

3 ways to leverage existing payment infrastructures for new functions

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PAYMENT

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Since its introduction in the 1970s, card payment has experienced almost unimaginable success. Today, there are billions of cards and millions of terminals around the world. Until now, this infrastructure has been used for one sole purpose: to execute a payment transaction from a consumer to a merchant. However, in recent years we have seen some very interesting examples of how this infrastructure can be leveraged beyond its original purpose.

1/ Person-to-person payments

When cards are used to pay a merchant, the merchant “pulls” money from the card. Not long ago, Visa (with Visa Direct) and MasterCard (MasterCard Send) added the “push” functionality to the traditional “pull.” This means that cardholders can push money from their card to a friend’s card. A very successful P2P payment example built on this technology is Facebook/Messenger, where you add your card to the app, and simply tap \$10 in your chat with your friend, to pay the 10\$ you owe him or her. Recently, Google announced that it will introduce a similar offer via Gmail.

Another way to use the push payment is for what is called the sharing economy. Uber drivers can receive their outstanding balance instantly when Uber pushes the money to the driver’s payment cards. Yet another use case is remittance. A person working in one part of the world can push money from a card to the card of a family member, living somewhere else in the world.

2/ Apps integrated in terminals

Not long ago, we got used to apps on our smartphones that helped us with virtually every element of our life. In a similar way, apps are now starting to emerge on payment terminal screens. Verifone and MasterCard have launched an installment app. The cardholder inserts a card into the terminal to pay for a purchase and is offered various installment options via the terminal screen. There’s no need for the consumer to go through an additional (and potentially embarrassing) process in front of the rest of the customers in the store. Everything is handled discretely, seamlessly and quickly in interactions with the terminal screen. Early adopter merchants have also started to use the terminal as an interface through which they manage loyalty programs and communicate special offers to their customers.

3/ Social benefit distribution and proof of liveness

Many developing countries are facing two significant challenges in distributing social benefits (e.g. pensions) to their citizens: the pensions being distributed to deceased citizens and unauthorized persons accessing the pensions. The recent development in cards with biometric authentication promises an elegant solution to these challenges. Such a card is issued to citizens eligible for pensions, and the biometrics of the citizen are stored on the chip of the card. The pension is then distributed to the card. The card can be used in any existing payment terminal, and the biometric authentication guarantees that the payment is performed by no one other than the alive eligible (and still alive) holder.

In contrast to many other areas of the payment evolution, leveraging the existing payment infrastructure is less about new ways of carrying out the payment and more about how the infrastructure can be used for other functions than payment itself.