



# Forum Usług Płatniczych

29-10-2020

**VISA**

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# Digital has changed the world

The ongoing development of digital technology has changed everything



# Europe is no exception to significant growth in online spend

**475m**

Online commerce users in 2019<sup>1</sup>



**715m**

projected by 2024<sup>2</sup>

**\$1.9t**

Online transaction volume projected in 2020<sup>2</sup>



**\$2.9t**

projected by 2024<sup>2</sup>

The growth rate of card-not-present Visa volume was **4x** that of face-to-face volume in Europe in 2019<sup>3</sup>



Sources:

1. Juniper Research, Digital Commerce Key Trends, Sectors & Forecasts 2019-2024. As of 2020, is 482m

2. 2021-2024 CAGR for Europe, Juniper Research, Digital Commerce Coronavirus Analysis Impact Assessments & Market Forecasts 2020-2024

3. VisaNet data, CY19 for Germany, Italy, Poland, Ireland, Romania, Sweden, UK, France, Spain and Turkey, consumer cards (note: for markets where Visa doesn't process domestically, used only XB active cards)



Large platforms are growing the fastest and crossing borders, raising the bar for merchants everywhere

The top 10 merchants grew 2x more than total online volume in the two years ending May 2020.<sup>1</sup>



# A “new normal” behavior has emerged for online during COVID



Online purchase of groceries and essentials



Online food delivery services



Video conferencing with family and friends



Online fitness classes – e.g., Yoga, fitness workouts



Telemedicine – remote medical consultation & wellness services



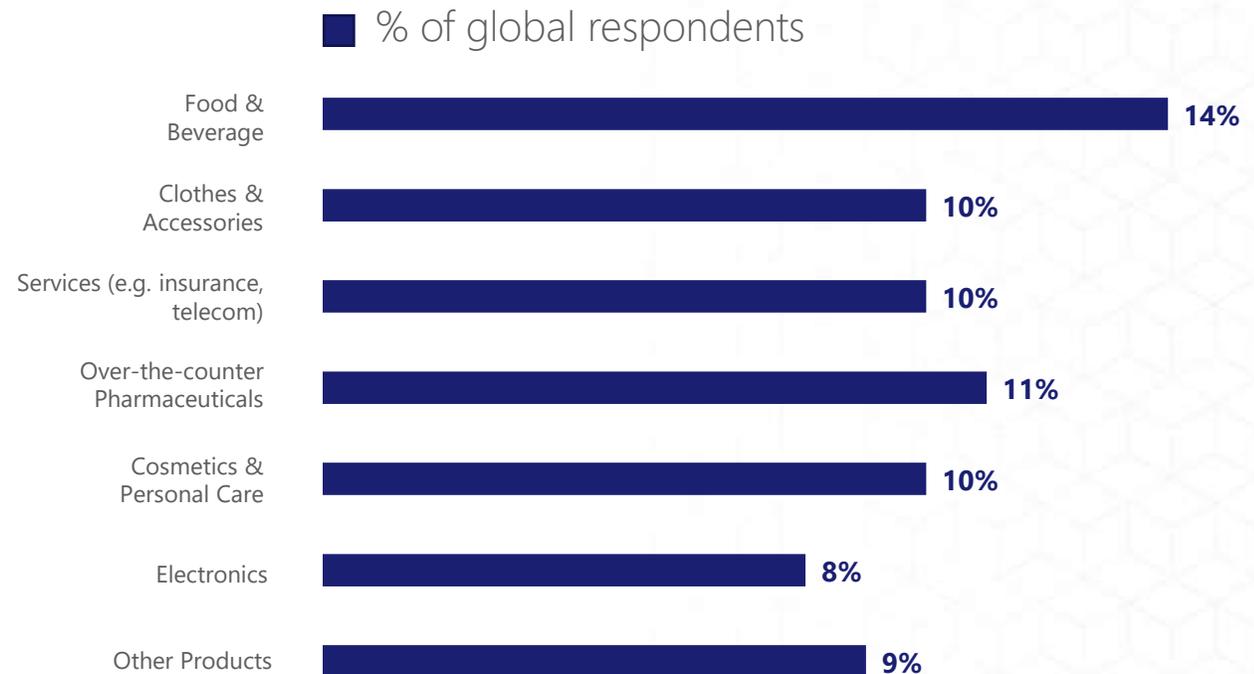
Online education – schools, universities & hobby learning



# Online commerce has only further accelerated during COVID and drawn in new consumers

First-time shoppers have come online across categories

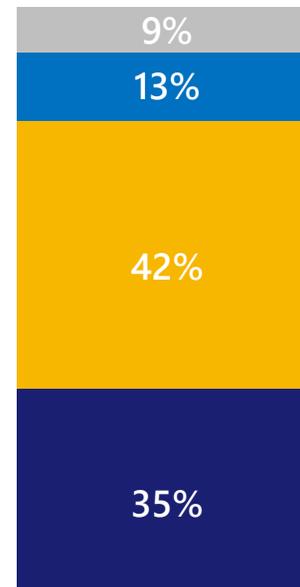
**Survey:** In March '20, I made a purchase of this online for the first time in my life...



# The majority of new-to-online consumers state their behavior has been **changed forever**

With 78%<sup>1</sup> of first-time shoppers expecting their online shopping to stay the same or increase in the future

**Survey:** In comparison to March '20, my future online purchases will...



% of global respondents

I don't shop online

Restore to before Mar 20

Stay the same

Increase



# To unlock online commerce, sellers must address a range of **new complexities**

## Necessities

- **What is the best way to meet changing demands of regulators?** Comply with changing regulation (e.g. SCA, GDPR) without adding friction to the shopping experience
- **How do I localize my strategy to gain consumers as I expand geographically?** Navigate local market nuances and consumer behaviours
- **How should I balance improving authorisation with combating fraud?** Manage fraud & friendly fraud without adding undue friction or operating costs

## Differentiators

- **How do I stand out and gain repeat customers?** Provide a great consumer experience, recognizing that consumers can easily compare substitutes across online platforms
- **How should I manage omnichannel experiences, and which form factors should I enable?** Compete on new form factors – like mobile, video, Instagram, IoT, and connected home
- **How do I use data to personalise my experience?** Smartly use data – acknowledging that competitors may have moved to AI and personalized offerings – while managing data privacy



# Applying the SCA is one of such complexities



# The Polish market: let's test the parachute before we jump



The entire payment ecosystem should start using the new authentication solutions (EMV 3DS, exemptions, soft declines) to test them while they can still use 3DS1 as a backup.

Starting to use EMV 3DS now will enable the issuers to build risk assessment policies and models necessary for the Transaction Risk Analysis exemptions.

The industry is relatively ready – according to VISA data, 100% acquirers and 77% issuers (by transaction volume) have implemented EMV 3DS by now<sup>1</sup>. However, the actual usage of EMV 3DS is in low single digits.



# The Polish market: we should at least maintain the current UX level



Currently about 30%<sup>1</sup> eCom transactions in Poland are going through strong authentication, driven by acquirers' and merchants' choice. **Still, Poland has one of the lowest fraud rates in Europe.** After January 1st, this rate will be mostly driven by issuers.

Abandonment rate for 3DS1 we see now is not higher than 5% which is a good result. However, this is based on just 30% of strong authentication<sup>2</sup>.

After Jan 1st, the abandonment rate might increase (we estimate as much as 7-10% initially) due to a more difficult 2-factor process, but this rate will be applied to 100% transactions, if issuers do not use TRA and exemptions.

This means much worse UX and much higher loss of transaction volumes.

Our priority should be to at least **maintain the current customer service levels.**



# The Polish market: what should be done

**Start using EMV 3DS as soon as possible!** VISA can help with the interactions between acquirers and issuers to properly calibrate this process.

**Start the risk scoring engines/procedures** and start training them properly (while 3DS1 is still an option).

**Fully use SCA exemptions:**

- Merchant Initiated Transactions (properly flagged);
- Transaction Risk Analysis (both acquirer initiated and issuer initiated).
- Test soft declines

