MEMBER ACCESS PROCESSING

# Payments Report

ISSUE 48
Holiday Season 2020

**Inside this issue . . .**



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# Consumers wish for a "normal" Christmas this Holiday Season

As the pandemic has unfolded over the past year, what consumers want to purchase has also evolved. Early on, for example, companies scrambled to develop ad campaigns that were more serious and empathetic to the gravity of the situation. And when it became clearer that the pandemic would stretch on into the holidays, the question of whether or not holiday cheer would be acceptable in ad campaigns became top of mind for marketers.

Luckily, the answer to that question appears to be yes: An October survey from Morning Consult suggests that consumers are now more open to entertaining and optimistic ads, while serious ads have fallen out of favor.

Below is a breakdown of three key ways that consumers' attitudes have changed over the past few months—and what they want to see entering the holiday season.

Serious, sentimental, and empathetic ads are among the least likely to drive purchases. Despite their popularity earlier in the pandemic, serious and somber ads were the only kind to have a net negative (-8 percentage points) share of consumers who said they would make a purchase based on that type of ad during the holiday season. Other less popular ad types include ads about company values (+8), empathetic ads (+9), and sentimental ads (+10), though these had net positive shares.

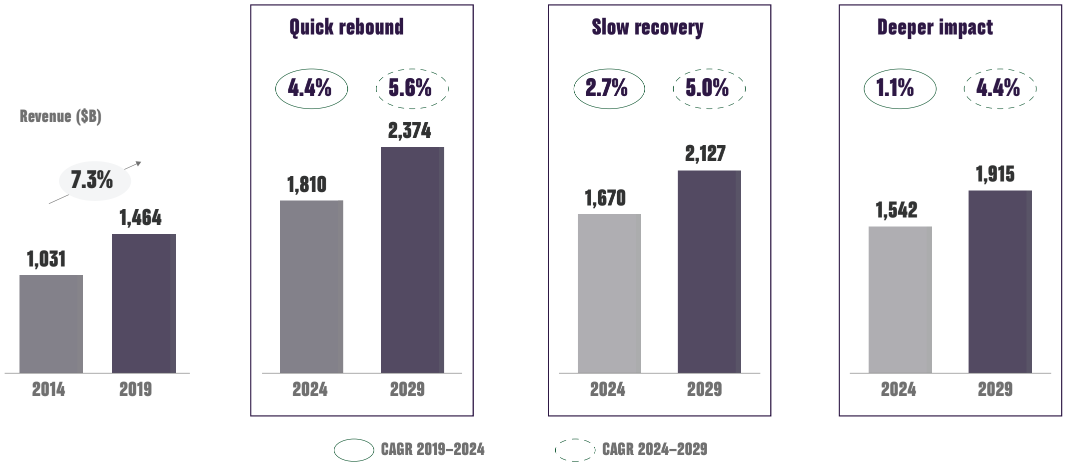
The one prevailing trend, regardless of season,

*See "Normal Christmas" on page 3*

# Three scenarios for how payments revenue will grow

Payments players are used to operating in an instant and real-time world, but few could have anticipated the crushing speed of the pandemic or its devastating toll.

With economic life still disrupted by social distancing and lock downs, most payments businesses will see revenue growth dip in the near term—although the impacts will vary according to the value proposition, portfolio composition, and market position of individual players – says the "Global Payments Report 2020" from Boston Consulting Group (BCG).




**Three Revenue Growth Scenarios from 2024 to 2029**

The payments revenue growth scenario modelling in the report suggests that from 2019 to 2024 global payments revenues will likely increase by about 1% to 4%, depending on the speed of the economic recovery. Under a quick-rebound scenario, that growth range would be roughly half the rate of the prior five years. Once the recovery is underway, however, prospects in the medium term and beyond remain buoyant.

In the short term, most players in the payments industry are likely to see payments revenue growth contract. But favorable trends such as the shift to contactless payments, the growing adoption of digital wallets, and the more widespread use of business-to-business (B2B) payments automation will lift the industry's prospects longer term.

Given the uncertainty surrounding the still unfolding pandemic and questions about subsequent waves of infection, our payments forecast includes three revenue growth scenarios based on global GDP development (see above).

Under a quick-rebound scenario, the outlook suggests that the global payments revenue pool will expand from $1.5 trillion in 2019 to $1.8 trillion in 2024, a compound annual growth rate (CAGR) of 4.4%, lifted by the continued transition away from cash, sustained strong growth in e-commerce and electronic transactions, and greater innovation.

Incumbents will need to work harder to capture this growth, however. The payments space is becoming more crowded, with an expanding array of non-traditional players jostling with banks and payments service providers to become the issuer, provider, processor, or partner of choice.

Shifts that were already happening before the pandemic will force established institutions to pick up the pace of digitization, gain economies of scale, and manage risk in new ways—all while continuing to innovate. The growth winners in the post crisis period will be those that use this time before the recovery to reset and rebalance.

Although solid, this CAGR is much lower than the 7.3% annual growth the industry enjoyed from 2014 to 2019. In a slow-recovery scenario, the global revenue pool would reach $1.7 trillion by 2024, a CAGR of 2.7%.

Under a deeper-impact scenario, the revenue pool would grow to only $1.5 trillion, a moderate CAGR of 1.1%.

The second half of the decade, however, looks considerably brighter, driven by economic expansion, advancements in payments infrastructure, e-commerce growth, and greater financial inclusion.

From 2024 to 2029, payments revenues globally should rise by 4.4% to 5.6% annually (depending on the scenario)—roughly 1.5 times faster than the growth of banking revenues overall. By 2029, the revenue pool could swell to between $1.9 trillion and $2.4 trillion, depending on the extent of the economic recovery.

These are among the findings of BCG's 18th annual analysis of payments businesses worldwide. First, the report outlines recent developments in the payments market around the world and on a regional basis. The next chapters then explore how retail and wholesale payments providers can best respond to the disruptions caused by the pandemic and fast-forward to growth. Finally, in the concluding chapter, it notes key challenges impacting the industry and five imperatives to win in the future.

## Normal Christmas

*Continued from page 1*

is that consumers want companies' ads to be helpful. In the same survey, Morning Consult also asked about ad effectiveness during the pandemic, and found similar results: The most effective ads are those that highlight how the company's products or services could improve comfort and happiness (+42), or help stop the spread of the coronavirus (+40). Similarly, when asked about holiday ads, those most likely to affect product purchases were ads that showed how a company could be helpful—this time, by providing gift ideas. A net +26 percentage points said they would be more likely to purchase from a company with ads featuring gift ideas, followed by entertaining ads and ads that focus on the "spirit of the season," both at +21 percentage points.


More US adults are now open to seeing non-socially distant imagery in ads, though social distancing imagery is still more popular. For example, imagery of people standing less than six feet apart was unpopular at the beginning of the pandemic, with a net favorability of -6 percentage points in late March. Now, in the October wave, that number is positive at +11 percentage points. That's in line with what R.J. Talyor, CEO of Pattern89 is suggesting. He believes that the AI-driven predictive marketing company has seen an increase in ad creative "where it's clear that people are with a family, or where they might be quarantining with that individual." Though still dwarfed by the popularity of socially-distanced imagery (+54), it does show that people are warming up to ad creative that evokes a sense of pre-pandemic normalcy—or alternatively, that looks ahead to a post-pandemic world—which is good news for the holidays, where ads often feature themes of familial closeness and looking forward to the new year.

Overall, marketers shouldn't shy away from a more traditional, cheerful approach to their holiday advertising. All of this suggests that consumers are tiring of pandemic-related ads and ready to begin seeing ads that are "back to normal." After all, consumers are optimistic about a return to normal in their spending habits, too—we wrote earlier this week that after months of drops in consumer spending, people are anticipating spending more this quarter and into 2021—so it makes sense that consumers are ready for marketing to reflect that.

# Industry News

**44% of Americans Plan to Apply for Store Credit Card This Holiday Season.** A lot more Americans say they're likely to apply for a store credit card this holiday season than did in either of the previous two years, according to a new report from CompareCards by LendingTree. 44% of Americans say they're at least somewhat likely to apply for a store card during the holiday shopping season. That's up from 32% in 2019 and 24% in 2018. More than half (56%) of those who have had a store card regret opening one (and, in many cases, more than one). In 2019, just 46% of consumers regretted getting a store card. 49% of those who have had a store-branded credit card currently have debt related to that card. 78% of Gen X said they were likely to apply for a store card this year. Others: parents of kids under 18 (72%), those who were laid off/furloughed due to the pandemic (64%) and men (63%).


**Cashless NFL Football Games.** Levi's Stadium, home of the San Francisco 49ers National Football League team, will transition to cashless when fans are able to return to the venue, the team announced. Card and mobile payments will be used for concessions, merchandise, and other purchases. The stadium is the first fully contactless-enabled NFL venue, the team said, and has almost 600 contactless point-of-sale terminals. This isn't the only stadium to go cashless as others include the Seattle Seahawks' CenturyLink Field, and the Atlanta Falcons' Mercedes-Benz Stadium. Fans with cash can convert their bills to plastic at kiosks on location.

**71% of US consumers have saved money due to canceled plans amid the pandemic.** Lowered spending amid the coronavirus pandemic has led personal savings to increase among some US consumers—and highlighted an opportunity for banks to drive deposits. In a recent N26 study of more than 3,000 US adults, 71% of respondents reported that they've saved money due to canceled plans, with an average of $2,102 saved. Though spending has ticked back up since May—albeit more slowly in June and July amid second wave concerns—banks should still look to encourage consumers to boost their newfound savings by promoting their savings tools and products. The rate peaked in April at 33.0%, per the

*Continued on page 7*

# COVID-19 drives transformation according to 2020 World Payments Report

The latest version of the World Payments Report confirms that payment companies are being pushed rapidly into transformation, even as they handle larger transaction volumes, face increased competition and heightened risk factors amplified by COVID-19.

Before the pandemic started, payment volumes reached new heights, which are predicted to continue but at a pace reflecting both the increased reliance on non-cash transactions and the effect of a dampened global economy.

The report predicts that a compound annual growth rate (CAGR) of 12% is expected for global non-cash transactions for 2019-2023. Global non-cash transactions surged nearly 14% from 2018-2019 to reach 708.5 billion transactions, the highest growth rate recorded in the past decade.

Asia-Pacific surpassed Europe and North America to become the 2019 non-cash transactions volume leader at 243.6 billion. The increase was driven by increasing smartphone usage, booming e-commerce, digital wallet adoption and mobile/QR-code payments innovations, led by China, India and other SE Asian markets (31.1% growth).

"COVID-19 has accelerated the rate of innovation within the payments space to quickly form the 'next normal,' requiring payments firms to be digital masters almost overnight. Now more than ever, payments providers need to deliver differentiated offerings that emphasise speed, convenience, and a superb end-to-end customer experience," comments Anirban Bose, CEO of Capgemini's Financial Services and Group Executive Board member.

Customers are migrating away from cash as affinity for digital payments grows. New players are quickly becoming more popular, with the report finding that 30% of consumers are using a BigTech for payment services, and 50% are already using a challenger bank for some payments.

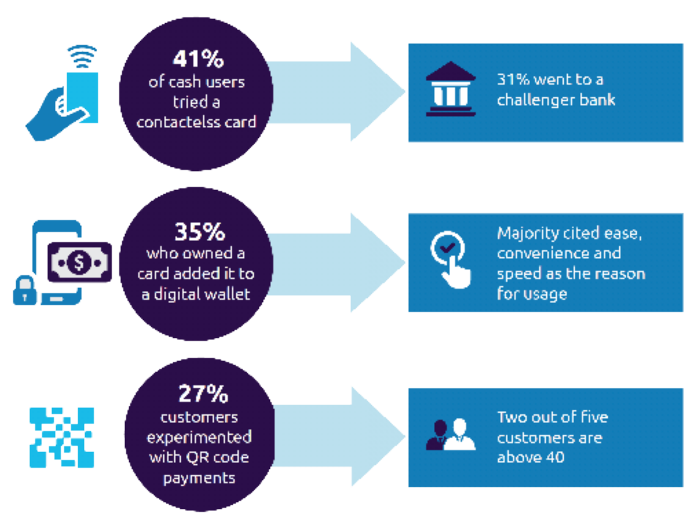
Furthermore, as of April 2020, more than 38% of consumers said they discovered a new payment provider during the lockdown. Internet banking and direct account transfers were, and still are, the preferred payment method throughout the global health crisis, according to 68% of consumer survey respondents.

Contactless (tap-to-pay) cards came in second, with 64% of saying they used them often. Digital wallets (including QR based payments) were the preferred choice of 48% of respondents.

Alternative payments could continue to boost non-cash payments space as consumers seek speed, convenience and a superior customer experience.

Digital wallet users are expected to jump from 2.3 billion in 2019 to 4 billion by 2024 – 50% of world's population. Invisible payments, or automated payment processes such as those found in Amazon Go stores and Uber are on pace to reach a 51% CAGR between 2017-2022.

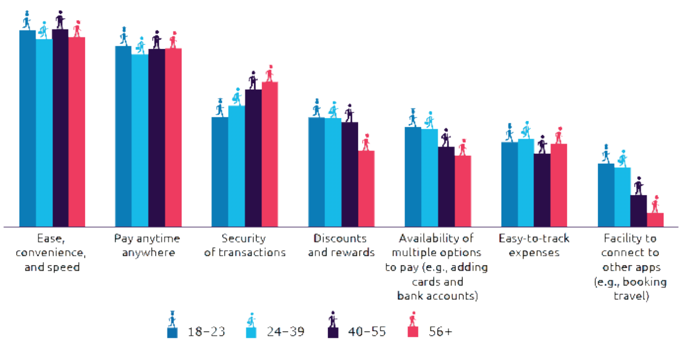
## Pandemic accelerates migration to new payment methods



As the market continues to be disrupted, and more payment options become available, payments firms must grapple with increased risk across business, regulation and operations. Payments executives say businesses are exposed to risks such as cybersecurity (42%), regulatory (37%), operational (35%), and business (30%).

87% of executives feel they face a high likelihood of cyber vulnerabilities, as criminals are exploiting exposures opened by the COVID-19 lockdown, which

## What motivates consumers to use digital wallets/QR codes.




increase the risk of cyberattacks, money laundering and terrorist financing. Payments firms are actively turning to technology to help alleviate the exposure to new risks.

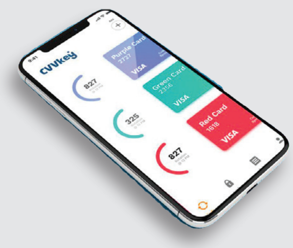
For Chief Financial Executives faced with business-to-business challenges and inefficiencies, the pandemic has required them to look to digital as the solution to address counterparty risk, connectivity solutions, payments automation and cybersecurity. CFOs now are looking for their bank and payments firms to provide enhanced API integration, risk management, and real-time payments and tracking.

While executives ranked client-visible innovation (79%) and digital transformation (75%) as the top drivers of their strategic initiatives for 2020 and beyond, payments transformation appears inevitable.

Collaboration as part of this transformation can help with pandemic-driven uncertainty as regulators focus on addressing risks, especially with non-cash payments. Banks are actively pursuing two different ways to achieve a leaner and more agile backend that can keep pace with a digital front-end, by either developing in-house capabilities or by working with digitally agile new players.

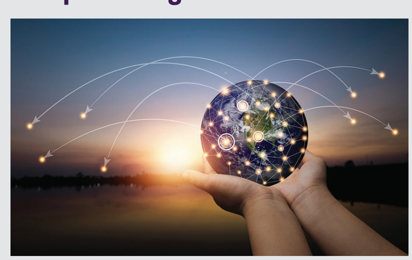
In addition to developing in-house capabilities, 60% of executives believe that working with third parties throughout the value chain will help them augment ecosystem-based propositions.

# Visa News



**Visa pilots dynamic CVV codes.** Visa has partnered with Keyno to pilot a mobile app-enabled dynamic card security system at Michigan State University Federal Credit Union. The pilot leverages Keyno's CVVkey technology that uses a dynamic card verification value 2 (CVV2) code to provide a higher level of security against fraud for online and mobile in-app card not present transactions. A CVV2 is normally a static code printed on the back of a payment card for card-not-present authentication. MSUFCU credit cardholders will be able to obtain a dynamic CVV2 code by downloading a separate white label app from Keyno. The dynamic CVV2 is automatically updated every six hours. In the past, card issuers and card manufacturers have attempted to roll out dynamic CVV2 generators built into cards or have separate tokens consumers could use. Due to high cost and impracticality, many of these solutions never caught on.

**Visa, PayPal Expand Global Real-Time Payments Partnership.** Visa and PayPal have expanded ways for sending or receiving funds through PayPal, Venmo or Xoom. The collaboration extends PayPal's Instant Transfer service which uses Visa Direct, Visa's real-time push payments platform, for real-time payments. It will also allow Visa Direct's payout services through PayPal and its Braintree, Hyperwallet and iZettle solutions. Visa said in the release that its person-to-person (P2P) payments using Visa Direct experienced a nearly 80 percent increase in transactions in the U.S. during the third quarter. Eligible PayPal customers can pay and get paid and move money quickly from their PayPal, Xoom and Venmo accounts through Visa Direct to their Visa cards.



**Visa Harnesses Real-Time Deep Learning to Enhance Stand-in Processing.** Visa announced Visa Smarter Stand-in Processing (Smarter STIP), a new capability that uses real-time artificial intelligence (AI) to help financial institutions manage transaction authorizations when service disruptions occur. Using deep learning to analyze past transactions, Smarter STIP generates informed decisions to approve or decline transactions on behalf of issuers in the event that their systems go offline. Visa's new Smarter STIP service builds on Visa's existing STIP capability by using deep learning to analyze

*Continued on page 9*

# Christmas Reimagined: Tale to Two Holiday Seasons

The upcoming holiday retail season will be marked by unparalleled uncertainty. Taking this into account, Deloitte's retail and distribution team sees holiday sales playing out in one of two possible scenarios this season, a relatively stable year-over-year sales increase (0% to 1%) or a more significant jump (2.5% to 3.5%), both of which are lower than in years past, and will be driven by a K-shaped recovery. The formal forecast increase (between 1% and 1.5%) is a result of melding both scenarios.

"This year, one of two holiday scenarios will play out. Regardless of the scenario, however, the consumer's focus on health, financial concerns and safety will result in a shift in the way they spend their holiday budget," said Rod Sides, vice chairman, Deloitte LLP and U.S. retail and distribution sector leader. "For retailers, this holiday season will continue to push the boundaries on the importance of online, convenience, the role of the store, and the criticalness of safe and speedy fulfillment."

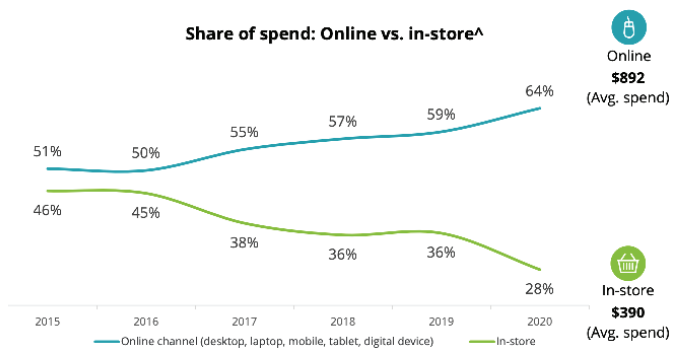
## 38% plan to spend less this holiday season


For the first scenario (0% to 1% year-over-year sales growth) to be true, consumers will continue to experience mounting anxieties, related to both their finances and health. This lack of confidence could be caused by a variety of factors, including the expiration of the unemployment insurance benefit supplement, continued school closures and lack of an effective vaccine; as well as an increase in unemployment numbers. This would reinforce the current trends of very high savings: The current savings rate is more than double what it was last year (17.8% in July, versus 7.4% in 2019). In this scenario, consumers are less likely to spend on holiday as they are reserving funds for non-discretionary items.

On the other hand, for scenario two (2.5% to 3.5% year-over-year sales growth) to occur, consumers will experience steadily increasing confidence. This growing confidence could be a result of several factors, including an effective federal pandemic relief bill with an unemployment insurance benefit supplement, and the creation of an effective vaccine. In addition, as consumers have dramatically cut costs related to travel and experiences, these funds might be redirected to spending on holiday gifts.

Holiday retail sales are likely to increase between 1% and 1.5%, according to Deloitte's annual holiday retail forecast. Overall, Deloitte's retail and distribution team projects that holiday spending will result in sales between $1,147 billion and $1,152 billion during the November-January timeframe.

## Online vs. In-store gap has accelerated




Deloitte also forecasts that e-commerce sales will grow by 25% to 35%, year-over-year, during the 2020-2021 holiday season, compared to sales increasing by 14.7% in 2019. E-commerce holiday sales are expected to generate between $182 billion and $196 billion this season.

"The lower projected holiday growth this season is not surprising given the state of the economy. While high unemployment and economic anxiety will weigh on overall retail sales this holiday season, reduced spending on pandemic-sensitive services such as restaurants and travel may help bolster retail holiday sales somewhat," said Daniel Bachman, Deloitte's U.S. economic forecaster. "E-commerce is likely to be a big winner because consumers have shown a clear movement towards buying online rather than at brick and mortar stores."

# What is a Polymorphic Card?


Lanistar has revealed its world-first polymorphic payment card, known as the Volt card, and begun to accept user registrations and app downloads ahead of its product launch in January 2021.

Lanistar's signature Volt card is the first in the world to include its own keypad and display. This allows the user to generate a one-time PIN and CVV2 code. Thanks to its polymorphic technology, the card also allows users to add up to eight bank cards to their Lanister cards and exchange them using the keypad. The card also limits the personal information of the card itself to protect the user.

Lanistar cards can be used wherever Mastercard is accepted around the world and can be paid and converted in multiple currencies such as Euro, Danish Krone, Bulgarian Lev, Norwegian Krone, Polish Zwoti and Hungarian Forinto. Within the app, users monitor activity on all payment methods, including Lanista, change payment cards used up to 7 days after a payment is made, set financial goals, and round up and split payment.

The news comes after a major year of growth for Lanistar. The company is now backed by more than 3,000 influencers and has more than 400 staff across its offices in London (HQ), Skopje, Macedonia and Athens. Its Athens office opened in October 2020 and will act as the company's compliance hub, while its Skopje office is a 150-strong, multilingual customer support team dedicated to making everything hassle-free.

Targeted at the Generation Z and millennial markets, the company is revolutionizing how people use money by bringing polymorphic technology into the financial sector, allowing users to streamline their money with more security than any other banking service in the world.

The company, founded by Gurhan Kiziloz in 2019, aims to become the first fintech company to reach a one-billion-pound valuation within a year of launch, having already received more than £15 million in private funding so far.

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# Industry News

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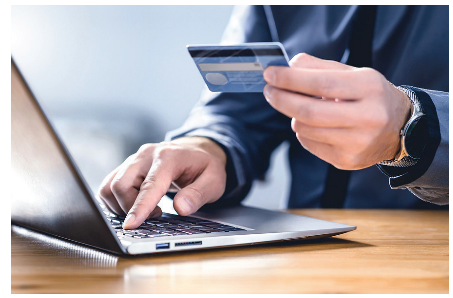
Bureau of Economic Analysis, spurred on by the disbursal of federal stimulus checks and pandemic uncertainty.

**91% of US consumers are now banking in digital channels.** As the coronavirus crisis wears on, adoption of digital banking has become almost ubiquitous among US adults. A massive 91% of respondents said they carried out some form of online banking activity within the last 30 days, according to a survey from DepositAccounts fielded between July 24 and 26, 2020. Mobile banking specifically is also enjoying an uptick in usage, though consumers note there are additional features they want. Just over 4 in 10 consumers said they are using their bank's mobile app more than they did before the pandemic, and 37% of respondents said they are using their bank's mobile app more than once a week. And while almost half (48%) say they are satisfied with all the features their bank's app makes available, other respondents noted a list of new features that would boost their customer experience.



**Gift Card Sales Boom.** With a looming holiday shopping season inflected by uncertainties surrounding the effects of the Covid-19 pandemic, payments firms are trying to work out how consumers may change spending habits this year. A study released Thursday indicates processors expect a healthy jump in e-commerce volume, including a surge for gift cards. Consumers intend to buy 10 gift cards on average during the holiday season, twice the average number in 2019, devoting 40%, or $313 on average, of their gifting budget to the products, up 19%, according to a survey conducted the last week of August for Blackhawk Networks Inc., a Pleasanton, Calif.-based prepaid card processor. The study included 1,500 respondents. "Our research shows consumers will look to give gift cards more than ever before this season," says Theresa McEndree, vice president of marketing at Blackhawk.

**Debit Card is now Top of Wallet.** Review of Mastercard and Visa debit and credit data for the U.S., that finds purchase volumes in total were down

*Continued on page 10*

# Ecommerce holiday sales growth to double in 2020

The upcoming holiday shopping season may help accelerate retail's pandemic recovery, while also enabling payments providers to cash in on lucrative holiday spending. The coronavirus pandemic has hit retailers hard: Temporary store closures, stay-at-home mandates, pandemic-driven unemployment, and sinking consumer spending brought retail spending down 3.4% YoY in Q2 2020. And though the sector began to revive during the summer in response to easing restrictions and US stimulus payments, with sales rebounding to 5.4% YoY growth in September, recovery is still slow-going, especially for in-store retail. However, throughout the pandemic, ecommerce has received a huge boost, as customers at home turned to online shopping for their purchases across categories—benefiting digital payments firms like Stripe. And consumers may lean more heavily toward online shopping in the months to come as another wave of coronavirus cases descends on the US, forcing retailers to look to online shopping as a way to recover lost sales and bring in revenues, especially ahead of the critical holiday shopping season. This may also enable substantial volume growth for the payments providers that serve these retailers.

Ecommerce holiday sales growth is projected to more than double this year—here's what that surge will mean for retailers and payment providers that work with them.  2020 US holiday spending—defined as November and December sales—is set to hit $1.013 trillion, up just marginally over 2019. Here's how we expect it to shape up across channels:

Nonecommerce sales will still dominate total holiday retail—but growth will slow compared with the past. US nonecommerce holiday sales in 2020 are set to reach $822.79 billion, comprising 81.2% of total holiday sales, per eMarketer estimates. That's down nearly five percentage points compared with last year, reflecting the overall shift away from in-person retail during the pandemic. But the still-high share indicates that many consumers are set to do at least some of their holiday shopping in-store, especially as overall consumer confidence ticks up. Enhanced in-store shopping features, like Target's virtual line check-in and Walmart's new store layout, could draw in shoppers and help explain why nonecommerce sales will continue holding such a large share.

But ecommerce sales growth will carry into the holiday season as online shopping becomes a much larger player in the retail space. US holiday retail ecommerce sales are expected to reach $190.47 billion, encompassing 18.8% of this year's retail holiday sales and nearly a quarter of total retail ecommerce sales for 2020, per eMarketer. For context, this figure represents a massive acceleration: The 36% annual growth rate is more than double that of last year. This boost could reflect that habits set earlier in

the pandemic are sticking, especially as health agencies encourage online shopping and consumers are listening to what experts are say - 65% of online shoppers prefer it this year to avoid crowds, per Deloitte. Further, early and aggressive online holiday shopping events from retailers like Amazon and Target, as well as hybrid deals from Walmart, could be fueling the push as well.

If this year's ecommerce-heavy shopping season is successful, retailers could see accelerated pandemic recovery and increased online shopping in future seasons. But success will be determined by two key considerations:

Retailers will need to remove friction at checkout by implementing seamless payment processes. Payments solutions such as buy buttons, like Click to Pay or PayPal's offering, could help combat checkout friction by removing the time and effort needed to complete an online transaction, ultimately boosting conversions during the season. Further, buy now, pay later (BNPL) solutions like Afterpay and Klarna—which offer a less risky alternative to credit cards—could help encourage spending among cash-strapped consumers looking for flexibility during the pandemic.

Fast delivery and enhanced pickup options may be a determining factor for consumers shopping online this year. To ensure customer satisfaction and increase sales, sellers must ensure their logistics systems can handle the demand to avoid pitfalls, which firms are doing by expanding their distribu-

# COVID-19 driving an acceleration in adoption of identity verification


A new research from Trulioo has found that 72% of online marketplaces have increased their adoption of ID verification technology as a direct consequence of COVID-19.

According to the press release, this sudden speed in identity verification adoption is a clear reflection of the urgency to protect the increased numbers of consumers who have been forced to use digital services for the first time as a result of lockdown restrictions.

The research shows that online marketplaces have had to execute rapid digital transformation programmes in order to serve customers and maintain operations during the pandemic. This led to a significant need for identity verification, far ahead of the next nearest drivers, regulatory pressure and compliance requirements (57%) and evolving fraud and security risks (51%).

Moreover, according to the Trulioo findings, other drivers for adopting ID verification across both the online marketplace and financial services industries include current methods not meeting their evolving needs, and pressure to innovate to address increasingly tighter regulatory requirements. Besides, the importance of ID verification to online marketplaces, in terms of building trust among customers during the account creation process, was also highlighted in another research conducted by Trulioo in 2020.

Furthermore, the vast majority of consumers in the UK and the US (90%) felt that security is very important in a great account opening experience when signing up to an online marketplace, while 89% stated that online marketplaces have a responsibility to reduce cyber-crime through whatever identity verification is necessary. Additionally, almost three quarters (74%) of people reported that the account opening process can 'make or break' their future relationship with an online marketplace brand.

# Visa News

*Continued from page 5*

past transactions down to the cardholder level. Thus the transaction decision that Smarter STIP provides is based on unique insights derived from the cardholder's past purchasing behavior, rather than solely on static rules applied across an entire card portfolio.

**Visa Rolls Out Tap-to-Phone Contactless Technology.** Visa announced that it is officially rolling out its Tap to Phone contactless payment app in 15 markets, with plans to expand to the U.S. and other markets. Tap to Phone provides point-of-sale terminals without any additional hardware. Sellers download the Tap to Phone app on their Android smartphones or tablets, and they can start accepting contactless payments from buyers who just tap their Visa cards to the merchants' phone. Transactions are protected through EMV chip-based security. This follows a successful pilot program that was launched earlier this year with Samsung. The plan is to roll it out in the U.S. in 2021.

**Justice Department Launches Challenge To Visa's Planned Nuptials With Plaid.** The U.S. Justice Department today filed a lawsuit to block Visa' planned acquisition of Plaid, the financial technology firm, citing antitrust concerns. The companies announced a $5.3 billion agreement in January. The suit, filed in federal court in Northern California, alleges that Visa has a monopoly on the online debit services market and that the purchase of Plaid is an attempt to protect its market stronghold. "Visa seeks to buy Plaid as an 'insurance policy' to neutralize a 'threat to our important US debit business,'" the complaint says. For it's part, Visa "strongly disagrees," with the government's contentions, according to a press release: "The combination of Visa and Plaid will deliver substantial benefits for consumers seeking access to a broader range of financial-related services, and Visa intends to defend the transaction vigorously."

**Visa partners with NFL for a cashless Super Bowl.** Visa will work with the NFL to create a digital, cashless Super Bowl experience that will apply to everything from parking to concessions and mobile ordering. Fans who only have cash can access ATMs that accept cash in exchange for Visa prepaid cards of up to $500, which can also be used outside the stadium. This partnership comes after payment technologies company InComm Payments launched a similar cashless payments solution for the Jacksonville Jaguars' home stadium, allowing fans to exchange cash for a prepaid Visa or Mastercard that's branded with the team's logo.

# Industry News

*Continued from page 7*

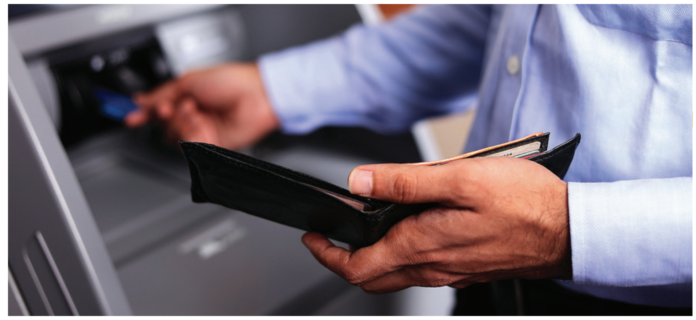
7% in Q2 2020 over Q2 2019. The decline was attributable solely to the 21.2% decline in credit purchase volume, compared with debit's 8.6% increase.

**Third-party sellers set new sales record on Prime Day.** Independent merchants racked up over $3.5 billion on Amazon during the two-day sales event, growing almost 60% from Prime Day 2019, per a press release. Prime Day also seems to have driven ample first-party sales for Amazon: The Echo Dot was the most popular product purchased globally and the online retailer sold millions of Alexa-compatible devices. But bringing in sales for third-party sellers, specifically small businesses, was clearly a focus for the firm this year since it invested $100 million to help small businesses for Prime Day and ran a promotion that gave consumers a credit if they bought from smaller sellers.


**FICO Scores Highest Since 2005.** Consumer credit scores have improved in recent months to the point of hitting a new record high, according to the Wall Street Journal. The widely-used FICO credit score can range from 300 to 850. The average U.S. score in July, according to the Journal, was 711 — up from 708 in April 2020 and 706 in July 2019. WSJ states: "Early estimates suggest the average score has held steady through mid-October at the July level, which is the highest since FICO began keeping track in 2005." Experts have attributed the improvement in family finances across the country to factors including federal stimulus payments through Aug. 31 and policies that gave borrowers significant leeway as to when to make payments on automobile loans, mortgages and student loans.


**Teen Spending plummets to a 20-Year Low.** CNBC reported teen expenditure dropped to its lowest level in 20 years, about $2,150 per year, according to Piper Jaffray's "Taking Stock with Teens" report. That's a 9 percent year-over-year decline. Annual spending by teens peaked in 2006 at $3,023, the survey said. One of the things teens are not buying this year is apparel as spending averaged $507 per teen per year, a dip of 11 percent from last. . Teen spending has been on the decline long before the coronavirus brought the economy to a virtual halt.

# How COVID-19 will transform the ATM



Even before the coronavirus pandemic, credit unions were working to align digital and physical touchpoints with the desires of their members. But in our new reality of both economic calamity and limited interpersonal contact, banks are facing a real-time, wholesale shift in distribution channels. The stakes of getting these accelerated changes right is more necessary and challenging than ever.

Members have no doubt embraced digital banking more during the pandemic, but they still use ATMs to get cash. Even Millennials, with their digital-first reputation, have a strong affinity for cash. Cash is still used and preferred in many situations, such as making small purchases, repaying informal debts and conducting transactions at businesses that only accept cash. To adapt to the changing behaviors of consumers while still providing ATM access, credit unions have three broad channel distribution strategies at their disposal – these strategies have been brought into sharper focus because of COVID-19.

First, the branch and in-house ATM network as a traditional approach has involved a lot of actual building a strategy that now includes a great many digital building blocks. The portion of consumers indicating that the branch is their primary driver of convenience dropped from 30 percent in 2014 to 19 percent in 2018, according to Novantas Research. Rising in importance were digital banking and free-to-use ATM networks. Second, a sole focus on digital banking, with little if any physical presence, ensures rapid scalability and often lower capital costs. It also puts the focus on the digital experience coupled with marketing, and often offers more attractive rates.

Finally, tapping into an existing plug-and-play ATM infrastructure. To counter the high operational and financial costs of an owned ATM and branch network, banks can leverage the networks of third-party independent ATM deployers (IAD) as part of a physical presence strategy offering multiple options independently or in partnership.

COVID-19 has accelerated branch transformation. Banks can't give up on physical presence, but they also need a way to manage that presence cost-effectively. Using established third-party ATM networks can be an alternative to consider for broad access while freeing capital and strategic mindshare to focus on today's COVID-19 crisis and tomorrow's digital transformation needs.

# Letter from the CEO

In 2020, the global pandemic has made it even more important to be able to quickly respond to the changing market requirements on various levels. Credit unions need to offer members the most relevant payment methods, have a robust anti-fraud environment, and provide a seamless payment experience for their member across online and in-store shopping environments.

**Cyndie Martini**
**President/CEO**

Payments have become increasingly digital for years now, and the pandemic has acutely accelerated this trend. In July 2020, YouGov found that 63% of their survey respondents have used more electronic payments as a result of COVID-19. 63% of respondents used more card payments in general, and 80% used more contactless card payments. Mobile payments are also on the rise - 24% of respondents indicated that they used mobile wallets, such as PayPal and Apple Pay.

Not only are members using digital payments in-store, they are also increasingly moving to ecommerce for their shopping. In 2019, there was a 15% increase in ecommerce payments compared to 2018, and COVID-19 is further driving people to buy more online, as 21% of the YouGov survey's respondents did more groceries online as a result of the pandemic.

Alongside more online shopping, members have adopted other shopping methods as well. According to the National Retail Federation, 50% of consumers have tried Buy Online, Pickup In Store (BOPIS) as a result of the pandemic, and 90% prefer to have the option of curb side delivery.

The increase of online shopping goes hand-in-hand with an increase in alternative payment methods, as we see significant increases in the use of methods like PayPal, Klarna, 'buy now, pay later', and bill pay transfers to pay online. Offering the right payment methods is key to increasing transaction volume as well as member satisfaction and engagement.

During a time where the shopping and payment landscape is changing faster than ever, it is key for credit unions to focus on sound portfolio management. By offering the right payment methods, providing reliable authentication and anti-fraud services, and making the member's payment experience as seamless as possible, your credit union can both increase revenue through higher transaction volume as well as member engagement.

At MAP, we offer solutions that can help you grow both your institution's revenue and member satisfaction. We are making smart investments in solutions that respond to member expectations. Through education and advocacy, we are helping our clients embrace the future of payments for their institutions. For more information about how MAP can best serve you and your institution, feel free to call me, 1-866-598-0698, ext 1610 or email me at cyndie.martini@maprocessing.com.

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