

PAYMENT CARD ACCEPTANCE
WHAT YOU AND YOUR CLIENTS SHOULD KNOW

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Chairman & CEO – Wimsett & Company

American Society for Automation in Pharmacy
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Disclosure

Tom Wimsett is chairman of Wimsett & Company. The conflict of interest was resolved by peer review of the slide content. He declares no other conflicts of interest or financial interest in any product or service mentioned in this program, including grants, employment, gifts, stock holdings, and honoraria.

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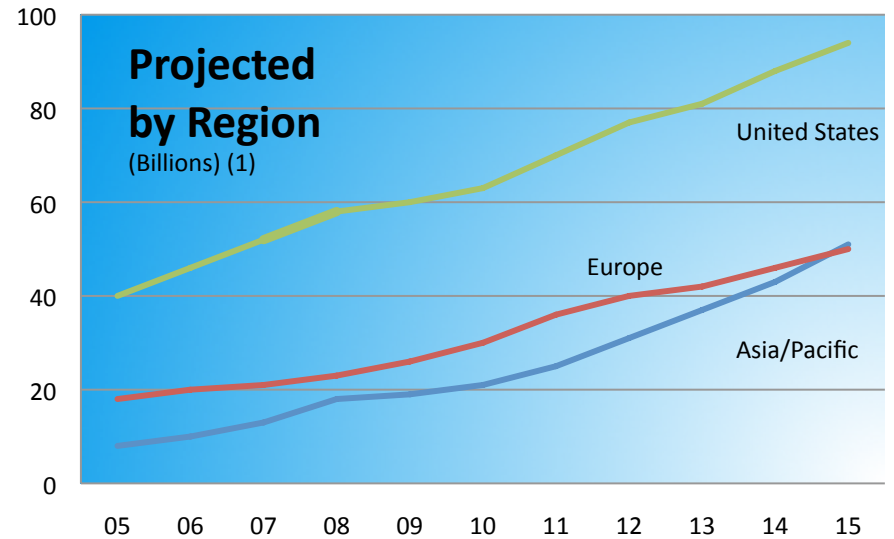
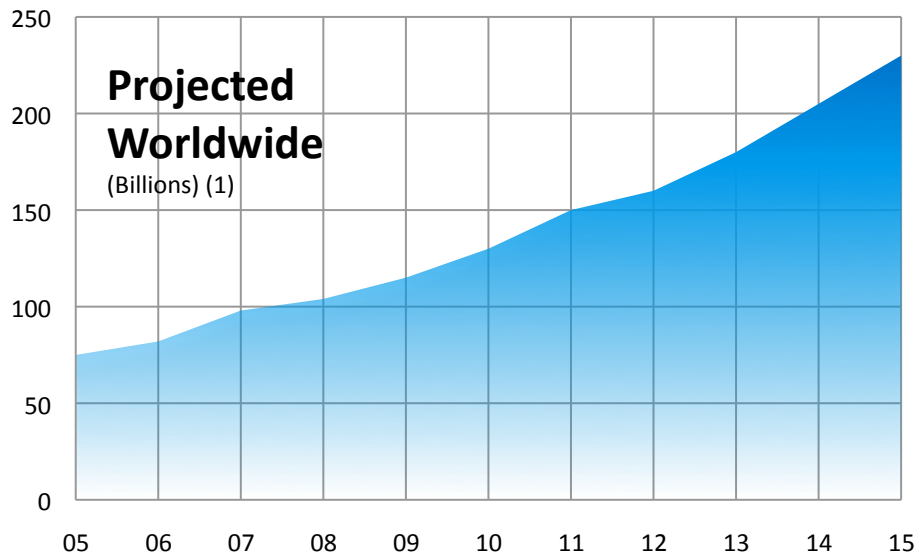
Learning Objectives

Following this presentation, attendees should be able to:

- 1 Describe the role and responsibilities of various payment industry stakeholders.
- 2 Describe payment card pricing trends and components of fees which make up the “merchant discount rate.”
- 3 Describe the latest trends in payment card acceptance and how various point of purchase devices can impact processing fees.

Payment Card Industry

A Growth Business

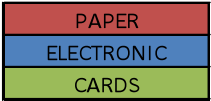
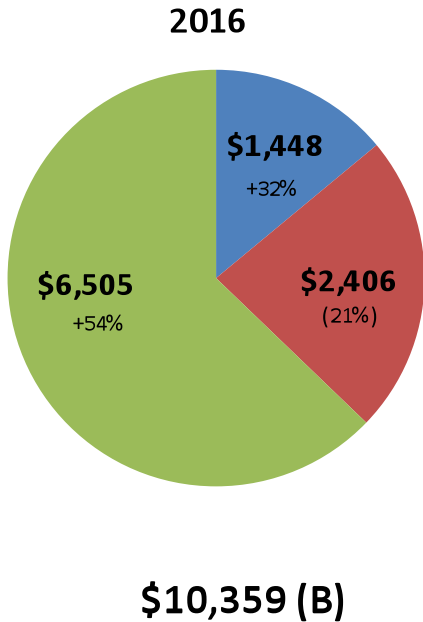
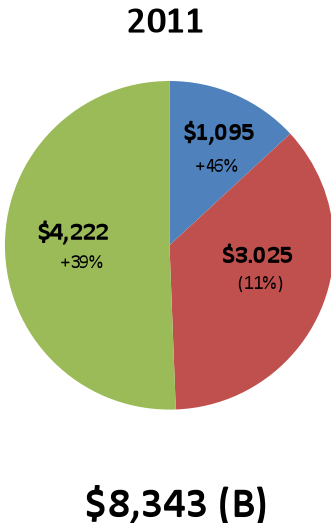
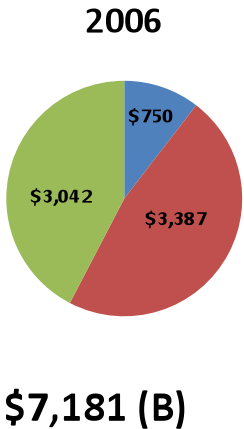


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(1) Purchase transactions
Source: Nilson Report

Large and Growing U.S. Market

Personal Consumption Expenditures

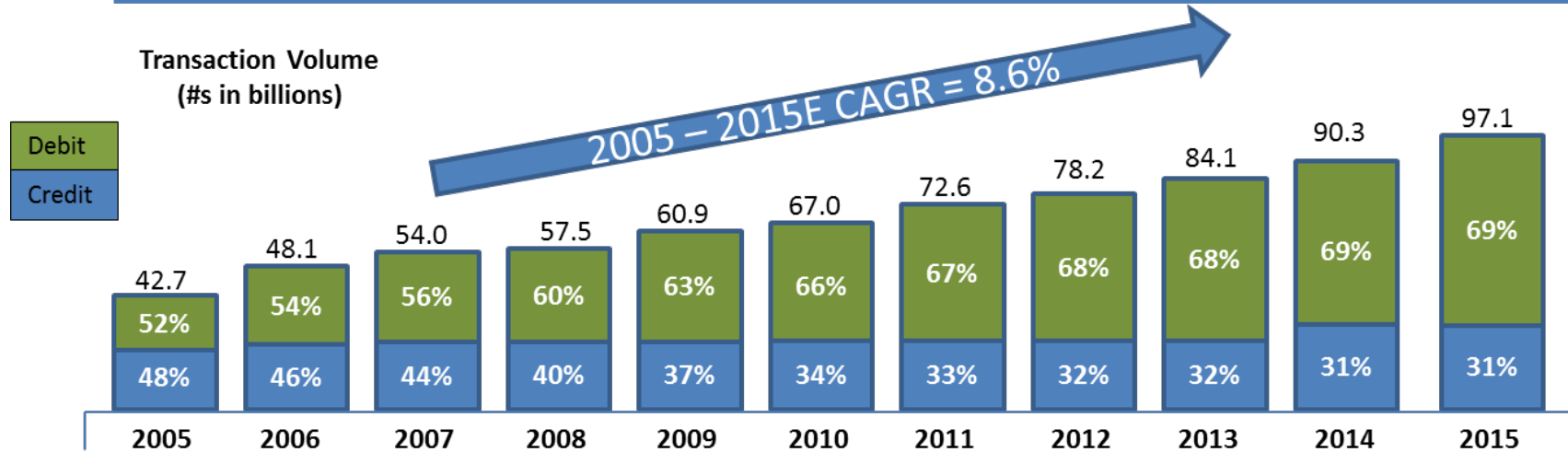


Source: Nilson Report

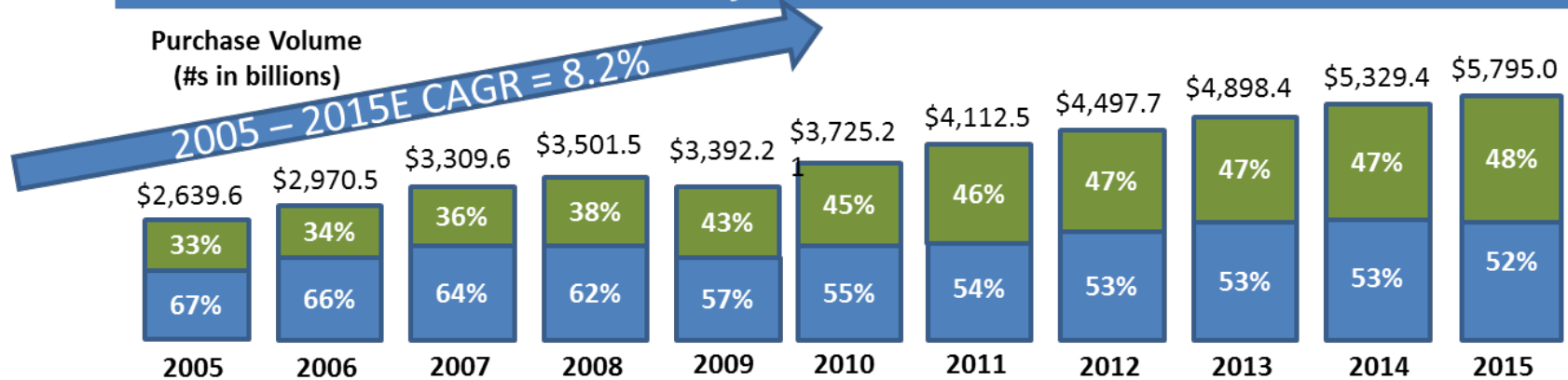
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Annual Growth and Transaction Mix

Transaction Volume has Increased through the Recent Recession



Purchase Volume Projected to Increase from 2009 levels



Source: Nilson Report Issue 1008, December 2012

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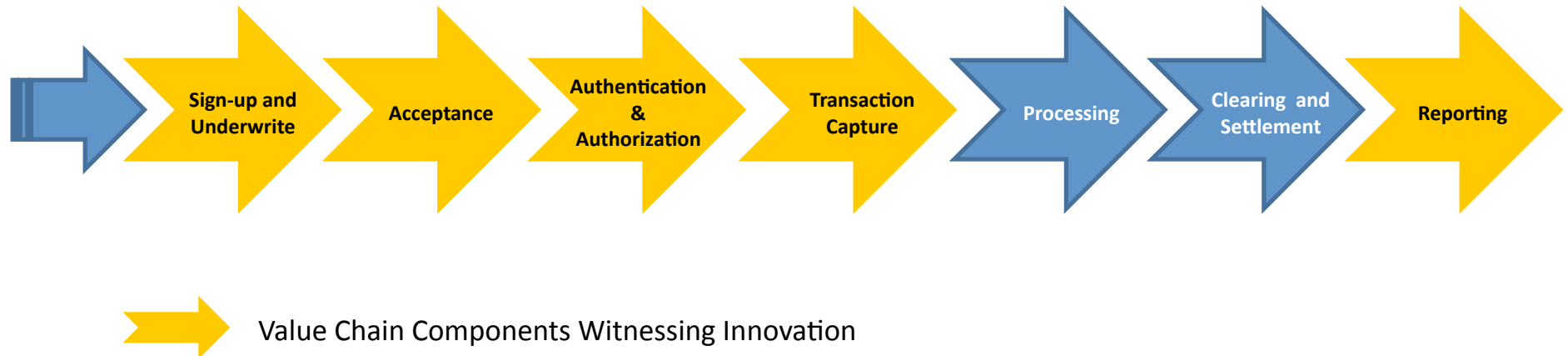
Source: Nilson Report

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POINT OF SALE ACCEPTANCE TRENDS

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Payments Acquisition Value Chain

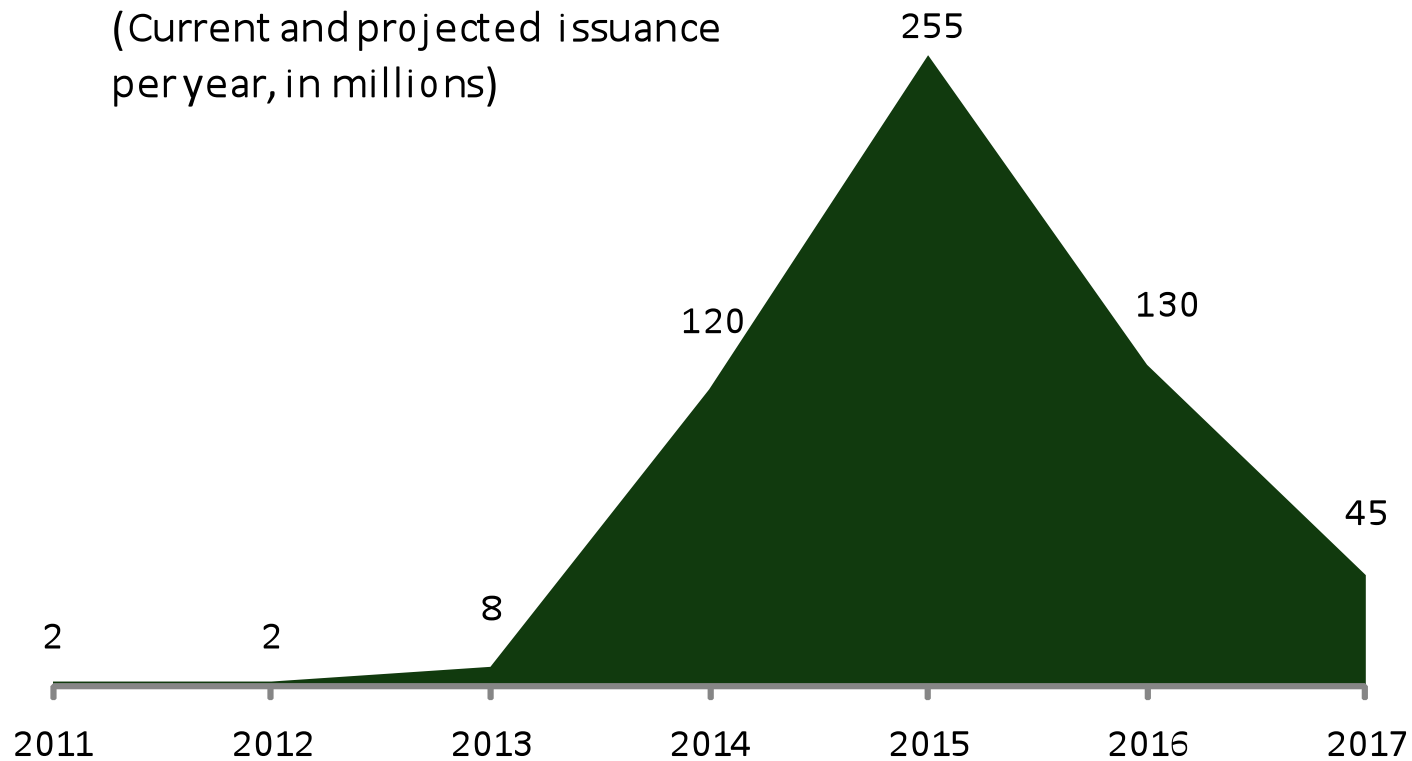


Source: World Payments Report 2013

EMV – (*Europay, MasterCard and Visa*)

- Standards for chip and PIN card acceptance
- Process flows as normal once captured
- Stronger security and authentication
- October 2015 shifting liability
- October 2017 shifting liability (Petroleum)

EMV Credit Cards in the U.S.



Source: Aite Group




NFC – (*Near Field Communication*)

- Short-range wireless RFID technology
- Authentication and credentials stored on device
- Process flows as normal once captured
- Applications for promotions and discounts
- ISIS recent national rollout

Cloud-Based Mobile

- Mobile wallet stores account data
- Once authenticated, device displays barcode or other image
- Merchant requires optical image scanner at POS
- Wallet provider serves as merchant aggregator
- Lack of standardization creates ubiquity issues

Maturity of Mobile Transactions

Component	Level of maturity	Description
Mobile payments		Using a mobile device to pay for goods and services at a merchant location
Mobile banking		Performing traditional banking activities such as balance inquiries, account transfers, deposits and bill payments
Mobile acceptance		Accepting cards via mobile device

Source: Deloitte

Mobile Payments: Things We Know

- **Fragmented eco-system**
 - Lots of players; no standards; slow adoption
- **Limited consumer adoption**
 - Less than 6% of U.S. consumers
- **50% of young and wealthy open to mobile payments**
(MasterCard 2012 Study)
- **Merchants skeptical of NFC**
 - Costs but no clear benefits
 - EMV POS deadlines loom, but mobile NFC acceptance still at merchant's discretion after EMV-enablement

Source: Jack Henry & Associates

Payments 2020: Digital & Invisible

1



Customer walks into a coffee shop

2



Customer's phone notifies the barista of the customer's entry

3



The system pulls up a picture of the customer along with his drink order

4



The customer walks out with his coffee, without needing to pull out his phone/credit card for the payment or even specifying his order

5



The customer authenticates himself on the biometric device. His bank account details are associated with his biometric identity, and he is charged for the cup of coffee.

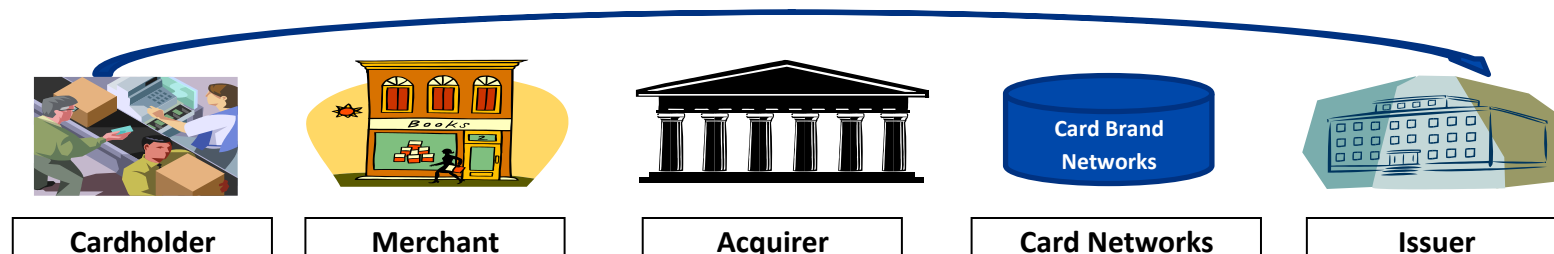
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CONTRACTING WITH MERCHANT ACQUIRERS

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Industry Stakeholders

The payments industry consists of many stakeholders. For credit and debit card transactions there are no less than five categories of stakeholders involved in each transaction.



The Acquirer is responsible for collecting and settling all monies with merchant.

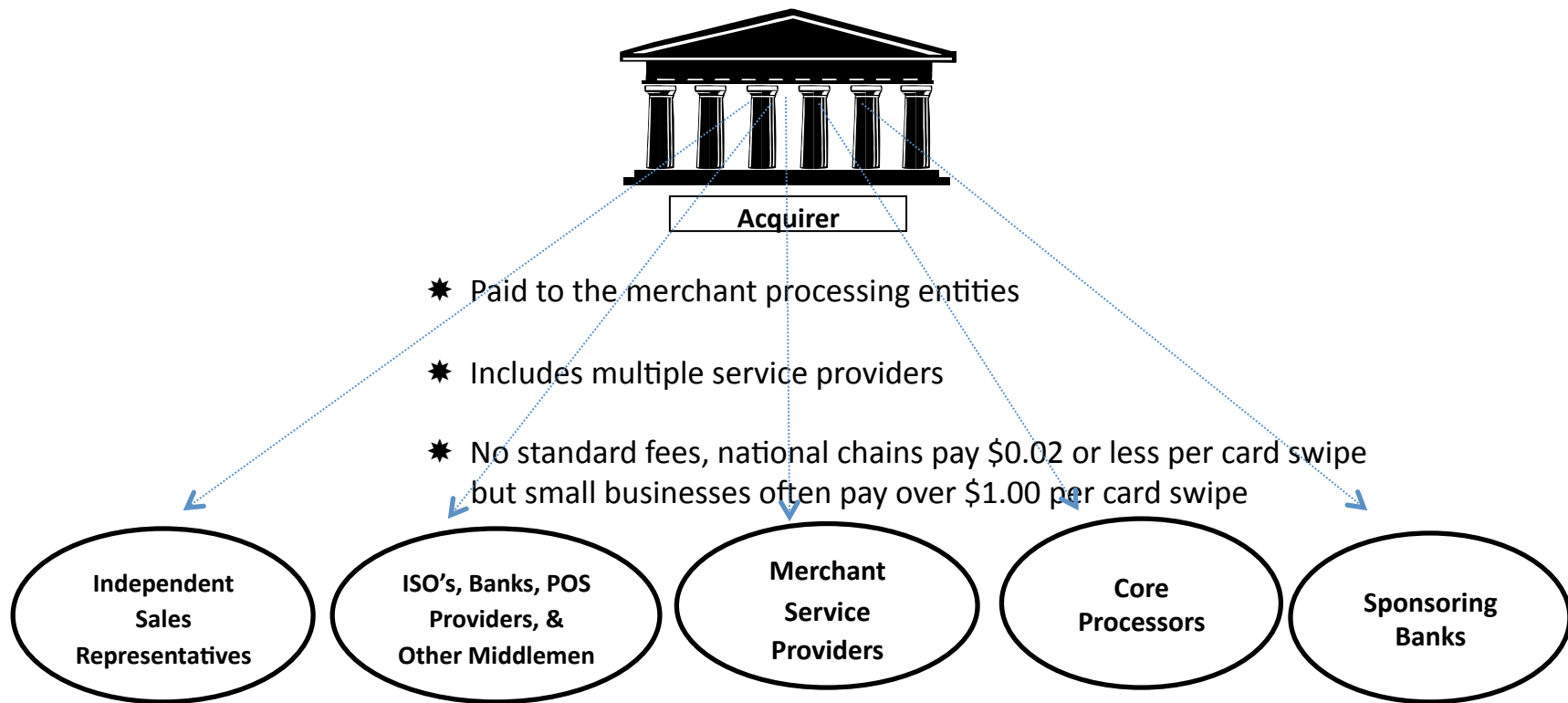
Over 8 million businesses in the U.S. accept card based payments

Card Processing Fees Paid by U.S. Merchants

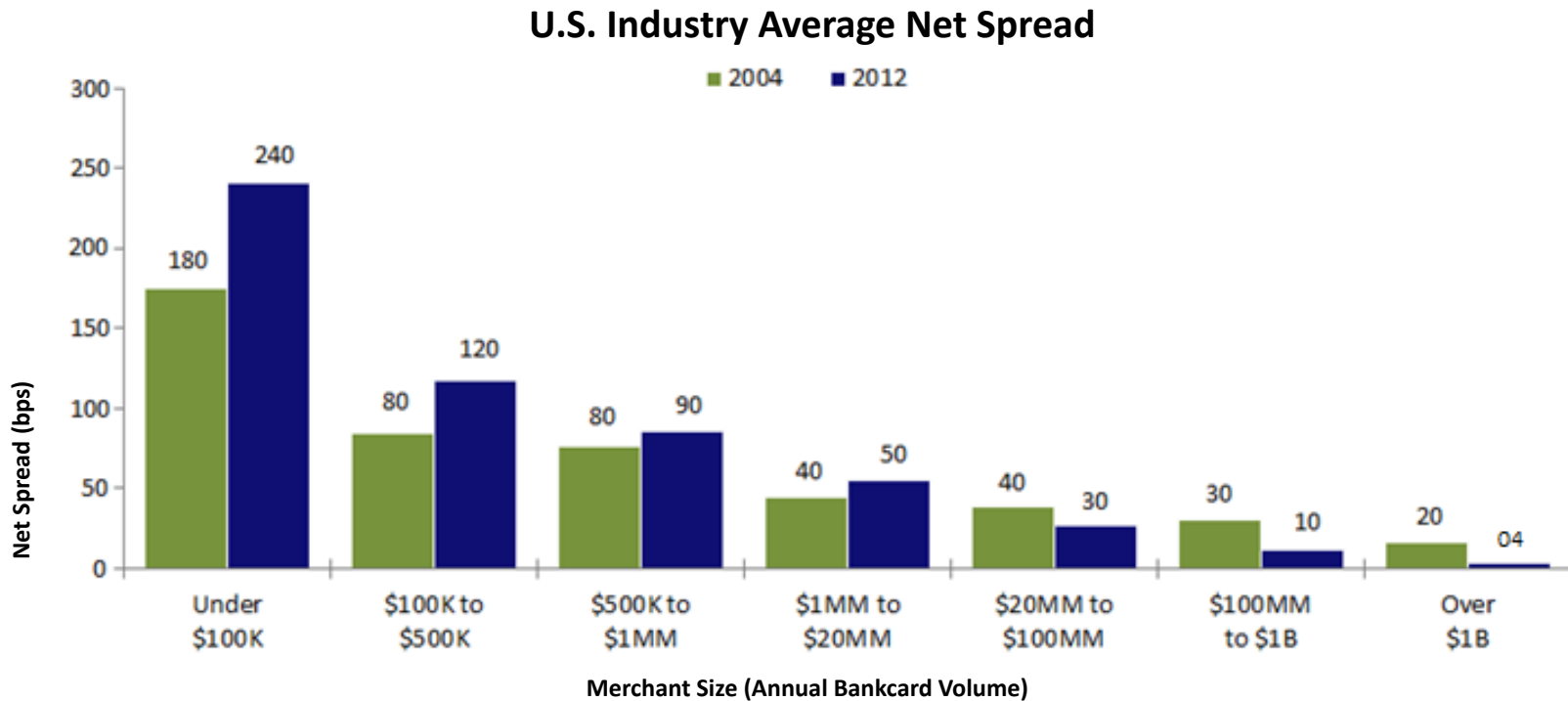
	Acceptance-Related Estimated 2011 U.S. Card Revenues		% of Total
①	Interchange to Issuers	\$51.6 B	75.5%
②	Card Networks	\$5.5 B	8.0%
③	Acquirers	\$11.3 B	16.5%
	Total Industry Revenue	\$68.3 B	100.0%

Source: Credit Card News, The Nilson Report, and First Annapolis Consulting analysis

③ Acquirer Fees



Merchant Acquiring Pricing



Source: First Annapolis Consulting

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Thank You!

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