

Clicks-and-mortar money

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Clicks-and-mortar money

- Who sells on the Net and why?
- What keeps them awake at night?
- Paying on the Net
- Learning to love the bomb

The e-zone

No
Customs
barriers

B2C \$30
bn

B2B \$300
bn




Few
effecti ve
regulations



Who are the players?

- Major international brands
- Retailers
- Manufacturers & distributors
- “The dot.coms ”:
 - Disintermediaries
 - Auction houses (forward & reverse)
 - Portals
 - Digital goods merchants

What are they selling?

- Physical goods: CDs, books, clothes, PC hardware 
- Services: airline & theatre tickets, information 
- Digital goods: software, music & video (MP3 etc) 

What keeps the m awake at night?

- Their stock price
 - Number of visitors / registrations
 - Attractive website , good links, publicity
 - Whizzy technology, stable site, up-to-date
- Delivery: logistics, returns
- How to get paid? **No!**
Profits are for wimps!

Forms of payment

- Off-line (cheque or bank giro)
- Account
- Pre-registered card payments
- On-line card payments
 - Open
 - SSL/TLS
 - SET
 - Chip
 - Wallets (fat & thin)



On-line payment issues

- Link with goods / delivery address?
- Correcting errors
- Physical delivery (for many products)
- Returns and refunds
- Security
 - What exactly do we mean by that?



What works for whom?

Teenager buying MP 3 files

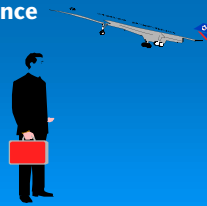
- No credit
- Real-time transaction
- Low ticket value, so txn cost must be low
- No recourse



£ Electronic purse

Businessman booking flights

- Time-saving, convenience
- High value
- Low margins, so must be low risk
- Low transaction risk
- Loyalty opportunities



£ Chip card with electronic ticket

Pensioner buying groceries

- Home delivery
- Confirmation on delivery
- Low fraud risk
- High risk of errors



£ Cash or confirmation on delivery

Choirmaster buying music

- Niche market
- Scope for added value services
- Medium - high txn values
- International (probably)
- Not time-critical



È Server-based (thin) wallet & secure protocols

Disputes

- Internet transactions
50 times as likely to be disputed!
- Cross-border particularly bad
- Cost of handling disputes & chargebacks



Internet fraud

Cardholder denies using card on Internet

- Carbon copies
- Creditmaster and other prog
- First party fraud (repudiation)
 - Adult sites etc
- Abuse of stored card & transaction details



Other Internet disputes

Cardholder admits using card on Net but disputes transaction

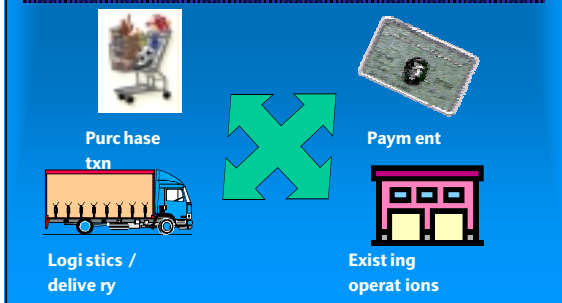
- Contract terms unclear
 - “I didn’t know I was committing myself”
 - “I didn’t realise this was a charge per page”
- Disputed amounts
- M **Best practice issues**

How to handle

- Card schemes’ answers:
 - Merchant supervision / exclusion
 - End-to-end security
- Some other useful steps:
 - Separate “plastic” and “virtual” cards
 - Integrate transaction with payment
 - Store customer identity certificate & records
 - Meaningful merchant certificates (Cs of C)



Integration issues



Integration for existing merchants

- Channel conflicts
- Pricing issues
- Brand issues
- To cross-subsidise or not?
- Integrate and share costs?
- Or separate and gain a new business?

Think of e-commerce as a marriage

- 'E' brings the new market reach, new delivery methods and high stock price
- 'Commerce' brings the experience, stability and sound business practices