



Drive Prepaid Revenues through Mobile and Internet Payments

The growing needs of customers together with advancements in mobile commerce and e-commerce have given prepaid products a competitive edge. However, product differentiation has never been more important than it is now. Paul Stanley, Senior Vice President of First Data's Innovation and Solutions Group, discusses.

Banks and retailers view card-based prepaid products as an opportunity to enter new markets and improve brand exposure, as well as a marketing tool to increase their revenue and drive loyalty. For consumers, prepaid offers benefits that include security and convenience.

Today, there is much more available than just plain 'vanilla' prepaid programmes. Take all the advantages of card-based prepaid programmes and crown them with a few truly differentiating features: mobile- and web-enabled payment methods with increased payment options for consumers.

Evolving to Meet the Needs of Banks, Retailers and Consumers

The global prepaid market is projected to be valued at more than \$600 billion by 2010*. This young but rapidly growing business continues its progression from one-time-use gift cards to General Purpose Reloadable (GPR) stored value options.

"Closed loop" gift cards started the prepaid trend. Consumers paid for a service in advance of its use at a particular store or a chain of stores. Then came "open loop" gift cards that could be redeemed at a variety of locations, not just one store. More recently, General Purpose Reloadable (GPR) technology burst onto the scene and the prepaid business evolved from primarily a gifting programme to become a spending programme.

Add technologically advanced payment methods as well as mobile and internet capability to the reload capability and a prepaid programme offers even more competitive advantage to banks and retailers. Opportunities abound for access to underserved segments, where other products would not be



suitable. The benefits do not stop there. For example, prepaid cardholders have the same security as that provided by credit or debit cards. Prepaid cards work off a predefined balance or allow restrictions to be set up on how the card is used. In addition, prepaid offers convenience and flexibility, as well as enhanced access to basic financial services. The result is differentiation for banks and retailers and more freedom for customers to choose.

Prepaid Mobile-Enabled Form Factors: Flexible, Unique and Speedy

Prepaid mobile payments allow consumers to make purchases using fobs, stickers, wristbands or other items that are linked to a prepaid account. One of the greatest advantages of mobile payments is flexibility: issuers can turn virtually anything into a prepaid mobile payment method. Mobile payment solutions typically incorporate a Near Field Communication (NFC) chip into their design that enables them to communicate with a contactless reader at the point of sale (POS). NFC is a short-range radio frequency communication technology that allows NFC devices located no more

* PSE, 2006 MasterCard Prepaid Market Sizing Report

than a few centimetres from each other to exchange data such as prepaid account information.

The unique format of a mobile-enabled prepaid payment device means that issuers can provide their customers with enticing alternatives to traditional payment products.

Non-traditional prepaid payment solutions allow issuers and retailers to target new segments, including the youth market. For example, a teenager is a good prospect for a prepaid card as it enables them to have a payment instrument in their own name but with controls on where it can be used and how much can be spent.

Mobile-enabled prepaid payment solutions result in faster checkout times for consumers. In contrast to traditional prepaid cards and certificates, which must be swiped or passed to the check-out assistant, consumers simply tap or wave their mobile-enabled prepaid card in front of a contactless reader at the POS to complete the transaction.

A 2008 study conducted by First Data indicates that prepaid mobile solutions are typically two to three times faster than cash or no-signature card payments – and about five times faster than credit and debit card payments requiring a signature.

Web-Enabled Prepaid Payment Options: Secure, Immediate and Accommodating

The evolution of stored value products is not limited to mobile-enabled payments and brick-and-mortar POS locations. The internet is also a trusted channel for prepaid transactions. E-commerce is on the rise and online prepaid 'cards' or virtual accounts offer a safer option for making internet purchases. During a typical online transaction, a consumer must enter their credit or debit card information during checkout. By using

either a re-loadable or single-use prepaid account, the consumer simply enters their prepaid card number to complete the transaction. This provides greater security because the consumer's credit or debit account information is never revealed.

In addition to increased security, prepaid virtual accounts also offer consumers increased convenience, flexibility and customer service with multiple alternatives to purchase, use and reload stored value accounts. A consumer can use a credit or debit card to purchase an internet-only prepaid 'card' as a gift, and then instantly e-mail the account information to a recipient. These accounts also facilitate convenient person-to-person payments, enabling consumers to lend money to friends, donate to charities or purchase items online simply by e-mailing a prepaid 'card' in a designated amount—an account that can be reloaded for future purchases.

The mobile-enabled prepaid payments solutions discussed earlier in this article can also be web-enabled. They can be re-loaded online or used to make web purchases with the same convenience and security of Internet-only virtual prepaid payment options.

Conclusion

It is time to separate from the pack. In an increasingly competitive market, successful organizations are those that differentiate themselves from the crowd, offering consumers greater convenience, security and a faster service. To stay ahead, your stored value products must evolve, enabling the most innovative digital commerce solutions and unique, non-traditional payment methods.

For more information on how First Data can help you develop and implement a prepaid strategy, please contact Paul Stanley at First Data: paul.stanley@firstdata.com

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Paul Stanley is Senior Vice President of the Innovations and Solutions Group in First Data's international business.

Paul has 19 years experience of the EMEA payments industry, having previously worked for HSBC, LINK

Interchange Network Ltd and NCR Corporation. Paul was the founder and CEO of Moneybox plc, which deployed a network of convenience ATMs across Europe, developed stored value card solutions for the workplace and provided outsourcing services to banks and retailers.

Paul has also provided consultancy services to financial institutions, payments businesses, venture capitalists, government agencies and charities throughout the region.

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