Mobilní platby 2013

Zkušenosti a výhled využití NFC plateb
Telefónica Czech Republic, a.s.

10.10.2013 Praha
Luděk Slouka
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CZ vrs. SK - market situation & trends

10,1 mil. # of issued payment cards Q2/2013
Source: SBK

24% ~ 2,4 mil. **contactless**

2,8 mil. Number of contactless payments Q1/2013
Source: SBK

3,6%

23 000 / 89 800

26% Contactless POS in CZ.
Source: SBK Q1/2013

4,7 mil. # of issued payment cards Q2/2013
Source: ZBK

36% 1,7 mil**.** **contactless**

2,6 mil. Number of contactless payments Q1/2013
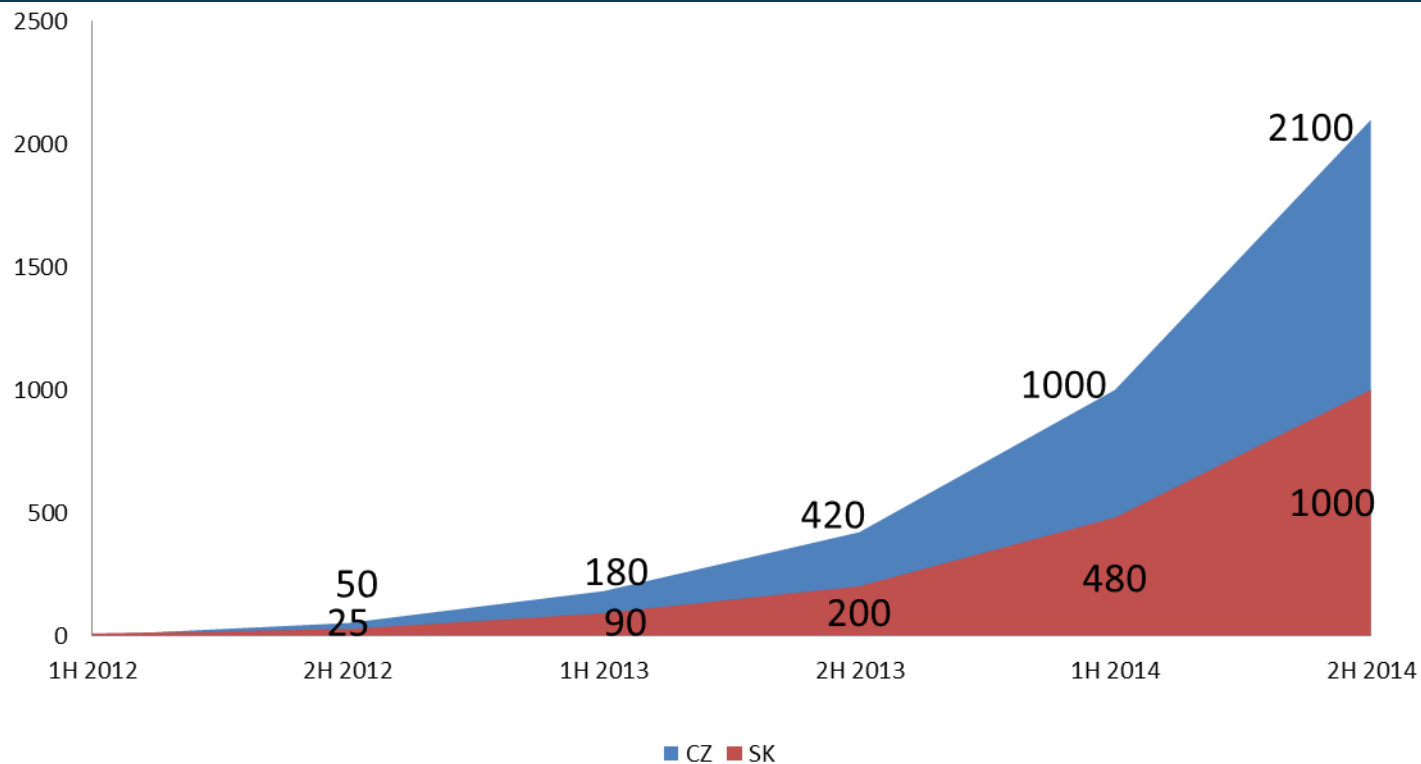Source: ZBK

~ 6%

13 200 / 37 700

35% Contactless POS in SK
Source: ZBK Q1/2013

CZ/SK market - NFC phone penetration


~ **330 000** — Phones equiped by NFC in CZ mobile netorks.

~ **130 000** — Phones equiped by NFC in SK mobile networks

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Why mobile operators?

- An important **distribution channel**, can offer the service to all customers.

- Used to provide **technical support** for mobile devices and related services **to end users**. Call centers, stores, trained stuff

- Technical **infrastructure for service provisioning and management on SIM over the air** respecting security requirements

- Has a relationship with mobile device producers on global level and can **influence device capabilities**.
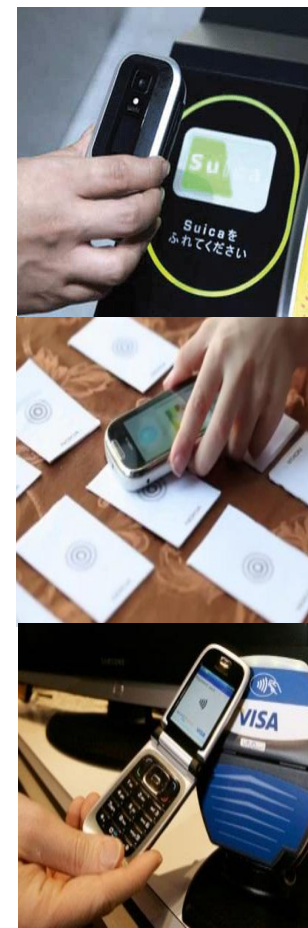
SIM as a preferred solution

Why SIM for NFC services?

NFC Technology

+

SIM Secure Element

=

○ **Support portability** between devices

○ **Existing business processes and infrastructure** including customer care and support

○ **Over the air management in real time** (upload, delete, block)

○ **Secure crypto-graphical tool** equal to plastic payment card

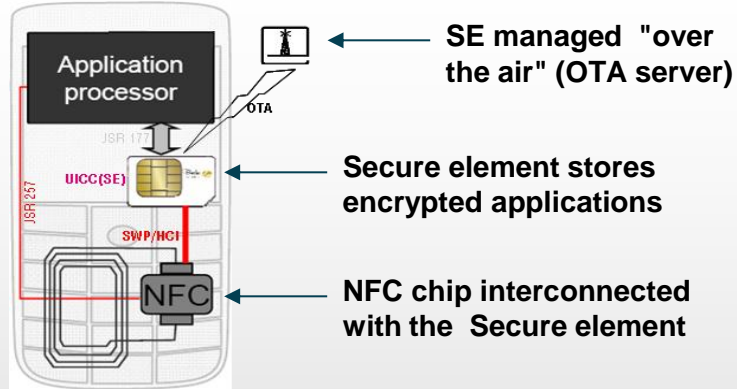○ **Certified solution** - for payment application (PCI DSS, EMV)

Mobile NFC

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SIM is a „secure element"…

NFC device + SIM

SE managed "over the air" (OTA server)

Secure element stores encrypted applications

NFC chip interconnected with the Secure element

Alternatives of Secure element:
- SIM
- SD card
- in Phone embedded
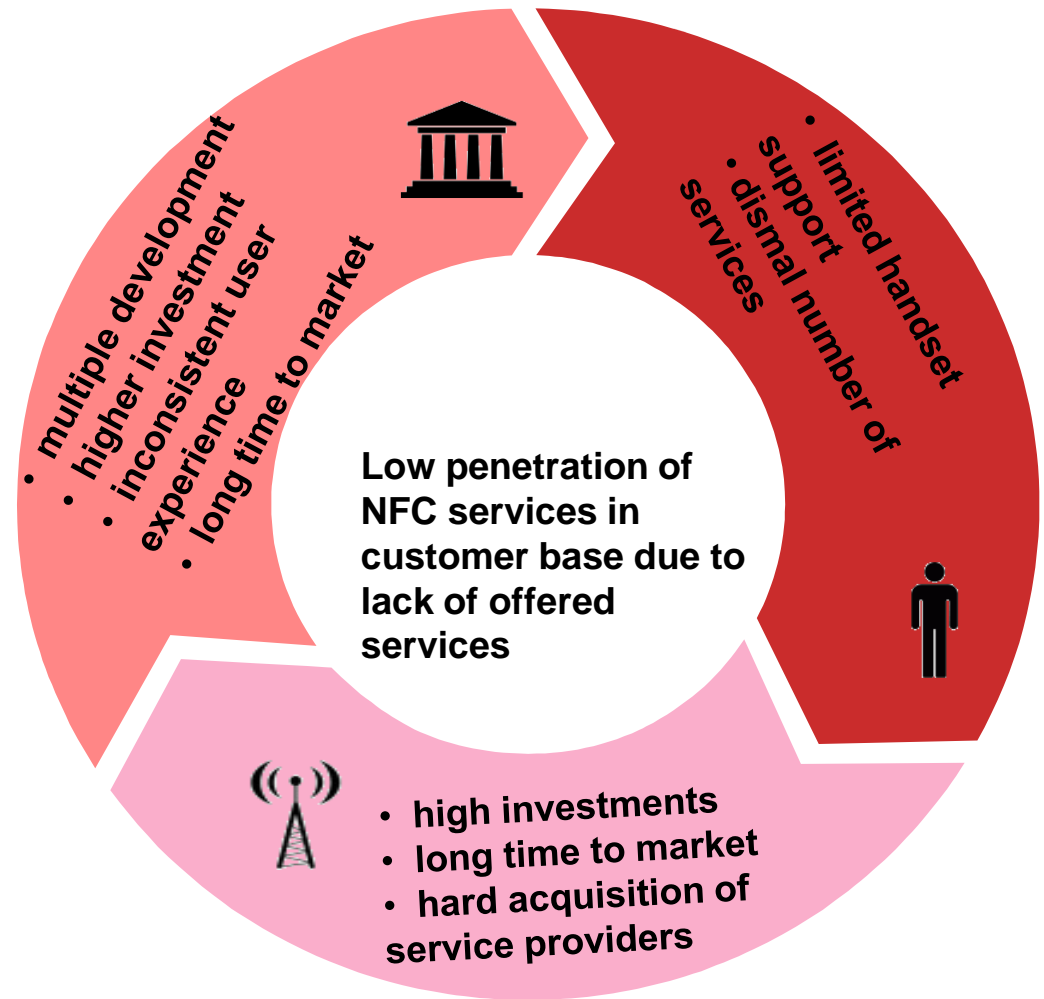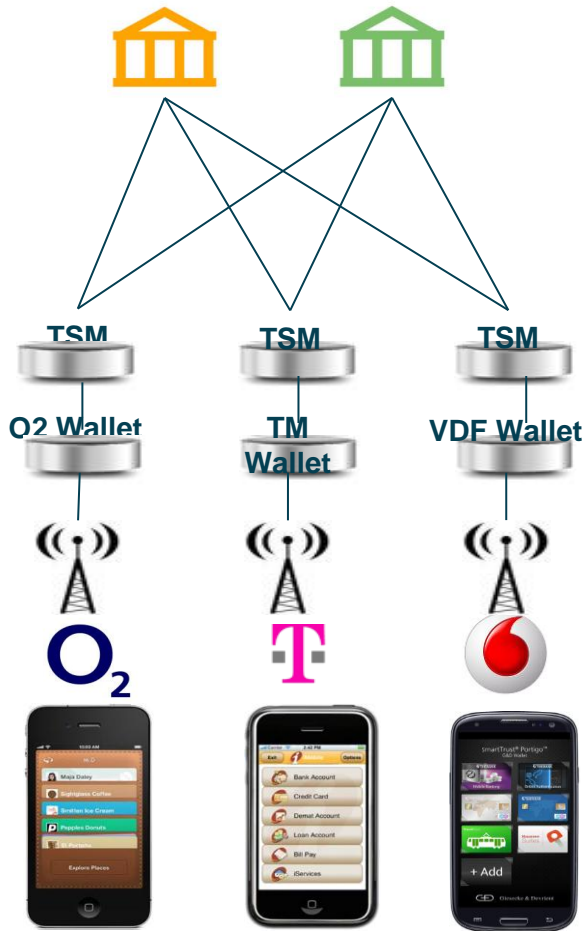- Sticker

SE alternatives

- SD card
  - Not mass acceptance and penetration of such solution in customer base
  - Technical limitations
- SE in phone embedded
  - Does not support device change, service hast to be delete in old device and newly provisioned in a new one.
- Sticker
  - No connection to wallet application in phone
  - only card emulation mode
  - no OTA management

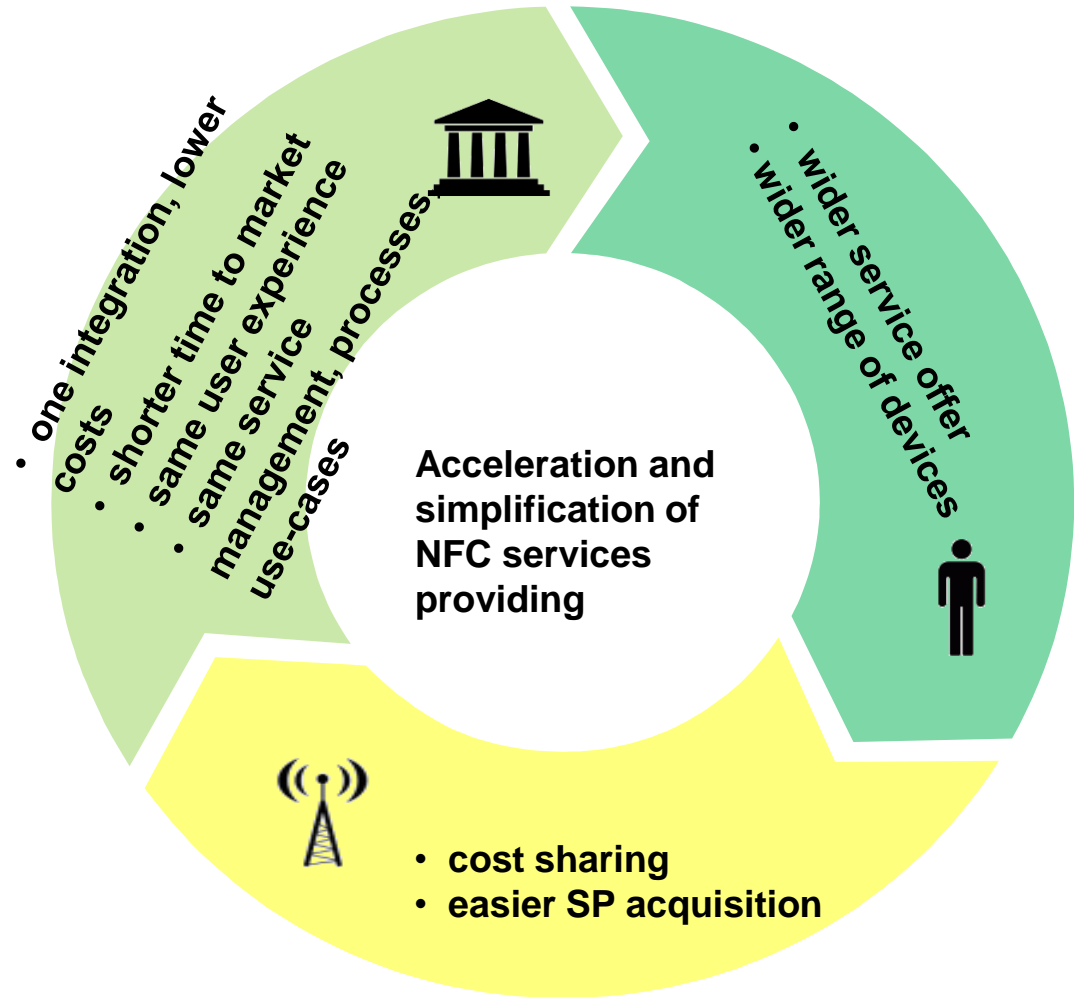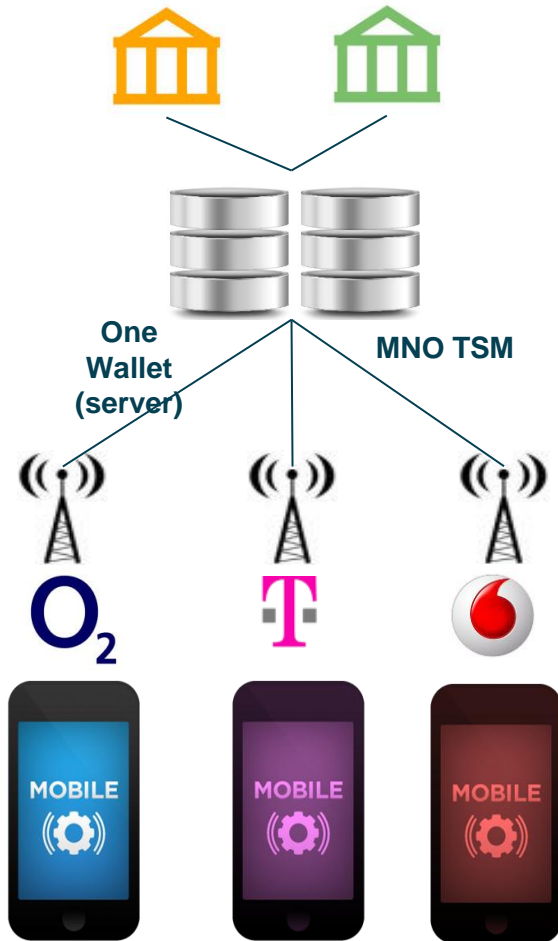# …which reflecting technical and business conditions.

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MNO offer

- **Infrastructure** for service delivery an management (OTA)

- **End user interface** **(m Wallet solution)**

- **Maintenance and support** (SLA, CC, stores)

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Usual approach and barriers

TSM

TSM

TSM

O2 Wallet

TM Wallet

VDF Wallet

O2

Low penetration of NFC services in customer base due to lack of offered services

- multiple development
- higher investment
- inconsistent user experience
- long time to market

- limited handset support
- dismal number of services

- high investments
- long time to market
- hard acquisition of service providers

How to mitigate the barriers – acceleration

One
Wallet
(server)

MNO TSM

O$_2$

MOBILE

MOBILE

MOBILE

- one integration, lower costs
- shorter time to market
- same user experience
- same service management, processes, use-cases

Acceleration and simplification of NFC services providing

- wider service offer
- wider range of devices

- cost sharing
- easier SP acquisition

Czech market

- **The Czech Wallet initiative = one wallet solution across all MNOs**

    Under the ubrela of APMS
    Telefónica O2
    T-Mobile
    Vodafone

CZ Wallet

NFC dependent on 2 factors:

- NFC phones market penetration

- # of NFC services (limited by barriers)

If each MNO offers own wallet:

- multiply costs of service delivery to Wallet

- different user experience across MNOs

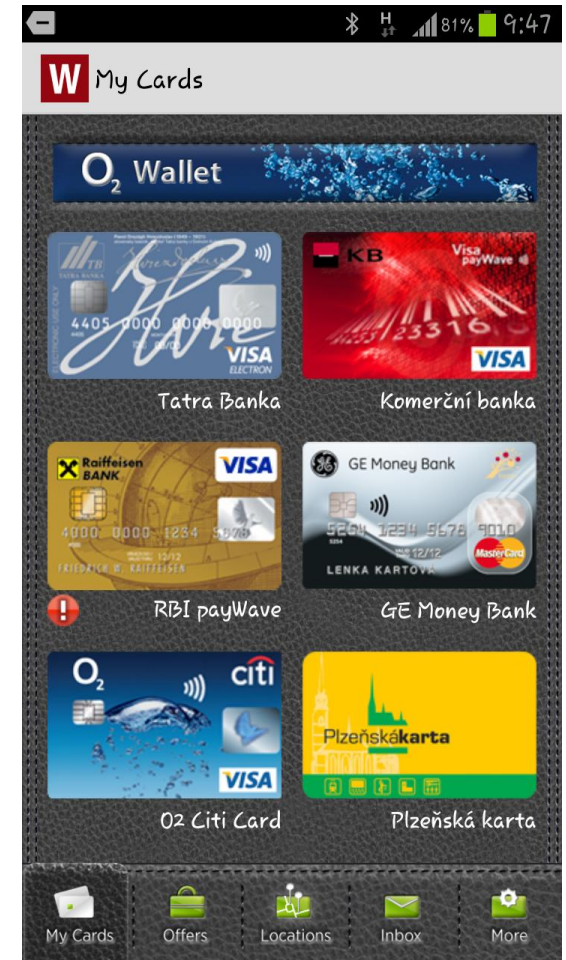**Goal:** mitigate barriers for SPs (Corporates) and accelerate adoption of NFC services

- Project scope
  - › One shared eWallet solution available to all mobile subscribers in CZ
  - › Wallet application for Android OS (at beginning) via application market
  - › Solution owner – APMS, will resale sublicense to each MNO
  - › Supplier of the solution selected by joint tender across all MNOs under the umbrella of APMS
  - › APMS used to be a warrant of an open market solution
  - › Wallet solution as a managed service – operated at supplier premises
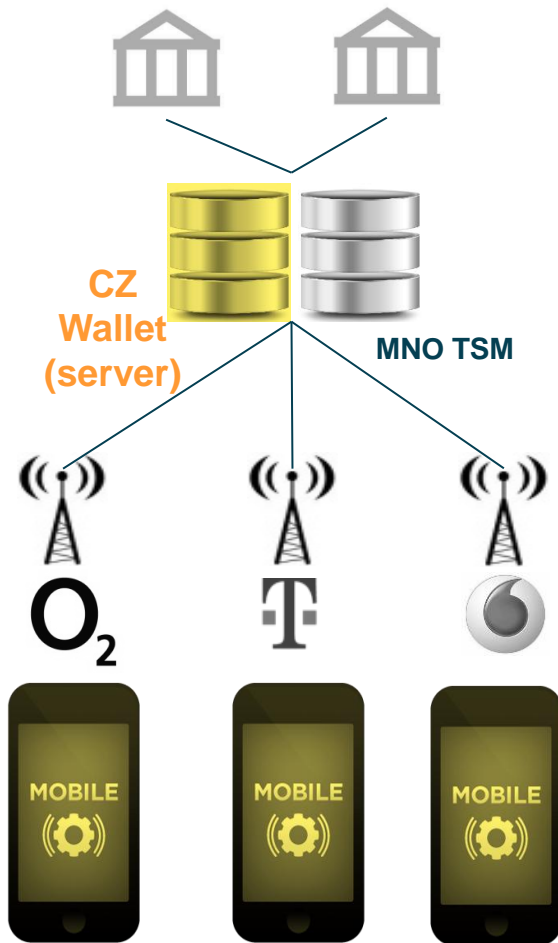
Why we should do it together ?

By providing of common solution (mobile wallet application and MNO TSM) we want to:

- Stop service providers hesitation
- Stimulate Service providers to provide NFC services on SIM
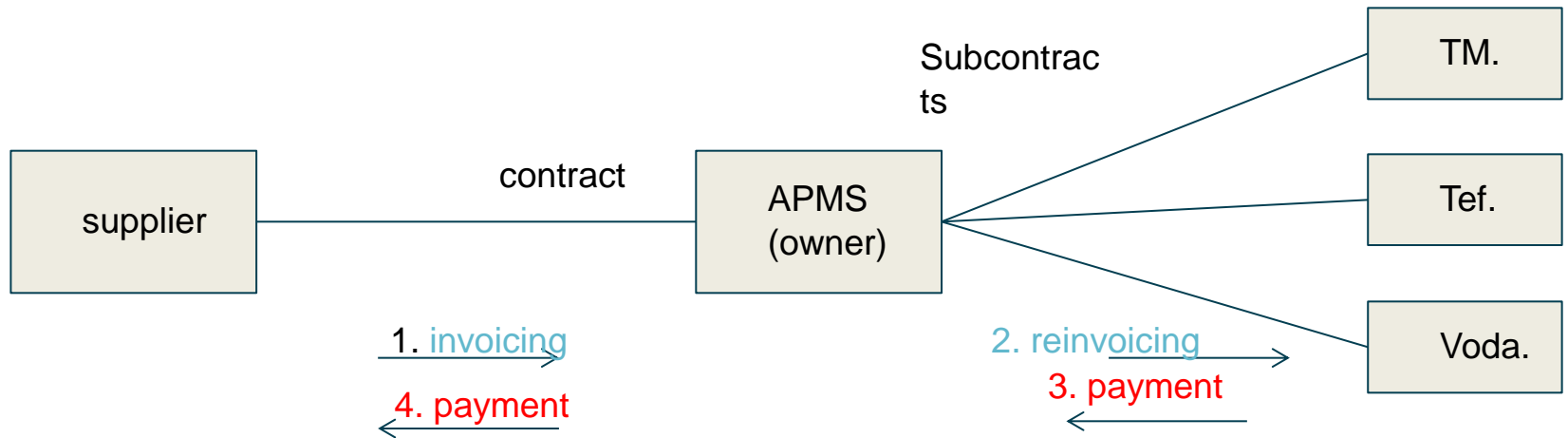- Send clear signal towards the market about MNOs approach

Czech wallet iniciative – in progress

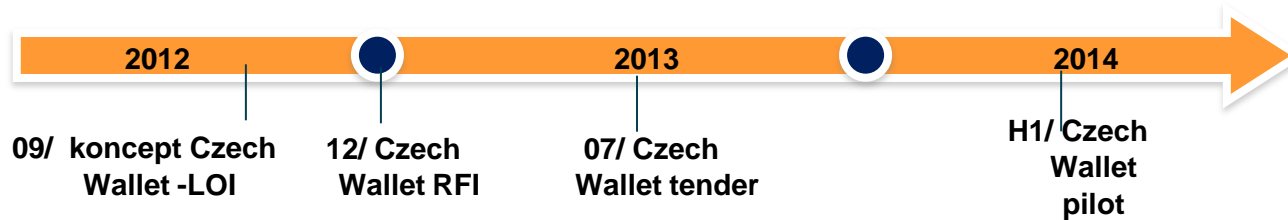**CZ Wallet (server)**

MNO TSM

- Tender 1st round closed
  - Operating model approved by APMS BoD

- Next steps:
  - 2 round (27.9.-30.10.)
  - Final decision **13.12.2013**
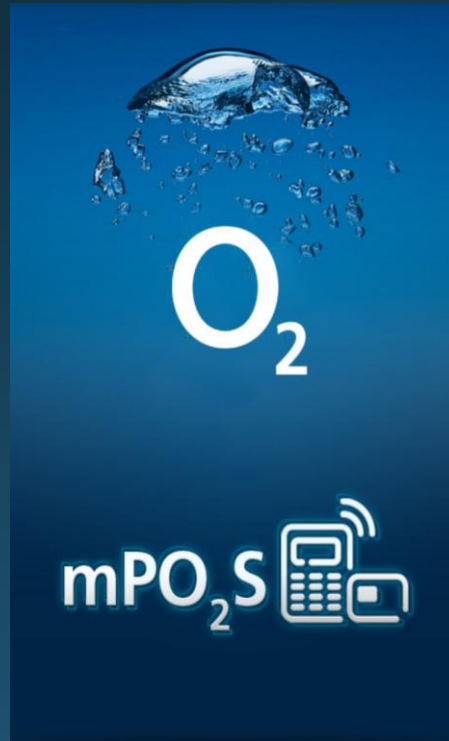 - **H1/2014 launch**

Czech wallet - model

supplier — contract — APMS (owner) — Subcontracts — TM. / Tef. / Voda.

1. invoicing
4. payment
2. reinvoicing
3. payment

Time plan

2012   2013   2014

09/ koncept Czech Wallet -LOI

12/ Czech Wallet RFI

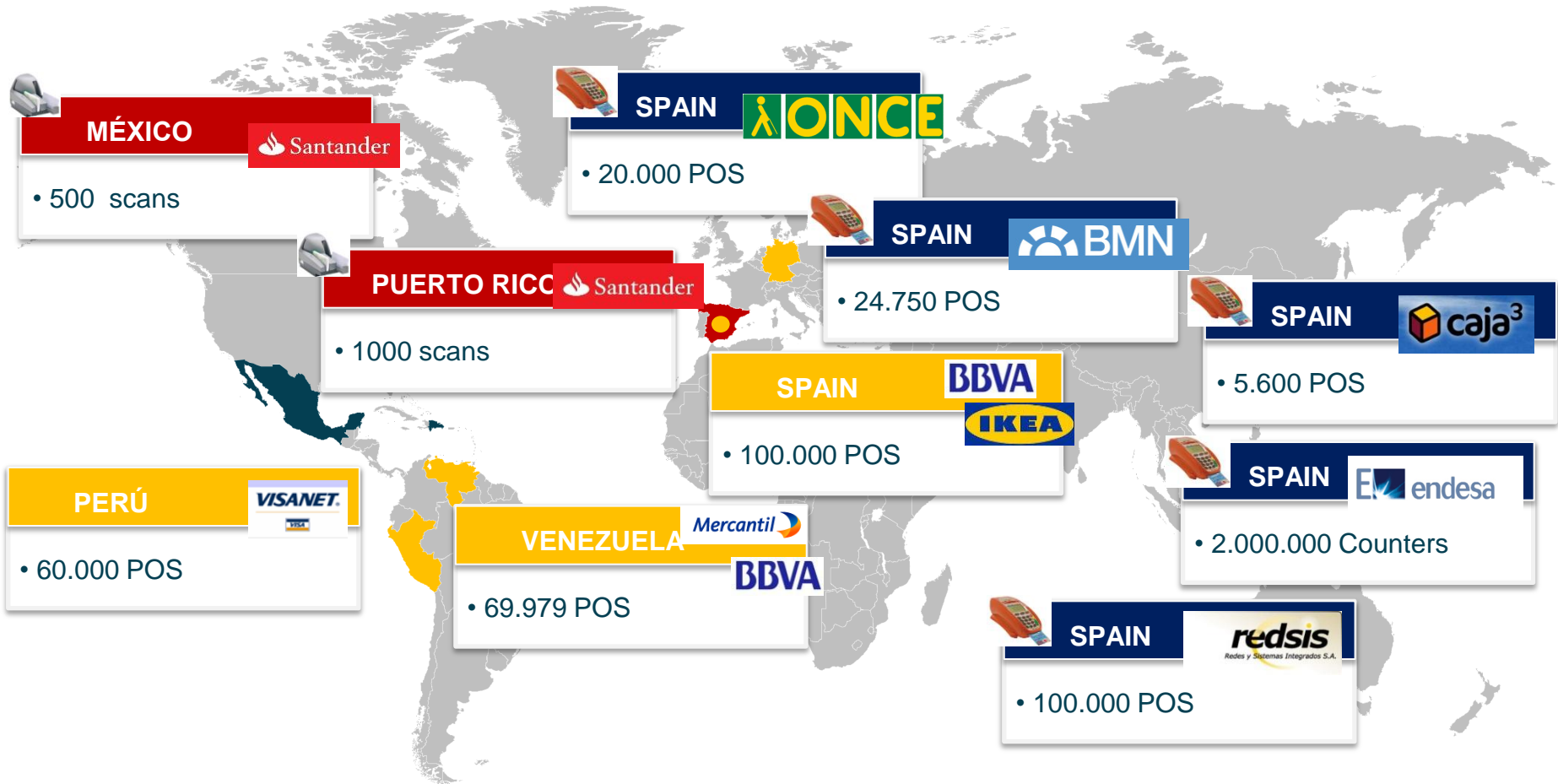07/ Czech Wallet tender

H1/ Czech Wallet pilot

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mPO$_2$S (mobile POS terminal)

Worldwide Telefónica operates or manages over 300 000 POS terminals with 600 million card payments per year

MÉXICO — Santander
- 500 scans

PUERTO RICO — Santander
- 1000 scans

PERÚ — VISANET
- 60.000 POS

VENEZUELA — Mercantil / BBVA
- 69.979 POS

SPAIN — ONCE
- 20.000 POS

SPAIN — BMN
- 24.750 POS

SPAIN — BBVA / IKEA
- 100.000 POS

SPAIN — caja³
- 5.600 POS

SPAIN — endesa
- 2.000.000 Counters

SPAIN — redsis Redes y Sistemas Integrados S.A.
- 100.000 POS

- I+M Solution
- E2E POS Solution
- Remote Check Deposit Capture

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What is mPO$_2$S? – mobile POS terminal accepts card payments everywhere and anytime

- **Portable card reader compatibility:**
  - **Contactless payment cards**
  - **EMV Chip payment cards**
  - **Magnetic stripe payment cards**

- **... mPO$_2$S terminal connected to the merchant's existing smartphone or tablet via Bluetooth. Supported:**
  - **Android**
  - **iOS**

- **with an app on the phone or tablet which securely manages the card payment transaction**
  - **including payment authorization**
  - **and sending the customer a receipt via email and / or SMS**

- **Additional app. features:**
  - **Catalogue of services**
  - **List of customers**
  - **Merchant customization...**

Added values for merchants and its customers

mPO$_2$S advantages for merchants and service providers …

- **Money –** extra revenue from credit card payments, impulse purchases, tourists,…

- **Most convenient way to accept payment card**. Customer base expansion of higher income clients with preference for non-cash payment

- **New sales** volume stemming from instant contracting and payment ability (insurance contracts, mortgages, emergency servicing,…)

VISA

Customer

MasterCard

- **User comfort and convenience – client can shop and pay for products or services without any cash.**

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The future of shopping is NOW = **Future Shop**

Fill the basket and pay with few taps with your NFC phones
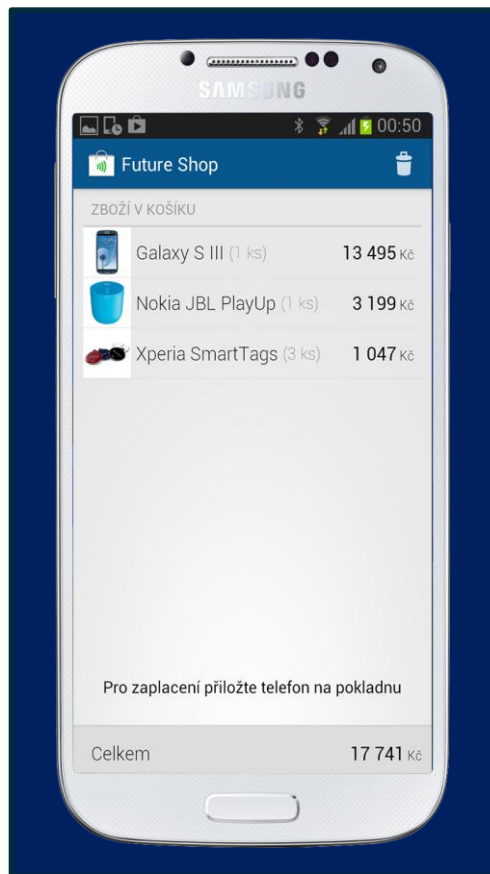
How it works.

- Add the products in the basket with tapping on the NFC tag behind the product picture

- With one tap on cashpoint you hand over to cashier

- Cashless payment processed on the connected contactless mPO_2S terminal

- Interactive shopping – special offers, loyalty and coupons could be integrated

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1ˢᵗ commercial launch on October 5ᵗʰ 2013

Golf-open Albatross sponsored by O₂

NFC & Financial services

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