Push payments:

the untapped opportunity in Australia

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Foreword

Australia continues to lead the world in payments innovation

Foreword

Australians are the world's biggest users of contactless payments,[1] early adopters of mobile payment solutions at the point of sale[2] and active online shoppers.[3] Yet there is one Australian segment where services have not kept pace with changing consumer trends: paying each other or paying from a business to a customer.

In Australia, this process of transferring funds is still heavily reliant on old payment methods such as cash, electronic funds transfers (EFT) and cheque. This is despite the fact that Australia has been a high adopter of e-commerce[4] and has one of the highest smartphone adoption rates in the world.[5] When discussing how people and businesses pay each other directly, Visa uses the term "push payments" – that is the ability to pay, send or receive money from another individual or business domestically or overseas. Push payments differ from traditional card purchases (or "pull" payments) because from a technical perspective, a push payment transaction begins with an individual sending ("pushing") money to a recipient, rather than the recipient requesting ("pulling") payment.

One of the most well-known applications of push payments is peer-to-peer (P2P) payments – payments from one consumer to another. However, push payments can also be used by consumers paying a business, a business disbursing money to a consumer or a business paying another business. While many solutions available now are focussed on the P2P aspect and consumers paying each other, we refer to push payments when talking about the broader capability.

1 VisaNet data, July 2015
2 Australian Communications and Media Authority (ACMA), 'm-Commerce: Mobile Transactions in Australia,' 24 June, 2014 - http://www.acma.gov.au/theACMA/engage-blogs/engage-blogs/Research-snapshots/m-Commerce-Mobile-transactions-in-Australia (accessed 1 October 2015)
3 Australian Communications and Media Authority (ACMA), 'Australians embracing the Digital Economy,' 22 October 2014 - http://www.acma.gov.au/theACMA/australians-embracing-the-digital-economy (accessed 1 October 2015)
4 Australian Communications and Media Authority (ACMA), 'Australians embracing the Digital Economy,' 22 October 2014 - http://www.acma.gov.au/theACMAaustralians-embracing-the-digital-economy (accessed 1 October 2015)
5 Visa/UMR Strategic Study, "Tokenisation: Why Australia, Why Now", February 2015

Foreword

New research[6] shows Australian consumers have an appetite for digital and mobile P2P payment systems that work domestically and across international borders.

This demand opens up the opportunity for financial institutions and merchants to use digital and mobile push payments to attract new customers, boost loyalty and improve operational efficiency.

In this report we examine the consumer drivers and barriers to digital and mobile push payments. We also look at the latest global trends, with insights from market analyst Ovum, and evaluate what they mean for financial institutions and merchants.

The findings bode well for organisations that innovate early and develop a compelling consumer experience to capture a share of this fast growing and significant market.

To help financial institutions bring new digital and mobile push payment systems to market fast and in particular to enable push payments to anyone, anywhere, we have developed Visa Direct. A set of software standards and APIs (application programming interface) that connect into an institution's existing banking platforms, Visa Direct enables secure, near real-time payments across financial institutions and international borders.

Like other Visa innovations, such as contactless payments through Visa payWave and remote payments through Visa Checkout, Visa Direct simplifies the payments process.

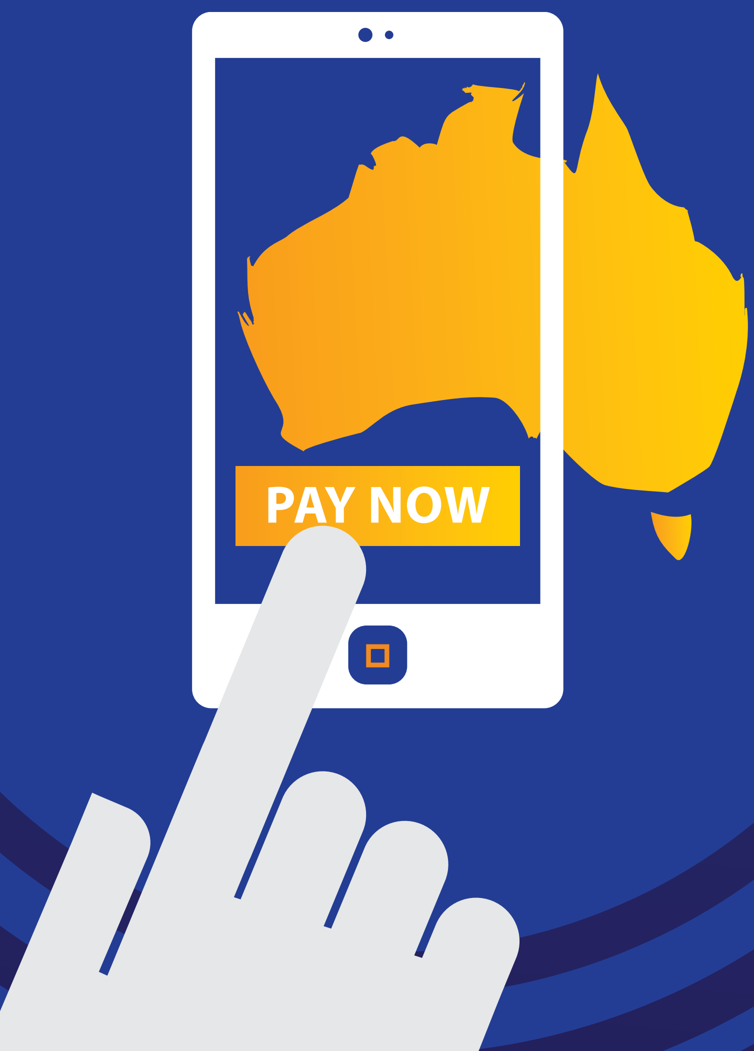
It makes it possible for consumers to pay a friend via their mobile phone number, email address or social media identity, with just a few taps. It also makes it possible for businesses to issue payments to consumers, like an insurance company disbursing a payment to a customer. Visa Direct also enables prepaid customers to reload their card in real time. It brings the capability of near real-time direct payments to the mobile and digital world.

We hope you find this report useful as you evaluate new ways to meet the growing demand among Australian consumers for fast, frictionless payments.

Stephen Karpin
Group Country Manager, Australia, New Zealand and South Pacific, Visa

[6] Visa/UMR Strategic Research, Peer to Peer Payments,September 2015 (see appendix for more details)

Executive summary



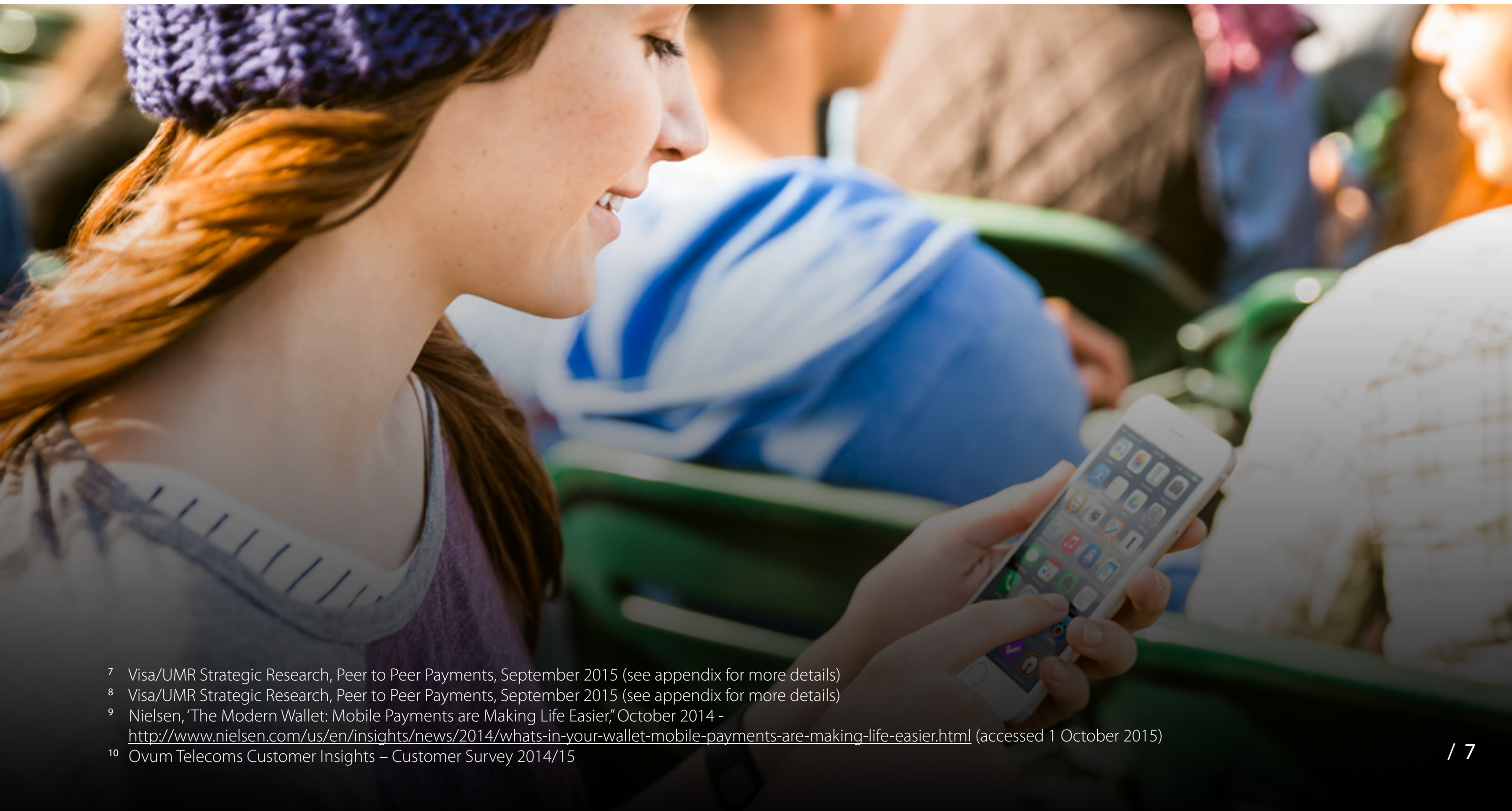
Executive summary

Digital and mobile push payments in Australia present a significant, and largely untapped opportunity for financial institutions, merchants, businesses and government organisations.

Demand has been driven largely by the strong uptake of smartphones and the intuitive apps they enable, combined with the fact that digital and mobile P2P payments meet a growing consumer need: people want to pay each other and they can't do it easily.

While there are a range of digital and mobile P2P payments solutions available in Australia to meet these needs, consumer usage of these newer payment methods is low.[7] Only 13 per cent of Australians have transferred money using their bank's app, while just one per cent have used a third party app dedicated to mobile payments or a social media platform to send or receive funds.[8]

In contrast, in overseas markets, digital and mobile P2P solutions are used far more frequently, including in social media. For example, in the **US**, 22 per cent of smartphone owners and 28 per cent of tablet users make P2P payments via mobile applications (e.g. Venmo and Square Cash).[9] While in **China** 24 per cent of smartphone owners report they regularly use their device to send money to other people, and 34 per cent of smartphone owners do the same in **India**.[10]



7 Visa/UMR Strategic Research, Peer to Peer Payments, September 2015 (see appendix for more details)
8 Visa/UMR Strategic Research, Peer to Peer Payments, September 2015 (see appendix for more details)
9 Nielsen, 'The Modern Wallet: Mobile Payments are Making Life Easier,' October 2014 - http://www.nielsen.com/us/en/insights/news/2014/whats-in-your-wallet-mobile-payments-are-making-life-easier.html (accessed 1 October 2015)
10 Ovum Telecoms Customer Insights – Customer Survey 2014/15

Executive summary

Given Australia has one of the highest e-commerce and mobile phone usage rates in the world, why then is consumer acceptance of digital and mobile P2P systems still in its infancy in this country? Consumers are already using their devices for financial services, with 52 per cent reporting they check their bank balances on a smart phone or tablet, but this is not translating into take-up of P2P.[11]

There are three stand-out opportunities when introducing digital and mobile push payment solutions in Australia:

1
International payments:
Combining (in one easy to use application) the ability for people to do near real-time payments across different financial institutions and overseas

2
Business to consumer payments:
Enabling businesses with a need to make fast, direct-to-account payments to consumers, such as emergency relief funding, insurance payouts or gift vouchers

3
Consumer to business payments:
Delivering the ability for consumers to pay merchants that might not have full electronic acceptance infrastructure, such as sole traders, market stall operators or micro businesses

Whether a person wants to split the bill for dinner, split bills across a household, send money to family overseas, load a prepaid card in real time, pay or receive a refund from a merchant, the time is now for near real-time, frictionless mobile push payment solutions in Australia.

[11] Ovum Telecoms Customer Insights – Customer Survey 2014/15

Push payments explained

What are push payments and why do they matter?

Push payments explained

What are push payments and why do they matter?

Push payments on the Visa network facilitate the secure transfer of funds from one individual to another via smartphone, tablet, desktop or other application. Called push payments because they enable the owner of the funding account to "push" money to the payee rather than the payee needing to request or "pull" money they can be used by businesses and consumers. Consumers can conveniently and securely transfer money to friends and family, businesses can transfer funds to consumers and consumers can push payments to businesses. The transactions are secure as the account owner has already been identified by their bank and they directly authorise the funds be 'pushed' from their account.

Push payments can be facilitated via a financial institution's mobile or internet banking application, or through third party platforms such as those offered by Facebook and Snapchat in the United States and WeChat in China.

Rather than using cash or relying on sensitive bank account information, push payments can be made direct to an email address, mobile number or via a social media identity (ID).

This enables payments to be made with high security because bank account or card details are not exposed to the person or business sending the funds.

P2P payments have become increasingly important in recent years, fueled by the growth of mobile and online banking, and consumers' growing expectations to be able to pay anyone anytime, on any device.

Just as commerce has changed – including the rise of micro businesses and the sharing economy (e.g. Airbnb, Uber) – so too have consumer expectations about how they pay and how quickly they get access to funds.

In short, push payments enable near real-time, frictionless payments between individuals or businesses, 24 hours a day, seven days a week, on any device, across different countries.

How do they work?
Visa Direct as an example

How do they work? Visa Direct as an example

Visa Direct is enabled via a series of APIs (application programming interface, or software programming standards and tools) provided by Visa to be incorporated into mobile or internet payment platforms. The APIs connect the banking platform with Visa's secure global network, enabling push payments to be processes to millions of accounts around the world.

Key features include:

- Consumers or merchants can initiate a Visa Direct payment through a variety of channels, including a smartphone, computer, a kiosk, ATM or bank branch
- Payment examples include consumers paying each other, paying a merchant or loading their pre-paid card in near real time, or a merchant disbursing funds to the card in near real time
- Transfers can be made to Visa and non-Visa card accounts via a smartphone number, email address, or social identity
- An easy to use, institution-branded application or web page enables payments

Simple transfer steps:

Log in with 4 digit pin

Select send or receive money

Select card to send from (includes ability to use saved card or add a new card using NFC Tap, Scan or Manual entry)

Enter amount

Select receiver's card, mobile number, email address or social media ID

To collect funds, the receiver simply visits an institution-branded website and selects collect money, specifies the card (includes option to tap or scan card or enter bank account details), and an option to key-in a collect code.

*If a receiver visits the website once, their card and alias (mobile/email/social) could be saved securely so that future payments do not require a collect code

Push payments explained

How do they work?
Visa Direct as an example

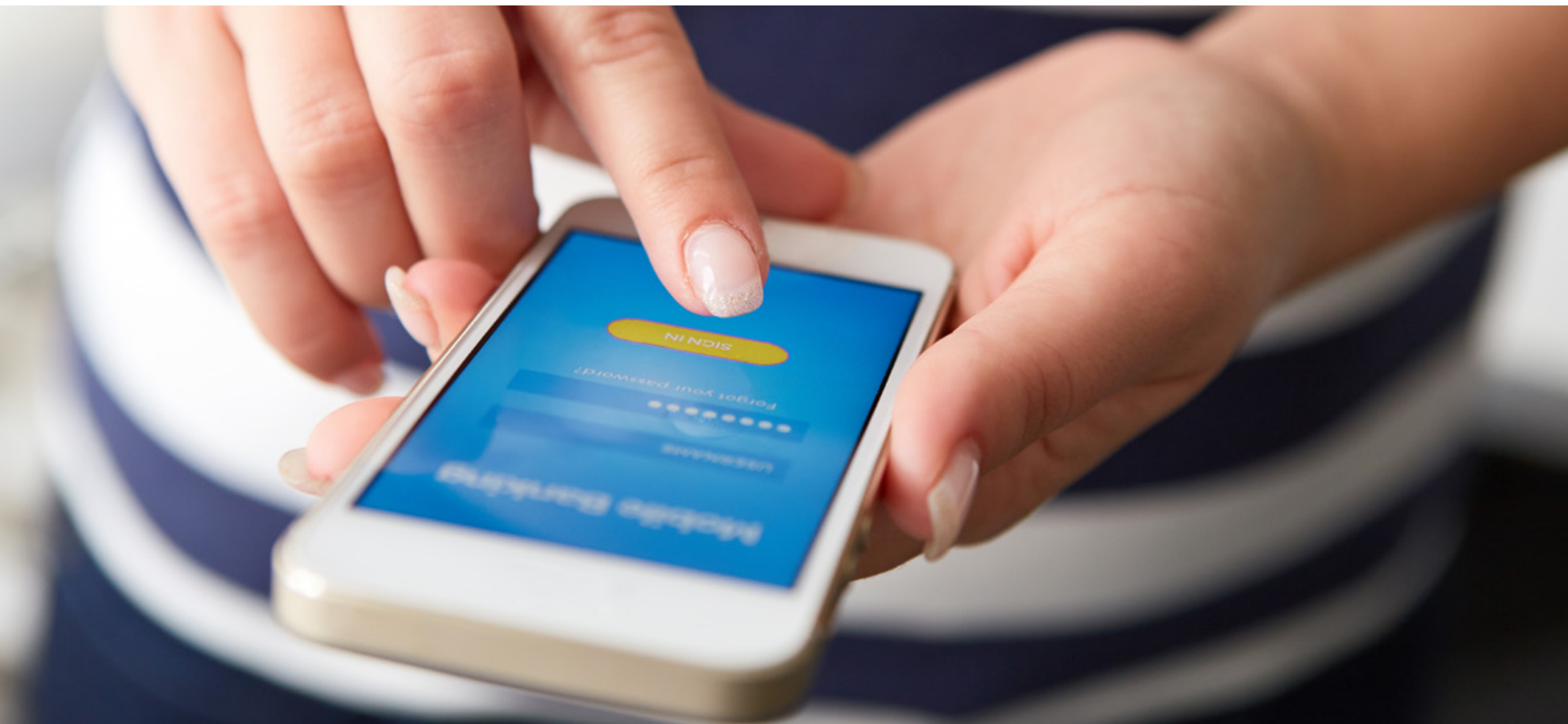
The scale, security and reliability of Visa's network provides the backbone of the Visa Direct platform. The technology is ready today. All financial institutions in Australia, and the majority of financial institutions globally, are connected to the Visa network and are therefore capable of accepting a Visa Direct transaction, with a few exceptions.[12]

For financial institutions

Visa Direct extends the functionality of existing mobile banking applications and can help strengthen customer relationships.

For businesses, merchants and government organisations

it cuts the time, administration and errors associated with existing processes such as cheques and EFT.

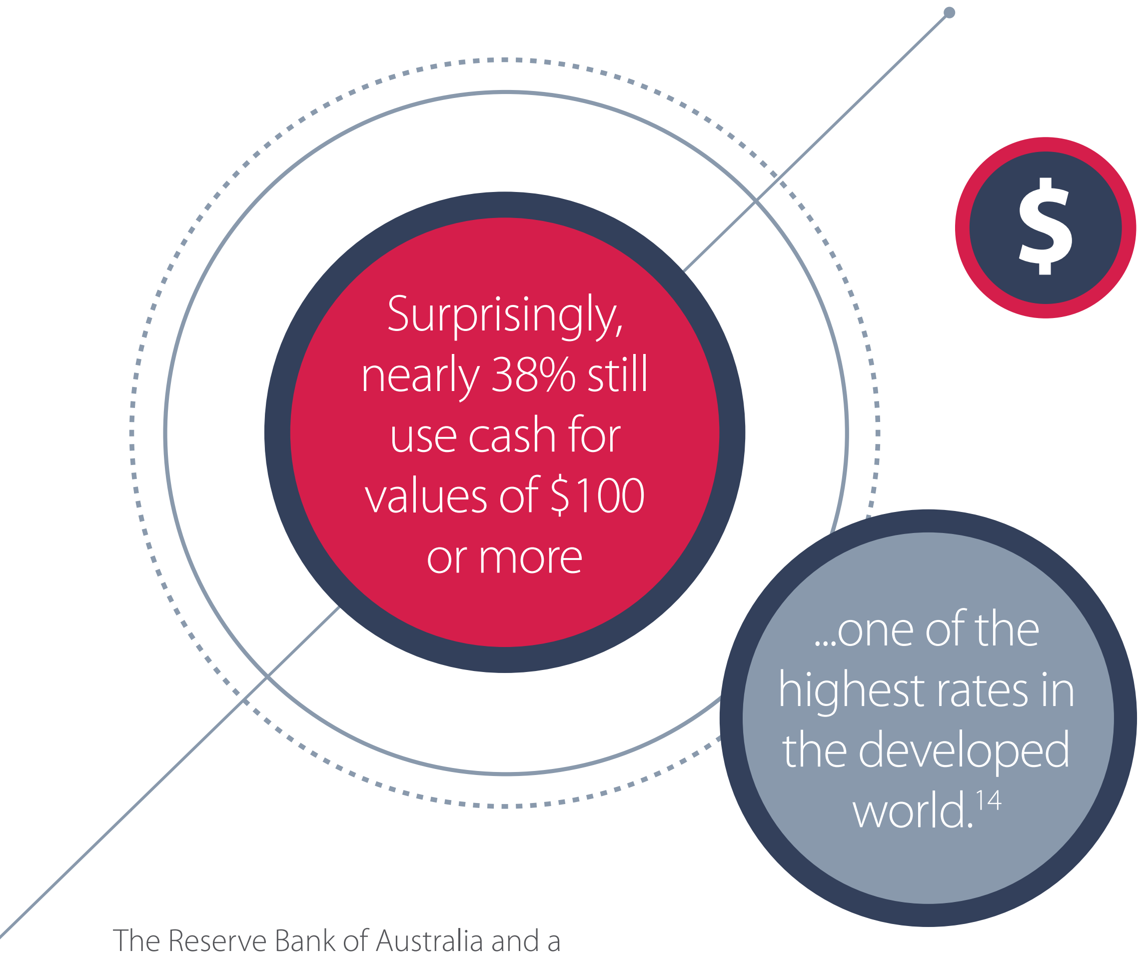


[12] Most exceptions are due to country level blocks or anti-money laundering (AML) or counter terrorism financing restrictions, similar to rules that exist in other banking channels.

State of play in Australia

State of play in Australia

When focusing on domestic retail payments, a number of solutions are available in Australia ranging from in-bank infrastructure platforms to third party applications. Despite the availability of several, largely bank led services, cash still dominates most P2P payments. 73 per cent of Australian use cash to pay back values of $10 or less.[13]



The Reserve Bank of Australia and a consortium of financial institutions, are working on a new National Payments Platform (the NPP) to help facilitate faster payments between Australian institutions, which is due in 2017.

[13] Datamonitor Financial "P2P Payments: Three Key Lessons for Profiting from P2P"- December 2012
[14] Datamonitor Financial "P2P Payments: Three Key Lessons for Profiting from P2P"- December 2012

State of play in Australia

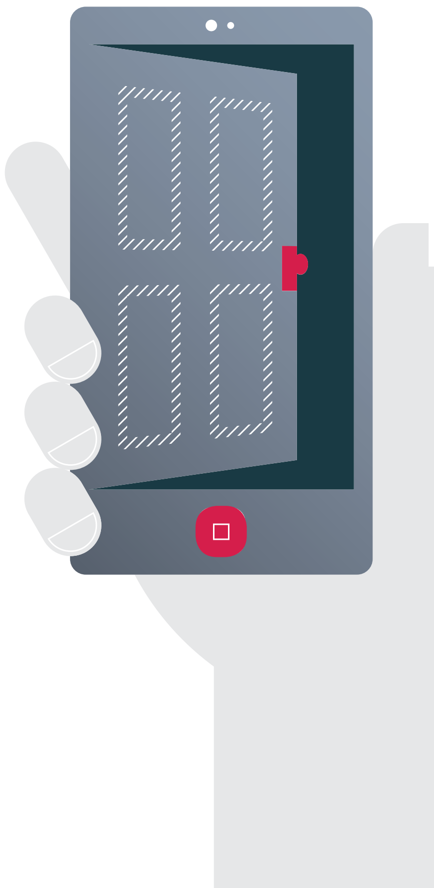
In the meantime, other solutions are available from both bank and non-bank providers, all with varying levels of functionality. For example, most of the major banks allow mobile phone users to transfer money using their applications (e.g. ANZ goMoney, Commonwealth Bank mobile app, NAB Flik), in some cases even through using mobile phone numbers or emails as identifiers. The number of third party providers in Australia is surprisingly limited for domestic payments and is dominated by PayPal. Despite the huge potential of replacing cash in P2P scenarios, there remains ample room for new market entrants and services.

According to market analysts Ovum, the major factors that affect consumer usage of these applications are largely driven by a lack of awareness amongst consumers and an overall clunky user experience. There are few truly universal options available to consumers that enable fast transfers using a mobile number, email address or social ID.

This has resulted in a fragmented P2P environment, where consumers are unsure of what's available to them, and lack confidence that these services will offer a good experience and send the money where they want it to go.[15]

In summary, Australia has taken steps towards enabling better push payment options that provide a seamless, secure experience on both sides of the transaction. But there remains huge scope to convince consumers to ditch cash for digital P2P channels and significant room for growth.

The opportunity exists now to complement these early services with platforms that enable near real-time payments – domestically, across institutions as well as internationally -- via a simple, user friendly and trusted interface.



[15] Ovum "The changing face of mobile payments" - August 2015

State of play in Australia

Australian consumer insights

Australian consumer insights

Australians are very quick to take up new payment services when they are widely available, and offer clear cut benefits and convenience. The huge success of contactless cards in Australia is the envy of most other markets.[16] Since the first contactless cards launched around the beginning of this decade, more than half of cardholders now make a contactless transaction on at least a weekly basis.[17]

There is now an appetite among Australian consumers for more convenient, faster, secure and low cost P2P payments.[18]

Australian consumers state[19] the most inconvenient P2P money transfer situations are:

42% Borrowing cash from others

32% Reimbursing friends or family for expenses paid on their behalf

32% Splitting bills at a restaurant

25% Paying tradespeople or other sole operators e.g. "market stall operator"

25% Paying friends/family who are on holidays or travelling overseas

24% Transferring money to or from friends or family who live overseas

16 http://www.nfcworld.com/2015/05/13/335191/australia-leads-the-way-for-contactless-ownership-and-usage/
17 Reserve Bank of Australia, "The Changing Way we Pay: Trends in Consumer Payments," June 2014 - http://www.rba.gov.au/publications/rdp/2014/2014-05/cards.html (accessed 1 October 2015)
18 Visa/UMR Strategic Research, Peer to Peer Payments, September 2015 (see appendix for more details)
19 Visa/UMR Strategic Research, Peer to Peer Payments, September 2015 (see appendix for more details)

State of play in Australia

Australian consumer insights

In these situations, the two most widely used forms of payment by a significant margin have been around for years, namely: cash (47 per cent) and direct transfer (EFT) from their bank account to another person's bank account (42 per cent). Lagging these methods were third party applications such as PayPal (28 per cent) and a bank's application (13 per cent).[20]

When paying friends or family travelling overseas, the trends are similar[21] with EFT transfers being the most popular (38 per cent) followed by cash (31 per cent) and third party applications (19 per cent).

In line with these findings, there is low usage of more advanced digital and mobile P2P systems currently available from financial institutions and third party providers in Australia.

Only 13 per cent of Australians have paid someone via email address, mobile number (11 per cent) or social handle from a bank (7 per cent).[22] Possible explanations for low take-up could be related to Australia still being in the early phases of P2P adoption, meaning there could be lack of consumer awareness or confidence in new solutions, or friction remaining in the current process.

[20] Visa/UMR Strategic Research, Peer to Peer Payments, September 2015 (see appendix for more details)
[21] Visa/UMR Strategic Research, Peer to Peer Payments, September 2015 (see appendix for more details)
[22] Visa/UMR Strategic Research, Peer to Peer Payments, September 2015 (see appendix for more details)

Micro businesses in Australia

Micro businesses are commonly defined as companies with fewer than five employees, including sole traders.[23] They make up the vast majority - 88 per cent - of actively trading businesses in Australia.[24]

According to APCA's 'Evolution of Cash' study, smaller retailers vary widely in how they prefer to accept payments.[25] Yet they all acknowledge that cash usage will decline in the coming years and electronic acceptance is growing in importance as a choice to offer customers.[26] In fact, customer preference is a key factor driving small businesses towards electronic payments, as they say they want to be able to accept payment in whatever form their customers want to use.[27]

However, there are barriers to electronic acceptance among micro businesses. They may lack the resources to invest in a full card acceptance infrastructure or indeed may not qualify a bank's minimum sales volume or risk profiles, so they're left to rely on cash payments or bank transfers which don't happen in near-real time.

Push payments open up opportunity for micro businesses to transact electronically without a complete merchant card facility.

[23] NSW Government small business tool kit, accessed November 2015
[24] Australian Bureau of Statistics, March 2015
[25] APCA, The Evolution of Cash, July 2014
[26] APCA, The Evolution of Cash, July 2014
[27] APCA, The Evolution of Cash, July 2014

State of play in Australia

Drivers of digital and mobile P2P payments

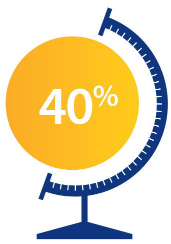
State of play in Australia

Drivers of digital and mobile P2P payments

Key drivers of demand for digital and mobile P2P payment systems among Australian consumers are:[28]

1. Speed

44 per cent are more likely to use systems if they reduced the delay in confirming transactions have been processed

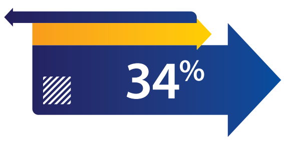


2. Reduced fees on overseas transactions

40 per cent are more likely to use systems if they make it less expensive to transfer funds to people overseas

3. Security

37 per cent are more likely to use systems if there are cryptographic payment protocols to secure validation of transactions e.g. fingerprints and biometrics



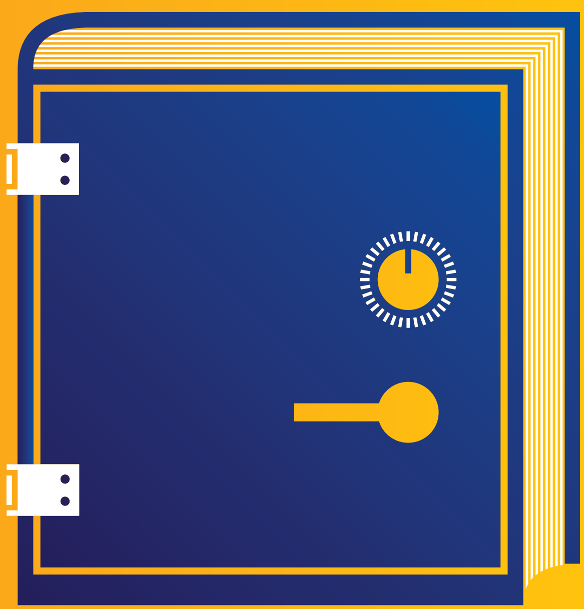
4. Faster overseas transfers

34 per cent are more likely to use systems that make it faster to transfer funds to people overseas

[28] Visa/UMR Strategic Research, Peer to Peer Payments, September 2015 (see appendix for more details)

State of play in Australia

Barriers to digital and mobile P2P payments



State of play in Australia

Barriers to digital and mobile P2P payments[29]

Australian consumers are discouraged from using digital and mobile P2P systems due to:

1. **Perceptions around privacy and integrity of data**

   62%

2. **Currently uncomfortable with storing sensitive information on phone**

   53%

3. **Inconvenient systems** that require too much information e.g. security codes

   39%

4. **Charges and additional costs** – when asked if they wanted to pay for push payments, 63 per cent said no, however there was some interest in paying for privacy protection measures (22 per cent) and transfers that come through instantly (19 per cent)

   63%

5. **Convenience of existing methods**

   29%

6. **Awareness of existing services**

   18%

Note: securing the mobile enviroment

As payments technology evolves, security must evolve with it. Visa has led the industry collaboration on tokenisation, a new layer of security for payments. Tokenisation removes sensitive account information from the payments environment, opening up the ecosystem for new devices, like mobile phones, to securely make and receive payments.

[29] Visa/UMR Strategic Research, Peer to Peer Payments, September 2015 (see appendix for more details)

State of play in Australia

How fast is fast enough?

State of play in Australia

How fast is fast enough?

Speed of transaction was an important driver for uptake of push payment solutions, but just how fast is fast enough?

When asked to describe how fast consumers wanted P2P transactions to be, consumers were equally divided, with 28 per cent of respondents wanting them instantly and the same number being comfortable if funds arrived the next business day.[30]

28% P2P transactions instantly

28% P2P transactions next business day

In addition, when asked what services they would be willing to pay for, 19 per cent identified transfers that come through instantly.[31]

19% Willing to pay for instant transfers

The appetite for same day payments will undoubtedly grow as these services become more widely available and consumers come to expect it. Once consumers have a taste of near-real time payments there is no going back.

[30] Visa/UMR Strategic Research, Peer to Peer Payments, September 2015 (see appendix for more details)
[31] Visa/UMR Strategic Research, Peer to Peer Payments, September 2015 (see appendix for more details)

State of play in Australia

Social not so popular for payments

State of play in Australia

Social not so popular for payments

Social media usage in Australia is among the highest in the world, particularly Facebook. However, the majority of Australian consumers are not yet comfortable using social media for P2P payments.

Only 11% of Australian consumers were extremely or very interested in using social media to transfer money.

This could be in part related to lack of awareness and experience with the kind of social P2P solutions available in other markets.

Some segments did show a higher propensity to consider payments via social media, including people aged 25-34 years (23 per cent extremely or very interested) and people who earned $100K-$150K (20 per cent extremely or very interested).

Social media channels, including the likes of Venmo, Facebook, Snapchat, WeChat and even Gmail have recently emerged as the hottest space globally for P2P payments growth. These channels are benefitting from the huge network effect they already have in place, and the ability to make payments in a fun, seamless way. Key to Venmo's success has been its social functionality letting users add emojis and messages to payments, and share their payments activity with friends.

Competition in social media payments is now on the increase as these apps and services all aim to position themselves as fully fledged commerce and payment platforms. While Australians might not yet be comfortable with using social media to pay each other, as so often is the case with new technology, experience is believing. When solutions come to market that offer them a secure, reliable, easy to use payments functionality, the lesson learned in other markets is that consumers will jump on board.

P2P is often being used as a starting point to grow consumer payments use, and expand from there. P2P is the Trojan horse through which social media players are entering financial services. Social networks have transformed the way people communicate by delivering an intuitive user experience that inspires rapid consumer adoption. This same philosophy could prove true with facilitating payments: if it's easy to use, consumers will be more willing to use it.

Global trends

Global trends

Push payments a significant and growing market

Push payment services have grown at an enormous rate in recent years, driven by the development of online and mobile channels as consumers seek better, faster and cheaper ways of sending money. In many instances this is having a transformative effect on entire regions and changing the way consumers interact with their banks and other providers.

The growth in P2P payments has been hugely driven by the growth of online and mobile connectivity, and the availability of rich user experiences is growing. There are 1.7 billion active smartphones globally and this will rise by 55 per cent to 3.1 billion by 2019. By 2018 over half the world's phones will be smartphones, and this will grow demand for rich user experience P2P services.[32]

Emerging markets have seen the biggest impact from push payments, providing financial inclusion to millions previously reliant on cash. M-Pesa in Kenya is arguably the most successful push payment, if not mobile payment, service in the world today with half of Kenya's GDP passing through the platform in 2014. Similar services are now launching in other markets ranging from India and Afghanistan through to Eastern Europe and Latin America, creating a huge opportunity to grow both payments and the broader financial services market.[33]

In more developed markets P2P has proven a huge opportunity for startups like Venmo, specialists like PayPal, and many major banks.[34] In the UK for instance, Barclays Bank launched its hugely successful Pingit app in 2012. Heavily marketed when first launched, Pingit is a dedicated P2P app that enables any British consumer, including non-Barclays customers, to send and receive money to any other consumers. Since its launch it's been expanded to include overseas payments, and even in-store payments and has significantly expanded Barclays' visibility with consumers.

Active Smartphones Globally

32 Ovum Mobile Handsets Interactive Forecast Tool: 2013-20 – July 2015
33 Wikipedia definition of M-Pesa - https://en.wikipedia.org/wiki/M-Pesa (accessed 1 October 2015)
34 Ovum "The Strategic Implications of Mobile on the Payments Market" – June 2013

Global trends

Push payments a significant and growing market

In all markets, push payments are emerging as a cornerstone to broader payment plays by providers, and the functionality of these platforms is rapidly evolving.

What begins with basic P2P quickly expands into services such as mobile wallets, online commerce, rewards and loyalty, savings and even loans, as demonstrated by everything from PayPal's push into in-store payments, to M-Pesa's development of its M-Shwari savings service.[35]

The key challenges facing all push payment services include the regulatory and money license challenges of sending money both domestically and cross border. Not just anyone can launch a push payment service, and this is particularly true for sending money cross border. As a result the international opportunity remains untapped in most markets and explains why PayPal spent $900m acquiring remittance P2P provider Xoom in 2015.[36]

A major challenge even services like PayPal face is how to get money in and out of a push payments platform. Many services operate as a 'book transfer of funds' whereby funds circulate within a platform, with additional fees or complex steps required to move this to outside accounts or cash out. Push payment platforms which can simplify how users can access their money hence hold an advantage.

Central to Pingit, and other platforms success has been a heavy focus on a seamless customer experience and simply ensuring that customers are aware these services exist. With hundreds of millions of apps available, gaining that initial attention and registration to a push payment service is the biggest stumbling block any platform faces.

Push payment services thrive on network effects and users knowing other users. This can rapidly make growth in push payments exponential, with services such as Venmo reporting a quadrupling in transaction volumes over 12 months.[37] First movers can gain a major advantage in gaining critical mass through a well-known brand and an easy to use service.

[35] Ovum "The changing face of mobile payments" - August 2015
[36] Business Wire, 'PayPal Acquires Zoom' July 2015 - http://www.businesswire.com/news/home/20150701006690/en/PayPal-Acquire-Xoom#.VgttteyqpBc (last accessed 1 October 2015)
[37] http://www.businessinsider.com.au/venmos-new-segment-and-its-future-2015-8

Global trends

The Visa Direct global experience

Global trends

The Visa Direct global experience

Visa Direct is available in 30 countries around the world, in partnership with more than 100 financial institutions. According to IPSOS research[38] in the UK, the strongest drivers to use Visa Direct are:

- Brand trusted by consumers for secure transactions
- Speed of fund transfer
- Relative simplicity of the transfer process

In the United States, push payments are at a tipping point of significant growth as new players like Square and Venmo gain traction, especially among millennials. US households made more than USD $1.2 trillion in P2P payments in 2014, an increase of around 40 per cent since 2010.[39] While the majority of the push payment programs are in P2P today, big opportunities exist is in funds disbursements (estimated to be worth around US$2.8 trillion)[40] and small business payouts (around US$6 trillion), which still rely heavily on cash and cheques.

Drilling down into the Asia Pacific (AP) market, more than 50 million consumers in six countries/territories in the AP can send money through over 15 live Visa Direct programs available in the region.

Key partners include ICBC Bank in Mainland China; DBS, Standard Chartered Bank, Maybank, and OCBC Bank in Singapore; Taishin International Bank in Taiwan; Maybank in Malaysia and ICICI Bank and State Bank of India in India.

[38] Ipsos research, July 2015
[39] Faster Payments Roundtable, 2014
[40] Faster Payments Roundtable, 2014

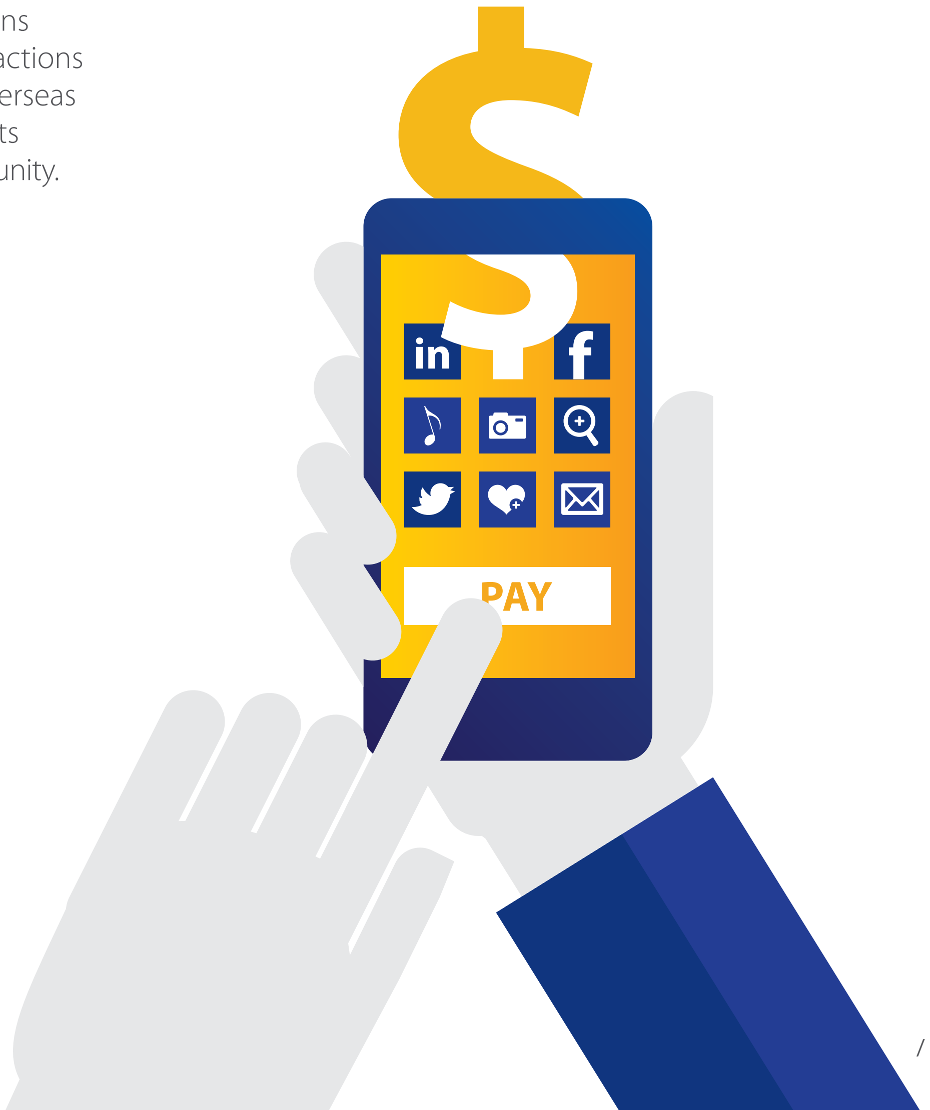
Global trends

The Visa Direct global experience

Consumer preferred channels for payment in these markets are typically online banking and self-service kiosks, however, mobile is becoming more relevant.

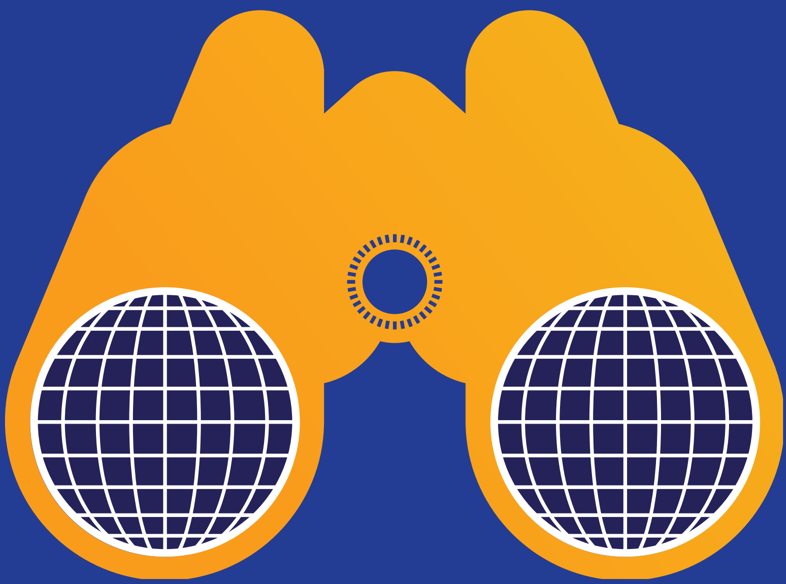
In 2015, Visa also announced mVisa, a new branded payment service in emerging markets to accelerate the global migration to digital commerce. Currently being tested in the Bangalore region, mVisa enables consumers to make payments via their mobile or feature phone to other Visa account holders and merchants.

Financial institutions that offer solutions based on Visa Direct, are seeing transactions taking place in both domestic and overseas push payments, with mobile payments presenting the greatest growth opportunity.



Untapped opportunities

What are the biggest Australian market opportunities?



What are the biggest Australian market opportunities?

1. International push payments

Historically, international money transfers have been expensive and cumbersome - often involving a visit to a branch, costly third party payments and other barriers. Specialist money agents have been used for decades by many but these remain very expensive, with rates of up to 10-12 per cent of the transaction value, and they are reliant on large networks of agents on the ground to actually disburse funds.[41]

The opportunity in international P2P is expanding at a breathtaking rate. The total value of global P2P payments more than doubled from 2005 to 2015, to reach US$476 billion, and is forecast to grow another 54per cent by 2020 to reach US$745 billion. The rate of growth in Australia has been even higher with outbound remittances growing more than fivefold since 2005 and is forecast to reach near US$9.7 billion in 2015. Australia is forecast to double this again by 2020 to reach US$19.8 billion.[42]

But providers need to get it right for the consumer. Research by analyst house Ipsos[43] in the UK showed that the biggest frustrations consumers face with international money transfers are fees (exchange rates, transaction and conversion fees) and waiting periods (up to five business days).

37% Secuity mattered on overseas payment method

15% Speed of transfer

15% Fee/Cost

In the UMR Strategic/Visa survey,[44] it is clear that security matters most when Australian consumers chose an overseas payment method (37 per cent), followed by speed of transfer (15 per cent) and fees/costs (11 per cent). According to this research, the most popular countries for Australians to make overseas payments are: USA, UK, Southeast Asia (including Thailand, Cambodia, Vietnam, Indonesia, Thailand, and Philippines), China, and India.

41 Datamonitor Financial "P2P Payments: Three Key Lessons for Profiting from P2P"- December 2012
42 Worldbank Migration & Remittance Data, and Ovum Forecasts
43 Ipsos, July 2015
44 Visa/Strategic Research, Peer to Peer Payments, September 2015 (see appendix for more details)

What are the biggest Australian market opportunities?

2. Business to consumer payments

Government departments and businesses, both large and small, are often called upon to make low frequency payments direct to consumers.

According to the Reserve Bank of Australia (RBA),
"Fast retail payment systems can benefit end users of payment systems, and also payment providers themselves... by replacing the use of relatively costly cheque payment with near real-time transfers using a payment application on a mobile device."[45]

The RBA also notes,
"In a number of countries including Australia, the electronic payment systems used by businesses have provided only very limited capacity to carry additional information – typically 16-20 characters. This is one reason why cheques have been used rather than electronic payments in some circumstances, as additional information can be provided by writing on the back of the cheque, by attaching written information... or via a perforated form."[46]

Most common applications in government and corporate sectors that could take advantage of online and mobile P2P payment services include:

- Government agencies issuing payments
  e.g. Medicare
- Insurance companies issuing a payout
- Gift card payments
  e.g. major retailer can push a voucher direct to card account
- Prepaid travel cards
- Sharing economy payments
  e.g. Uber paying a driver direct to his/her card account
- Disaster recovery and emergency relief programs
  e.g. pushing funds in near real-time to the credit or debit card accounts of people in need

[45] "Fast Retail Payment Systems," Stephanie Bolt, David Emergy and Paul Harrigan, Reserve Bank of Australia Bulletin, December 2014 - www.rba.gov.au/bulletin/2014/dec (accessed 1 October 2015)
[46] "Fast Retail Payment Systems," Stephanie Bolt, David Emergy and Paul Harrigan, Reserve Bank of Australia Bulletin, December 2014 - www.rba.gov.au/bulletin/2014/dec (accessed 1 October 2015)

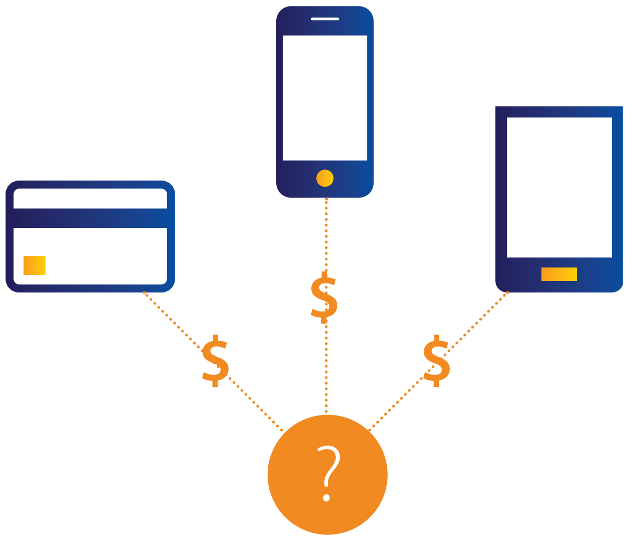
Untapped opportunities

What are the biggest Australian market opportunities?

3. Consumer to business payments

Cash use is declining in Australia. The 'market share' of cash relative to other payment methods is projected by the Australian Payments Clearing Association (APCA) to fall around three per cent each year until 2018.[47]

As consumers turn increasingly towards electronic payments, they expect to be able to use their method of choice – whether a card, smartphone or future connected device - at the businesses they frequent.



Push payments open up opportunity for businesses that have traditionally been dependent on cash, like micro businesses, sole traders or market stallholders, to accept electronic payments.

Consumer to business payments work using push payments through mobile app interfaces. The consumer initiates and authenticates the payment on their mobile device and the business receives the payment in real time with notifications on their merchant mobile app. This enables micro businesses to accept digital payments without the need to invest in full electronic acceptance infrastructure.

[47] APCA, The Evolution of Cash, July 2014

Conclusion

Conclusion

While it is difficult to quantify Australian demand for push payments, overseas experience combined with Australian consumer insights, show there is a significant Australian market opportunity.

There are solutions available in this market but uptake is low, with research indicating this is largely due to concerns about the costs, speed, security and convenience of current market offerings.

The time to act on push payments in Australia is now, and experience shows, the factors that affect success will be gaining attention and removing payment friction. Ultimately consumers want a service that 'just works,' preferably with a brand they know and trust, with an easy means to access their funds. Building this up from scratch can be difficult, but as Venmo or Square Cash show this is achievable. Banks still have everything to play for here, and developing a strong push payments service now will lay the tracks for further growth and payments evolution in future.

The Australian market is surprisingly underdeveloped for push payment services, and yet the scope for growth is enormous in terms of both domestic and international payments. As the growth of contactless shows, Australians are ready to take up new services very quickly if they meet a need and provide a great experience – something new market entrants are keenly aware of. Now is the time to act on push payments before someone else does.

Research methodology

The UMR Strategic Research on peer to peer payments, commissioned by Visa, was based on a nationally representative sample of more than 1,000 Australian consumers aged 16 years or older. Fieldwork took place between the 11 and 15 September 2015.

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