



THE PATH TO DIGITAL PAYMENTS

Tokenization. Digital Issuance. Contactless Experiences.



“The consumer who is used to the Uber experience expects to have similar app-driven and mobile phone-based seamless interactions with their banks.”

– PYMNTS.com, March 2020



THE RISE OF DIGITAL PAYMENTS

The shift to digital payments has accelerated dramatically as the COVID-19 pandemic has driven consumer awareness of the need for contactless transactions to protect their health and safety. In fact, a Paysafe report shows that **65% of U.S. consumers** have tried a new payment approach since the outbreak.*

According to a 2020 FIS Performance Against Customer Expectations (PACE) study, **18% of all banked respondents** have recently made the switch to online or mobile banking to conduct financial transactions that they used to make at the branch.



We've known for some time that cardholders' digital experiences are key to maintaining a strong brand presence, increased adoption and portfolio growth. Now, as digital payments surge in response to the coronavirus, it is more important than ever for today's financial institutions to provide the safety, speed and frictionless experience that digital transactions offer.

*The data is part of an international study of 8,000 consumers by Paysafe and Sapia Research, in the U.S., U.K, Bulgaria, Italy, Austria and Germany from April 8-15, 2020.

CONTACTLESS EXPERIENCES ARE HERE TO STAY

Even late adopters of technologies are turning to digital channels more often to comply with social distancing requirements. As individuals become more habituated to digital communications, online shopping, and contactless payments, these new behaviors will persist and permanently change the way consumers bank and pay.*

The shift in consumer payments to digital, contactless experiences is very likely here to stay. A recent study of consumers* showed:

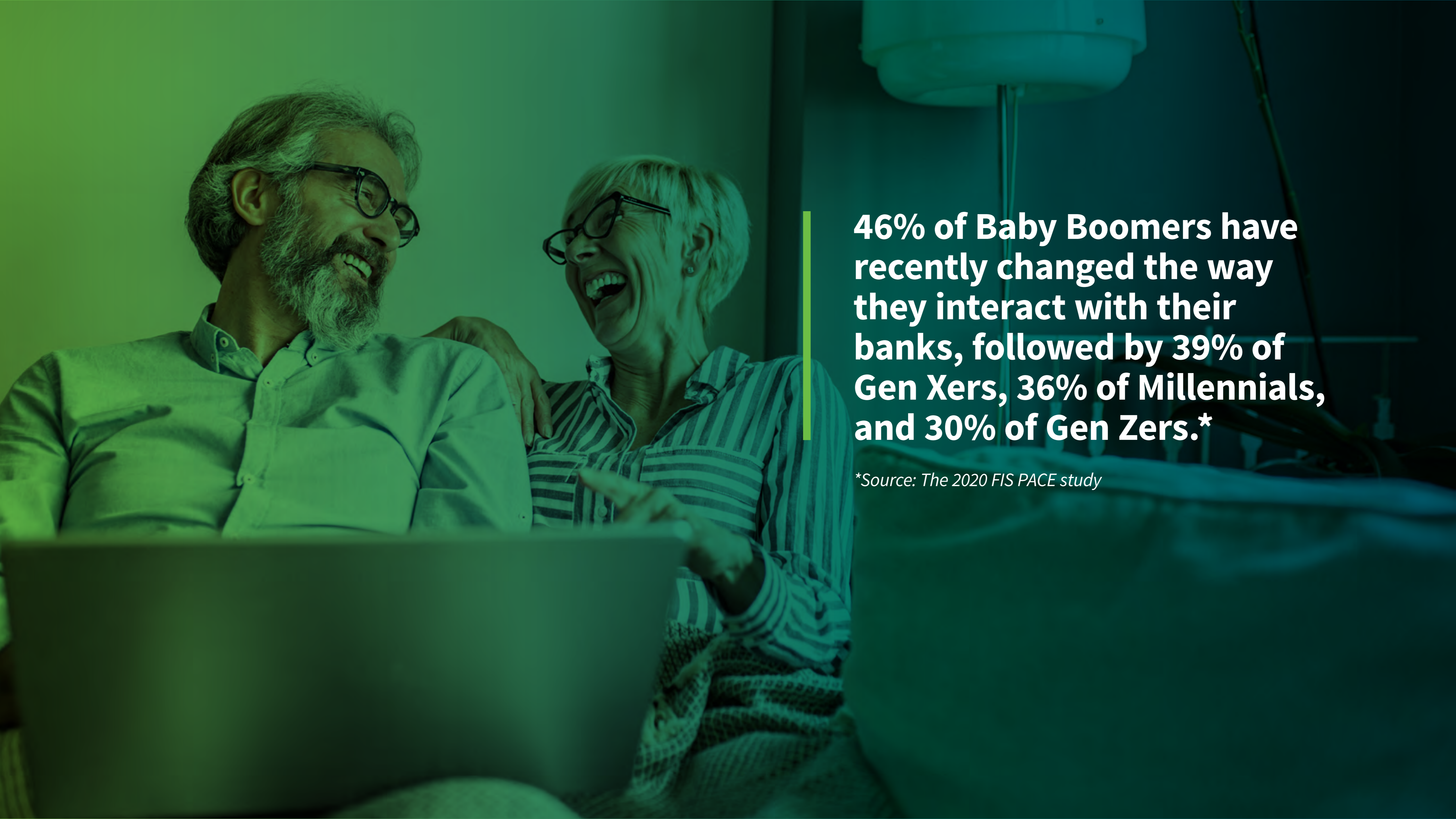
33%	31%	25%	31%
will continue to use a drive-thru at their branch	will continue to use more online and mobile banking	will continue to use a call center or chat service	will continue to use contactless or digital payments instead of checks or cash

Financial institutions must prepare now for these new and lasting shifts in how their cardholders choose to make payments.

From enabling mobile wallets, to the digital issuance of debit and credit cards, to providing contactless transactions, financial institutions can be the impetus that moves the payments industry forward.

*Sources: 2020 FIS Performance Against Customer Expectations: (PACE) study | PYMNTS.com, March 2020





46% of Baby Boomers have recently changed the way they interact with their banks, followed by 39% of Gen Xers, 36% of Millennials, and 30% of Gen Zers.*

**Source: The 2020 FIS PACE study*

A man in a light blue button-down shirt and a brown messenger bag is smiling while looking at his smartphone. He is standing in a crowd of people, which is blurred in the background. The entire image has a greenish-blue color overlay.

**Financial institutions must
“transform the way they think
about digital offerings and
connected experiences.”**

– Kris Carrera, Credit Services General Manager at FIS



THE PATH TO MODERNIZATION

While the need to provide digital, contactless payment options to consumers is clear, the path forward isn't always easy. The need to update and maintain legacy banking products can be overwhelming for a financial institution, and few have mobile phone expertise in-house. Add to that the complicated infrastructure within most financial institutions, involving disparate internal departments and third-party vendors, and the evolution to digital can be a real challenge.

So how can a financial institution keep pace with consumer expectations for modern, frictionless, payment experiences?

They can focus on three key steps: **tokenization, digital issuance, and contactless cards.**



By 2021, a projected 56% of Apple, Samsung and Google's 500 million combined user base will be tokenized.



THE FIRST STEP: TOKENIZATION

In the United States, mobile wallets are expected to surpass the use of both physical credit and debit cards by 2020, according to PaymentsSource. To empower these cardholders with a seamless e-commerce experience wrapped in layers of high-tech security, tokenization should be a part of your financial institution's payment strategy.

Tokenization is the foundation for secure, digital payments, and it is the first step to enable mobile wallets. This technology enables frictionless, digital payments in store or in e-commerce environments while keeping cardholder accounts safe.

Tokenization protects card data by replacing a card's primary account number (PAN) with a randomly generated sequence of numbers, or token, to be utilized through either mobile wallet purchases or payment credentials on file for recurring or subscription payments.

THE TOKENIZATION PROCESS



- 1** The cardholder initiates a payment online, in store or in app, and a token is created for the cardholder's primary account number
- 2** The merchant's payment system sends the token to the acquirer
- 3** The acquirer receives the token and routes it to the token vault to begin processing the transaction
- 4** Once the token is verified in the acquirer's vault, it is sent to the financial institution for authorization
- 5** The financial institution accepts or declines the transaction and sends its response back to the token vault
- 6** The token and payment authorization are routed back to the merchant to complete the transaction



TOKENIZATION FOR SECURE, SEAMLESS TRANSACTIONS

Tokenization is used in three primary ways for payments.

First, tokenization enables merchants to keep your card on file for subscription billing and recurring payments without compromising the security of the cardholder's private financial data. This allows for faster, easier, frictionless payments for consumers at checkout.

Second, tokenization can be used on e-commerce sites that offer frequent, returning cardholders with the option of "one click" checkouts, eliminating the need for returning consumers to repeatedly put their card information into the merchant's online checkout form.

And third, cardholders are able to securely pay through their mobile wallets like Apple Pay and Google Pay with the protection of tokenization. With mobile wallets secured by tokenization, consumers do not have to swipe, dip or remember their security code credentials.

A photograph of a person at a cafe counter using a mobile wallet. The person is holding a smartphone and interacting with a payment terminal. The counter is cluttered with various items including a calculator, a pen, a bowl of snacks, and stacks of coffee cups. The background shows a blurred cafe interior with other customers and staff. The entire image has a blue and purple color overlay.

Nearly 2 billion consumers use a mobile wallet to either make a payment or send money.*

**Source: Worldpay*



THE SECOND STEP: DIGITAL ISSUANCE

With the security of tokenization firmly in place, the second step on the path to modern payments is digital issuance. When a cardholder orders a new credit or debit card, or needs to replace a card that has been lost, stolen or compromised, digital issuance allows the card issuer to respond immediately, delivering new card credentials to a secure mobile or user interface (UI) application.

Rather than waiting up to 10 days for their physical card to arrive in the mail, digital issuance allows cardholders to receive the digital card into a mobile wallet and begin using it immediately.

Benefits to Cardholders:

- ✔ Instant gratification (and relief if the card was lost, stolen or compromised)
- ✔ Secure and convenient access to their credit and bank accounts
- ✔ Ability to maintain the same personal account number (PAN) as with the physical card
- ✔ Physical card automatically ordered when digital issuance is complete
- ✔ Security features like restricting card-present transactions until the physical card is activated

DIGITAL ISSUANCE DRIVES RELATIONSHIPS

Digital issuance creates many benefits for card issuers, including:

- Accelerated and increased cardholder loyalty as the issuer exceeds new and existing cardholder expectations for instant service
- Higher card usage on average and “top-of-wallet” status due to instant access
- Increased revenue as consumer can immediately begin using the card
- Reduced card usage downtime in reissuance situations
- Speed, convenience and value gives card issuer competitive advantages
- Low cost option with no hardware investment



A woman with curly hair, wearing a light-colored jacket, is smiling and shaking hands with a cashier. The cashier is holding a tablet device. The background is a blurred indoor setting, possibly a store or office. The entire image has a green color overlay.

More than a modernization element, digital issuance is an opportunity to improve cardholder experiences, increase revenue, and outperform the competition.



“Contactless offers consumers a safer, cleaner way to pay, speed at checkout and more control over physical proximity at this critical time.”

- Blake Rosenthal, EVP, Mastercard Acceptance Solutions



THE THIRD STEP: CONTACTLESS PAYMENTS

Now more than ever, contactless payment options that enable consumers to complete transactions without ever touching the POS terminal or checkout counter are in high demand. In addition to health and safety concerns, consumers are also quickly adopting contactless payments because they offer fast, convenient, and secure transactions.

In a contactless payment transaction, the consumer holds a contactless payment card, mobile device or wearable closely (less than 2-4 inches) to the merchant POS terminal and the payment account information is communicated via Near Field Communication (NFC).

With contactless payments, or “tap-to-pay,” transactions take one second versus nine seconds with traditional dip or swipe payments. These fast, simple, seamless and secure payments build consumer loyalty to the card, and happy, engaged cardholders have more frequent transactions and higher spend.

There is pent up demand for contactless cards.*

59%

of consumers think chips are slower than magstripe

57%

expect the EMV experience to improve in the next year

40%

who own a contactless card use it whenever they can

**Source: Visa data*

CARDHOLDER LOYALTY GROWS WITH CONTACTLESS CARDS

There are multiple benefits to card issuers offering contactless cards. These simple and secure transactions drive cardholder loyalty to the issuer. Issuers and merchants enjoy operational efficiency at the POS, faster transaction times, increased card purchase volumes, lower operational costs, and top-of-wallet status. Moreover, early adopters of contactless card offerings have a competitive advantage in the marketplace, demonstrating payments leadership and innovation to consumers.

Contactless cards have also proven effective in converting cash to card-based payments, creating significant upside potential as cash is used for one-third of transactions in the U.S., representing a \$2T opportunity.

U.S. merchants are ramping up to receive contactless payments.

80 of the top 100 merchants in the U.S. are contactless enabled

99% of all new terminals shipped are contactless capable

71% of all face-to-face transactions occur at a merchant that is contactless enabled

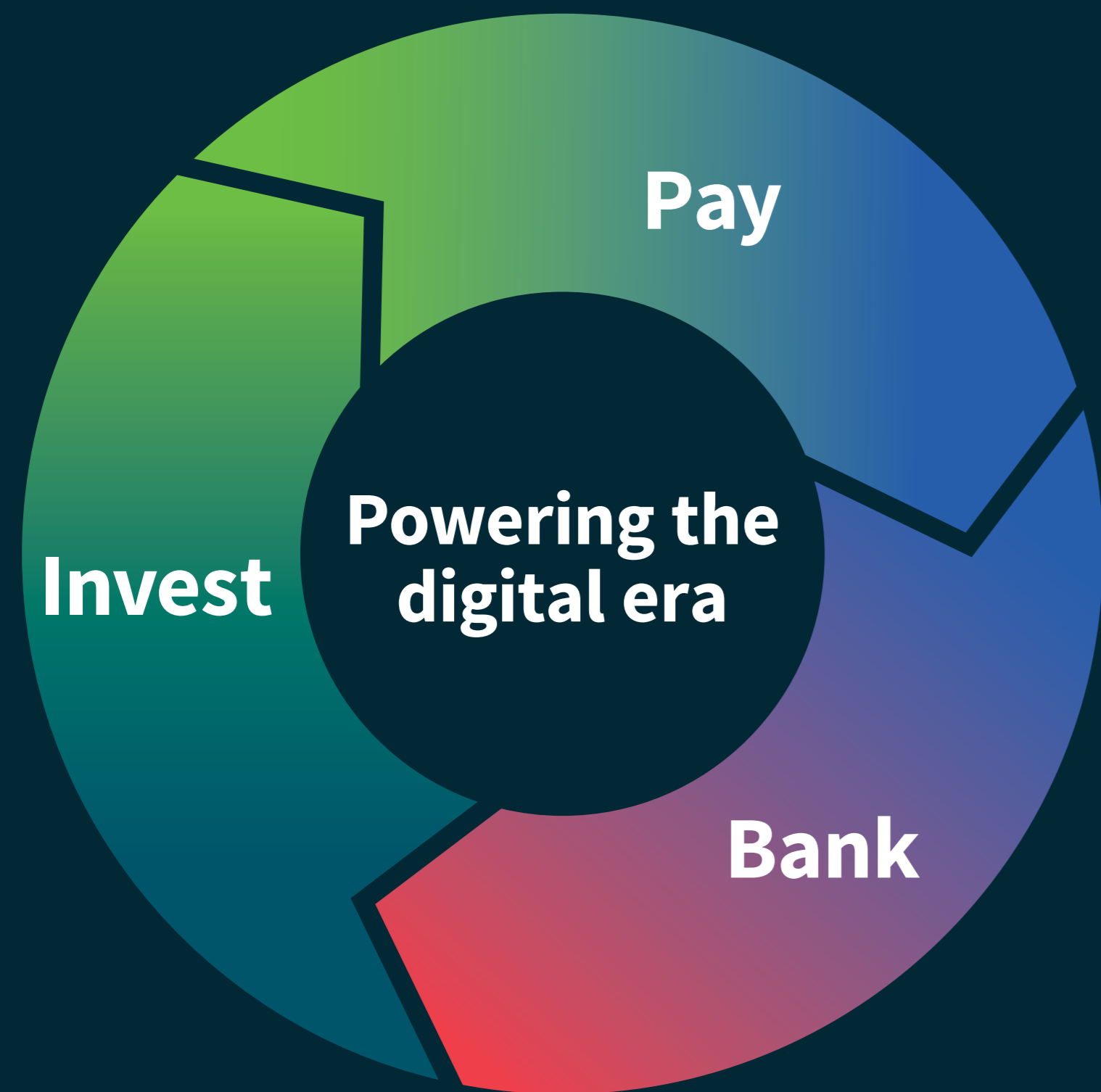
More than **70%** of merchants are contactless capable



A man with glasses and a beard, wearing a blue button-down shirt, is smiling and holding a smartphone. He is sitting at a table with a woman who is also smiling. They appear to be in a restaurant or cafe setting. The man is holding the smartphone up to a payment terminal. The woman is holding a smartphone. There are drinks and food on the table. The background is blurred, showing other people in a social setting.

A global survey by Mastercard shows 79% of consumers are using contactless payments, 46% have swapped out their top-of-wallet card to one that offers contactless payment, and 74% plan to continue to use contactless payments in the post-COVID future.

FIS: POWERING THE DIGITAL ERA



Merchant Solutions

We provide a unique capability to power global omni-commerce



Banking Solutions

Our solutions allow our clients to borrow, save, pay and invest.



Capital Market Solutions

We facilitate the movement, management and growth of money



A TRUSTED PARTNER FOR YOUR DIGITAL JOURNEY

The path to digital payments may seem complex, but tokenization, digital issuance and contactless payments are possible with the help of a trusted partner.

FIS provides best-in-class solutions and services for merchants, banks, credit unions and capital markets across the globe, serving 90% of the top 50 largest global banks and thousands of local and regional banks and credit unions. We are at the heart of commerce and the financial transactions that power the world's economy, using our scale to develop solutions that enable our clients to grow and reach new markets confidently.

Are you ready to start your digital transformation?

Contact FIS at getinfo@fisglobal.com to discuss your needs today.

INTERESTED IN HEARING MORE?

The team at FIS is eager to discuss how we can help you with payments solutions that are right for you and your cardholders.

Please contact your FIS strategic account manager at GETINFO@FISGLOBAL.COM

For ongoing insight into the world of payments,
Please visit us at:

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ABOUT FIS

FIS is a global leader in technology, solutions and services for merchants, banks and capital markets that helps businesses and communities thrive by advancing commerce and the financial world. For over 50 years, FIS has continued to drive growth for clients around the world by creating tomorrow's technology, solutions and services to modernize today's businesses and customer experiences. By connecting merchants, banks and capital markets, we use our scale, apply our deep expertise and data-driven insights, innovate with purpose to solve for our clients' future, and deliver experiences that are more simple, seamless and secure to advance the way the world pays, banks and invests. Headquartered in Jacksonville, Florida, FIS employs about 55,000 people worldwide dedicated to helping our clients solve for the future. FIS is a Fortune 500® company and is a member of Standard & Poor's 500® Index.

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