



Strategies For Success

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ELECTRONIC AND OTHER PAYMENT ALTERNATIVES

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SECURE VAULT PAYMENTS: A TURNING POINT FOR ECOMMERCE AND ALTERNATIVE

PAYMENTS By Jeff Lewis

What if the next generation of alternative payment solutions could operate on existing financial institution platforms? What if ACH included a real-time authorization? How about consumers gaining an online payment option that doesn't ask them to share personal account information? Perhaps this new system of Internet payments could build consumer confidence in eCommerce and subsequently create NEW revenue opportunities for financial institutions.

Going one step further, suppose this alternative payment option didn't cannibalize existing transaction volumes or revenue streams, but instead delivered all-new payments? What if merchants, financial institutions and consumers all had compelling reasons to embrace this new payment option? If all this were true, what would it mean?

No need for the "what ifs." When NACHA — the electronic payments association — launched Secure Vault Payments (SVP) earlier this year, it all became reality. Consumers secured a

new way to pay, financial institutions received access to a new revenue stream, merchants gained a lower-cost option for accepting payments online and, most importantly, eCommerce and alternative payments reached a turning point.

Secure Vault Payments, using existing ACH payment infrastructure, goes well beyond offering consumers a new way to pay. SVP allows consumers to conduct eCommerce and bill payment transactions without sharing personal or account information online. Instead of asking consumers to share personal data with yet another third-party to make a purchase online, SVP extends financial institution-grade authentication data security to eCommerce by enabling consumers to authorize purchases at their trusted financial institution's website. The potential result: bringing new, security-conscious consumers into the realm of online payments and creating new revenue opportunities for financial institutions.

How It Works

At a participating merchant's website, a consumer selects "Secure Vault Payments" as their payment option. Instead of entering card or account data at the merchant site, the consumer is redirected to the SVP log-in page for his/her bank or credit union. At this juncture, the consumer enters existing online banking credentials to complete the transaction, which prompts the financial institution to approve the transaction and securely send real-time authorization back to the online merchant. Finally, the consumer arrives back at the merchant website to receive purchase confirmation.

The concern has been raised that SVP could cannibalize card-based transactions online, and reduce card-based interchange revenues for financial institutions. However, industry data suggests nearly half of all consumers have anxiety about data theft, causing many to avoid shopping online all together. This consumer segment has no

interest in revealing personal account data with scores of merchants. Yet, many of these same consumers don't avoid the online channel. Many embrace online banking, with the bank or credit union historically being a trusted guardian of financial data.

With SVP, eCommerce and the trusted protectors of financial data unite. As a result, Secure Vault Payments has the potential to bring net-new consumers to online shopping – increasing their comfort with eCommerce, leading to new online transactions and the possibility of a new revenue stream for authenticating banks and credit unions.

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Why Secure Vault Payments Can Succeed

Any new payment mechanism such as SVP needs to provide value to three key constituencies in order to succeed: consumers, merchants and financial institutions. Exactly what does Secure Vault Payments deliver to each group?

For consumers, SVP provides safety and security by leveraging existing eBanking user authentication credentials. Instead of sharing their name and a credit/debit card account number, consumers are essentially logging into online banking at their financial institution's website.

Merchants receive access to lower-cost online transactions delivered via ACH, and SVP can also provide relief to merchants struggling with the Payment Card Industry Data Security Standard (PCI DSS), which mandates rules for data protection. Besides the lower cost of Secure Vault Payments transactions versus the interchange fees attached to a card transaction, merchants should note these are new transactions

from consumers previously avoiding eCommerce. As for benefits around PCI DSS regulations, because Secure Vault Payments has consumers approving a transaction at their financial institution Web site, the merchant does not handle consumer card information for SVP transactions. In other words, SVP transactions are not subject to PCI DSS compliance responsibilities.

Financial institutions can realize a new revenue stream. Secure Vault Payments isn't about cannibalizing existing card transactions initiated online. Instead, SVP will be the pull for Internet-savvy consumers – consumers who trust their financial institution and online banking – to finally embrace eCommerce.

Secure Vault Payments is an attractive solution, because it features a relative low cost of integration and targets a definable consumer base: people not currently engaging in eCommerce. Key to the success of any new payments technology,

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concerns of this definable consumer segment around sharing personal account information.



While launching a new payment mechanism could be challenging for all but the largest banks and credit

unions from a product build-out perspective, this need not be the case with SVP. Through Metavante Corporation, the first processor and merchant acquirer to go live with Secure Vault Payments, financial institutions have a cost-efficient entry point into the new Internet payments system. Working with NACHA from the outset of SVP planning, Metavante created the settlement routine to remove development burden from financial institutions.

Metavante authorizes, processes and routes Secure Vault Payments transactions, supporting the transaction life cycle between consumers' financial institution online banking providers and merchants' financial institutions. The result: banks and credit unions can implement SVP option in a cost-effective and timely deployment. In an effort to facilitate rapid growth of SVP, Meta-

vante delivers its Secure Vault Payments solution in an "open market" format, allowing all banks and credit unions, including those without existing Metavante relationships, to quickly roll out this service.

Merchants must be sponsored into Secure Vault Payments and a consumer's financial institution must participate as a transaction authorizer in order for consumers to use the service.

Earlier this year, the first live transactions crossed



SVP by virtue of consumer purchases at igitourmet.com. Columbus Bank and Trust Company, a Synovus bank, served as both the sponsoring and authorizing bank. In all SVP transactions, the bank or credit union sponsoring a merchant into the program pays interchange fees to the authenticating financial institution, which manages the online banking program used to verify the consumer's identity.

What's Next for SVP?

As Secure Vault Payments continues to grow in its current incarnation, addressing consumer security concerns while delivering value-added transactions to financial institutions and merchants, it also offers expansion

possibilities in payments. Perhaps the next frontier of SVP will be online bill pay — specifically biller-direct bill pay. If the real-time ACH authorization nature of SVP can be applied, Secure Vault Payments can be used to drive consumers in greater numbers to financial institution-hosted bill pay applications. Even as consumers visit biller websites to pay bills, the SVP process will lead them right back to their bank or credit union website. Even merchants win in this scenario, as they receive payment via ACH, with reduced chance of fraud, because the consumer and transaction are authenticated by the bank or credit union using secure eBanking credentials. Effectively, this burden is lifted from merchants.

Perhaps Secure Vault Payments will be a key to unlock mobile commerce. Most mobile devices and smartphones feature Web browsing functionality, but few consumers relish the idea of entering personal account data and payment information into a mobile web browser for broadcast over wireless carrier networks. As devices such as Apple's iPhone provide richer mobile browsing experiences and eCommerce is in the palm of consumers' hands, SVP may bring the safety, security and conven-

ience consumers will demand before engaging in mCommerce. Mobile phones are the one device people have on them at virtually all times and SVP suddenly provides a compelling consumer comfort level by negating the former need to type sensitive account data into a mobile device.



Ultimately, forecasting the expansion of Secure Vault Payments isn't an exact science, thus concrete correlations can't be drawn, but it's hard to argue against a payment solution when all interested parties have something to gain. SVP directly addresses consumers' desires for convenience and security in eCommerce, while providing tangible financial benefits to the two other key players in a transaction: financial institutions and merchants. Speaking from the Metavante perspective, that of architect of the real-time ACH settlement routine for SVP, the most interesting future development may be if/how the SVP model can be applied in additional payment applications.

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