

A New Push for Push Payments

*The unique value of card-based real-time payments
for financial institutions and their customers*

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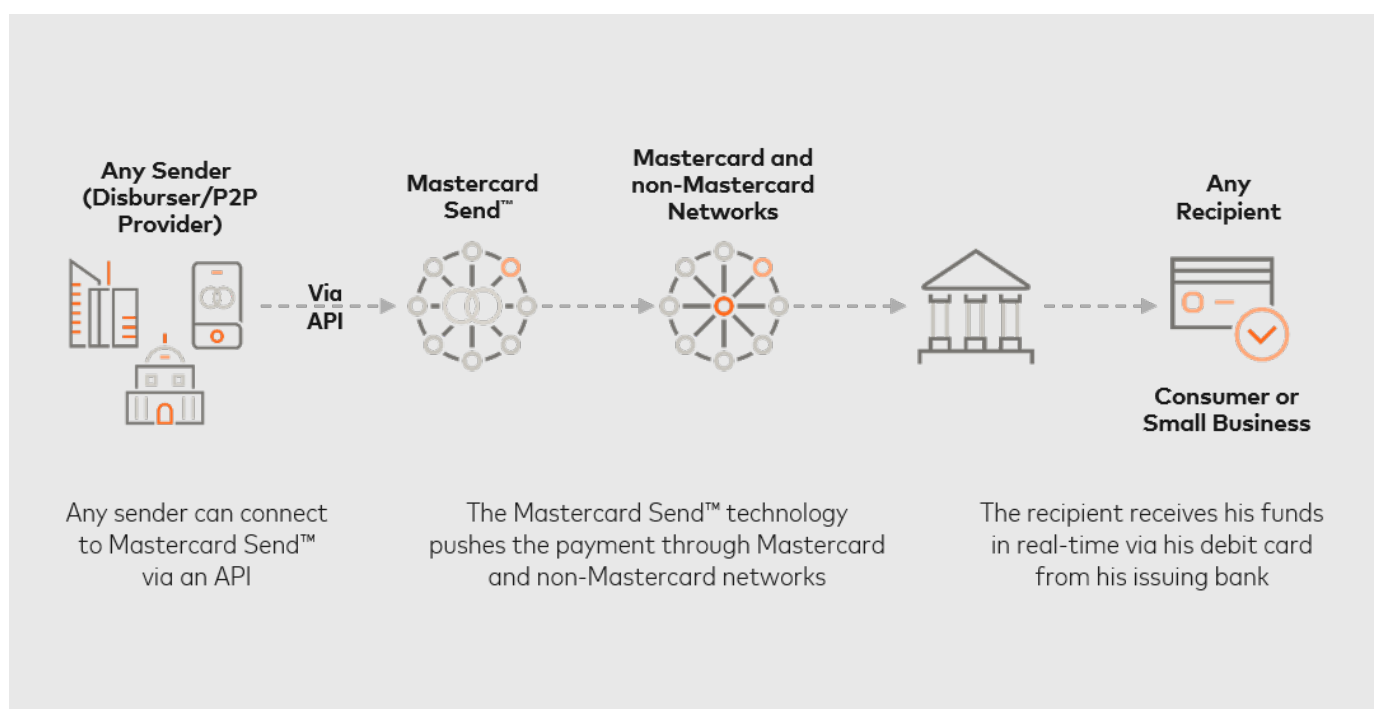
Introduction

Real-time payments are experiencing increased demand worldwide, as they deliver significant value to all participants in the payments ecosystem. Financial institutions, digital giants, social platforms, and third-party service providers are leveraging real-time payment technology to offer a variety of solutions, including person-to-person (P2P) payments and business-to-consumer (B2C) disbursements.

In many cases, financial institutions are meeting increasing demand for real-time payments by investing in real-time interbank systems. In some countries, these investments are driven by government mandates, as governments seek to (a) shift their economies away from cash and (b) speed up the flow of payments to and from their own constituents. At the same time, many financial institutions are adopting card-based real-time payment solutions, as card-based payments offer both card issuers and consumers benefits that complement their interbank equivalents.

Card-based push payments enable participants to send funds directly to consumers and small businesses via their payment card accounts. Receipt of funds via a payment card – typically a debit card linked to a deposit account – makes for a seamless consumer experience, primarily because individuals have easier access to their card information than to their bank account details. Importantly, the receipt of funds via a consumer's debit card has been shown to create increased engagement with that card, resulting in incremental card usage and incremental revenue for the card issuer.

Mastercard offers a real-time¹ global push payment solution called Mastercard Send™. This solution enables debit card issuers to offer real-time payments to debit cardholder accounts. The diagram below illustrates the Mastercard Send™ push payment transaction flow.



¹ Posting times depend on the receiving financial institution and routing network.

Proving the value of card-based push payments

A recent Mastercard analysis offers proof for issuers of the positive impact of card-based push payment programs. The analysis found that in addition to providing a superior consumer experience,

push payments to debit cards result in incremental transaction revenue for card issuers – which can, in turn, strengthen customer engagement and loyalty.

Methodology

The Mastercard study compared the behavior of debit card users who became active in real-time card-based payment programs with those who did not. Three push payment scenarios were analyzed: Uber driver disbursements, Google Pay cash out payments, and Rapid Merchant Settlement. In each scenario, a test (program user) group was compared

to a non-user control group. The groups were constituted such that their aggregate transaction behavior was similar during the pre-activation period. Once members of the test group became active push payment users, however, their debit card usage increased measurably.



Scenario One:

Uber drivers who receive instant payouts use their debit cards 20% more

Challenge:

Previously, Uber drivers had to wait up to one week to receive their pay in their bank accounts.

Solution:

Uber introduced a new feature called Instant Pay that allows drivers to receive their pay to their debit cards in real time, leveraging a partnership with Green Dot and Mastercard Send™ technology. To date, hundreds of thousands of drivers have enrolled, resulting in \$5+ billion in instant payouts.

Study Results:

Compared with the average control group cardholder, a first-time Uber Instant Pay cardholder transacted 23.5 more times **(20.2% lift)** and spent \$767 more **(20% lift)** over the 4-month post-activation period. The majority of the incremental activity occurred at the point of sale (average of 18.6 incremental transactions), followed by e-commerce (average of 5 transactions) and ATM withdrawals (average of 0.5 transactions).



Scenario Two:

Google Pay customers spend 13% more on their debit cards

Challenge:

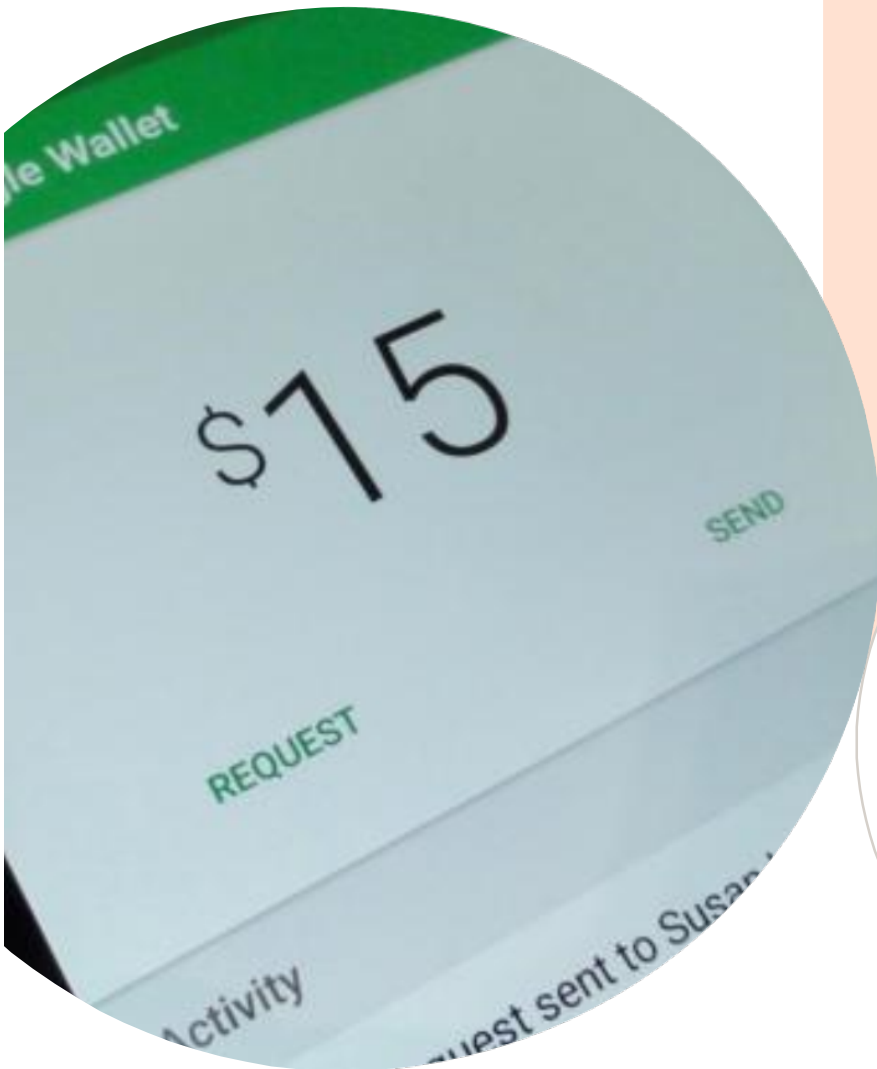
Google Pay users previously had to wait two to five business days for their funds to transfer from their wallets into their deposit accounts.

Solution:

With Mastercard Send™, a Google Pay user can now move funds from her wallet into her bank account in real time via her debit card.

Study Results:

Compared with the average control group cardholder, a first-time Google Pay user transacted 7.85 more times **(6.5% lift)** and spent \$539 more **(13% lift)** over the 4-month post-activation period.



Scenario Three:

Small business customers who receive Rapid Merchant Settlement funds via push payments to debit cards spend 46% more on those cards

Challenge:

Small businesses need quick and easy access to the proceeds from sales to maintain enough working capital for daily operations. Once a merchant's acquirer or processor has sent a payment, it typically takes two to five business days for the merchant to receive the settlement funds.

Solution:

By leveraging a Mastercard Send™ solution called Rapid Merchant Settlement, acquirers and processors can now push settlement funds to small business customers' accounts immediately via their debit cards. Receipt of settlement funds in real-time significantly improves merchant liquidity and cash flow.

Study Results:

Compared with the average control group cardholder, a first-time Rapid Merchant Settlement customer transacted 17.1 more times **(16% lift)** and spent \$1,909 more **(46% lift)** over the 4-month post-activation period. The majority of the incremental activity occurred in the e-commerce category (average of 11.2 incremental transactions), followed by POS (average of 4.1 transactions).



Enhancing the consumer experience

Consumers are adopting electronic push payments to an increasing extent, reflecting the greater convenience of electronic funds transmission. In a 2017 Fiserv survey, 54% of consumers who had received cash or check disbursements from businesses said they would prefer electronic disbursements.

Card-based push payments offer consumers an especially convenient payment experience. Recipients need only provide their 16-digit account number, or PAN, meaning they do not need to have ready access to checking account and routing

numbers. In some cases, recipients have the option of providing an alias linked to the debit card number (e.g. a phone number), which can make the experience even easier.

The set-up process for card-based push payments is easy and straightforward since consumers frequently have quick access to their debit card numbers. The user-friendly card-based process increases consumer engagement, which in turn boosts follow-up spending, loyalty, and top-of-wallet status.

"Google Pay provides users a simple way to use debit cards to send and receive money. Users can attach money to email, text and instant messages, whichever way they prefer to communicate with friends and family. This behavior drives engagement, repeat usage and ultimately millions of transactions."

– Sam Kansara, Google Pay P2P Product Lead

Call to action: Financial institutions can profit by offering card-based push payments

The Mastercard analysis proves that investment in card-based push payments can generate incremental debit card revenue for card issuers and strengthen their core debit business. Activating debit cards for use in push payments also increases cardholder engagement and card preference. The financial upside, combined with a seamless cardholder experience and strengthened customer

relationships, makes it compelling for every issuing financial institution to participate in card-based push payments.

Mastercard Send™ enables issuers around the world to take advantage of the unique benefits of card-based push payments. For more information, please contact your Mastercard account representative.



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