability shift as a service

EKATA

Source: Jan/Feb 2020: EKATA / STRATGranat interviews of 36 Acquirer Processors / PSPs

DATA

Optimize fraud rate



MERCHANT

- Ensure you qualify for exemptions by targeting the right fraud rate
- Allow time to iterate and stabilize to target rates
- Utilize data and ML models to get to below the threshold rates

PROCESSOR / PSP

- Offer advanced fraud solutions to get merchants below stringent thresholds

75%+

of PSPs processing over €1B will utilize AI-based Fraud Screening

Over 90% offer rules-based fraud screening already

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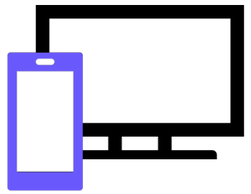
Source: Jan/Feb 2020: EKATA / STRATGranat interviews of 36 Acquirer Processors / PSPs

DATA

Build a differentiated TRA model



MERCHANT

- Decide to build own TRA or work with a PSP
- Feed the Transaction Risk Analysis the best data. Don’t just stop at EBA’s RTS requirements.

PROCESSOR / PSP

- Offer a differentiated TRA utilizing merchant and third-party data
- Get merchant and 3rd party data to a consistent, normalized format

> *“TRA could be an opportunity to provide added value to the customers, increase market share and generate a new revenue stream[1]*

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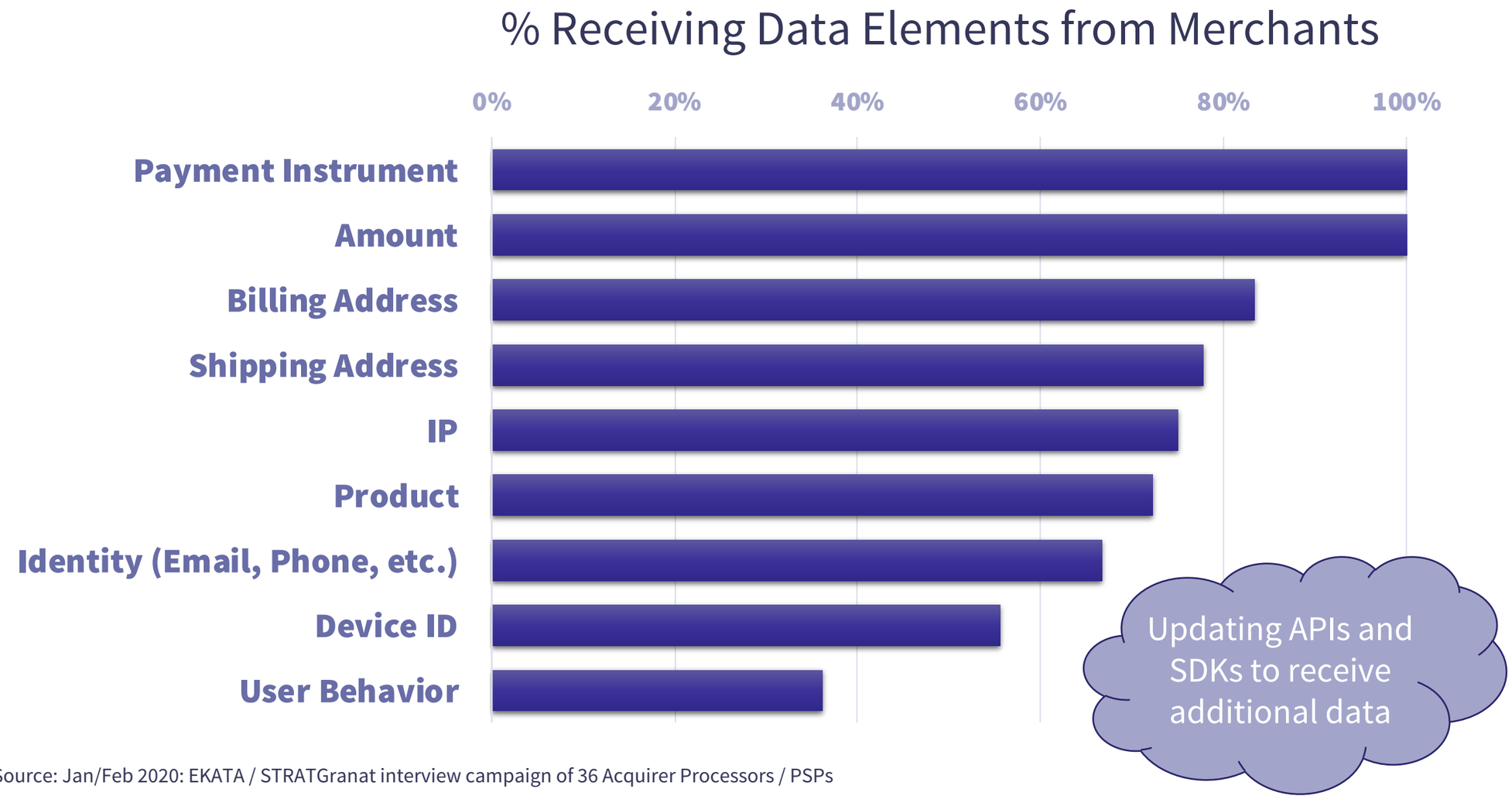
Source: Jan/Feb 2020: EKATA / STRATGranat interviews of 36 Acquirer Processors / PSPs

Get and supplement additional data



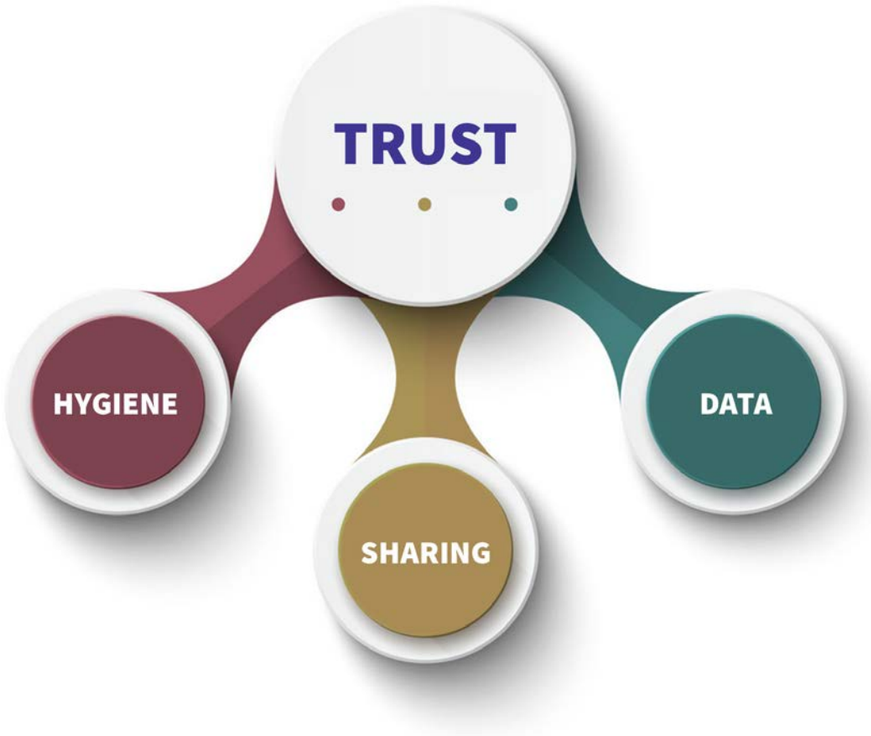
Source: Jan/Feb 2020: EKATA / STRATGranat interview campaign of 36 Acquirer Processors / PSPs

Takeaways

EXECUTION
Manage the basics to minimize consumer friction

RELATIONSHIPS
Proactive data usage & sharing between merchants and issuers

CAPABILITIES
Better data and better models



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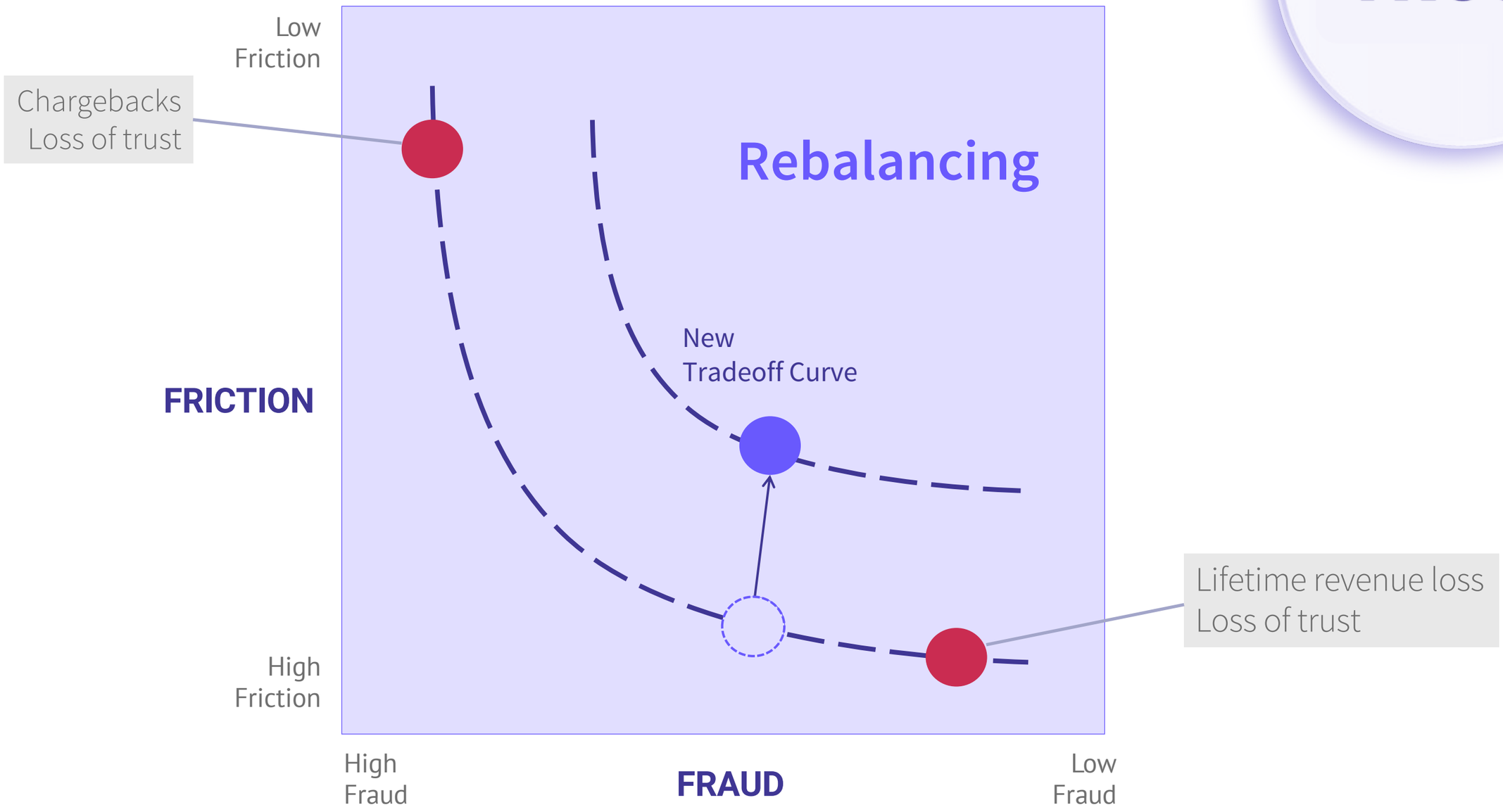
TRUST


Low
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Interested in detailed findings?

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Questions?

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THANK YOU FOR ATTENDING!

THE RECORDING WILL BE AVAILABLE TOMORROW!