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MARKETING OF PAYMENT CARDS

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OUTLINE OF THE LECTURE

1. Selected basic terms
2. Payment cards definition
3. Trends in payment cards area
4. Biometric identification methods



1. SELECTED BASIC TERMS

- **ATM** - (automated teller machine) - it enables to withdraw from or deposit cash using a credit card, it also provides non-cash functions (account statements, change of PIN, payment order, ...)
- **Cash Advance** - cash payment at your bank or exchange office after submitting of the payment card (identity card, a high fee)
- **CashBack** - cash withdrawal at the point of sale
- **POS terminal** - a terminal at the point of sale
- **PIN** - (personal identification number) - security code is used as a protective element for communicating with the bank
- **SBK** - Bank Card Association (www.bankovnikarty.cz, www.cardmag.cz)

2. PAYMENT CARDS DEFINITION

- Electronic means of payment \Rightarrow "plastic money"
- Small plastic card provided with identification data of its owner.



TYPES OF PAYMENT CARDS ACCORDING TO:

- issuing association (Eurocard / Mastercard, Maestro, VISA, American Express, Japan Credit Bureau, Diners Club International),
- the way of charging (debit, credit, charge, prepaid),
- location of application (domestic, international),
- the way of mechanisms (electronic, embossed)
- technology (virtual, contact, contactless 👍).



3. ACTUAL SITUATION IN PAYMENT CARDS AREA

- The popularity of **credit cards** (popularity of supplementary services).
- **Contactless payments** – necessity during pandemic!
- The **mobile phone/wearables** as "Bank in your pocket!" (Scanning bills, search for ATM, branch, discounts, QR payments, travel insurance, credit cards image, pay Now, search for the lowest prices, the possibility of payment ...).
- **Card customization** - more attractive designs and a variety of payment cards (such as payment cards with your own images, pictures, shapes, illuminating cards, with the smell).

ACTUAL SITUATION IN PAYMENT CARDS AREA

- Use of **business payment cards** - for the purpose of companies operating costs covering.
- The increase of **prestigious cards** and extension of additional services so called „concierge“.
- The increase of so called **co-branded payment cards** - cards in connection with loyalty program.
- **Prepaid payment cards.**



TRENDS IN AREA OF PAYMENT CARDS

- **Comfortable ways of using the ATM** – Drive-Thru (the first in the US in 1946), VTM.
- Development of **other financial services** provided to a payment card – travel insurance, assistance services, discount programs ...
- Supporting the **growth of payments via the Internet** - a virtual payment card – strict legislation – EU, two-factor authentication
- **Integrated payment card** (ID card, ticket, sports facilities, cultural events, health insurance, electronic wallet,).
- **Ecological** point of view – CSR in the financial services.

ACTUAL SITUATION IN PAYMENT CARDS AREA

- The pressure on **better security** against misuse (introduction of biometric methods - biometric signature, voice, fingerprints, iris, hand geometry, face, heart rate ...).
- **Misuse of electronic distribution** (skimming, SMShing, phishing, cash trapping, ...).
- **More services in the ATM** - a payment order, mini statement print, charging of phones, cash recycling (possibility to deposit cash into the ATM), loans offering, the choice of form of banknotes etc. ⇒ the future belongs to the multi-function ATM!



ATM

- Recycling ATM (money back into circulation).
- Mobile ATM (summer festivals), marketing presentations of banks.
- USA - drive-in ATM (the principle of fast-food chains).
- VTM (Virtual Teller Machine, China, Huawei) - a multi-purpose self-service virtual office. The virtual bank branch with lower costs, video technology, biometrics, electronic signature technology, advanced printing (credit card), ...



MARKETING OF PAYMENT CARDS

VTM



CREDIT CARDS

- Today dynamically growing instrument.
- The debit card is linked to bank account X the credit card is not linked to bank account and this is the type of loan!
- Revolving credit is a line of credit where the customer pays a commitment fee and is then allowed to use the funds when they are needed. It is usually used for operating purposes and can fluctuate each month depending on the customer's current cash flow needs. Revolving lines of credit can be taken out by corporations or individuals.
- Used to support the payments at retailers X withdrawal of cash (expensive).
- Additional services, marketing potential.

PREPAID PAYMENT CARDS

- It is a credit card that is not linked to a bank account or credit limit.
- Disposable, rechargeable.
- Replacement of cash, spending under control.
- In the Czech republic is not implemented now.



PREPAID PAYMENT CARDS

- **Comfortable cards** - perfect for those who want to divide or split their payments with card.
- **Cards for young people** - especially designed for people at a younger age, when parents can control and monitor their spending.
- **Gift cards** - a safe, convenient and fun way to give money to your friends or family members.
- **Travel Card** - a prepaid card for payments abroad, which allows to allocate a certain amount of payments during the holiday.
- **Virtual Card** - prepaid card account specifically designed for Internet payments.
- **Payment of targeted social benefits** (only for clothes, food, etc.).
- **For clients without current bank account.**

COBRANDED PAYMENT CARDS

- Co-branded cards are issued by most banks together with a business partner (retail chains, travel agencies, pension funds, insurance companies, etc.).
- In the 80s of the last century, there was strong competition environment in financial market. Therefore banks began to look for new marketing. The first co-branded card was issued in 1986 by the US Marine Midland Bank together with Continental Airlines - this type of card has been issued under the MasterCard brand.
- Using of co-branded cards clients normally obtain certain benefits in the form of discounts, loyalty benefits, preferential procurement and so on. Some co-branded cards offer the advantage of a refund of a percentage of each purchase (so-called CashReturn) to the account - for example, a pension fund or insurance company.
- The Bank may attract new clients and nonbank partner expands its participation in sales volume, increasing fame of its brand, ...

COBRANDED PAYMENT CARDS - EXAMPLES



BUSINESS PAYMENT CARDS

- The company needs a payment card to cover expenditure mainly for small goods and services - company chooses a debit business card.
- The company wants to use the card to obtain favourable short-term loan, respectively to provide the card to its employees - company chooses a credit business card.
- For larger companies: possibility to gain advantages when paying with card for higher volume of goods and services. Possibility to use business payment cards with the own design of the company.
- 90 % of large companies use the business payment card.

BUSINESS PAYMENT CARDS

- **Optimizing of cash flow**, because the company can use both private as well as short-term interest-free credit financial sources.
- **Simplification of the administrative** associated with employees' expenditures.
- **Increased safety** because employees do not have to handle with cash (usage for business trips).
- **Control under financial flows** because the expenditures paid with business cards are easily traceable and verifiable.
- The business card can have its own financial limit.
- The possibility to obtain **additional services** (insurance, roadside assistance, loyalty programs, ...).

PRESTIGIOUS PAYMENT CARDS

- Mainly used to pay for goods or services and for cash withdrawals from ATMs, more frequent use for payments abroad (especially for payments at petrol stations and for accommodation) and also for online purchases of airline tickets.
- Extensive security service (continuous customer service, where clients can report the loss or theft of credit cards, but they can also apply for the issue of a replacement card within 48 hours, if necessary, they can obtain additional cash within 24 hours).
- Quality travel insurance, other types of insurance, extensive assistance services.
- Different types of discounts, benefits, extra services.
- Own requirements for making cards.
- Prestige, the image of the card owner.
- „Concierge services“.

CONTACTLESS PAYMENT CARDS



Contactless chip (NFC)



Near Field Communication

globalpayments
Europe

Source:



Mobile Payments
(NFC chip)



Wearables

Contactless payment
cards

Contactless stickers

CONTACTLESS PAYMENT CARDS

- Quick, easy, convenient, safe (up to CZK 500 without PIN).
- ATMs and payment terminals for higher amounts = contact chip or magnetic strip.



MULTIFUNCTIONAL PAYMENT CARDS

- Combination of payment cards, short-term credit, tickets, identity card, rewards program and discounts, etc.
- OPUSCARD (Liberec Region) - 10% discount on the fare within subscription, library card, boarding card at schools, credit card (Citibank), Benefit program (discounts on leisure activities).
- OCTOPUS CARD (Hong Kong) - contactless payment card for fare payment, prepaid payment card.
- BRATISLAVA CARD - contactless payment card, public transportation card, library card, loyalty and discount card
- OYSTER CARD (London)
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ECO-FRIENDLY PAYMENT CARD

- 2020: An eco-friendly recycled PVC payment card is one of the most recent innovations produced and supplied by IDEMIA, whose goals, like ČSOB, include environmental protection. To achieve this goal, IDEMIA has used sustainable resources and applied measures to reduce plastic waste and single-use plastics, etc.
- According to the current statistics of the Bank Cards Association, banks in the Czech Republic issue more than 3.5 million cards every year, each card using approximately 7 g of plastic. This is over 24 tons of plastic produced annually for this single-use plastic.
- ČSOB is the first bank in the Czech Republic to make such a significant step towards reducing this ecological burden to save non-renewable resources, reduce the carbon footprint, and re-use plastic waste to issue new cards.



4. BIOMETRIC IDENTIFICATION METHODS

- Biometrics is a set of scientific knowledge, based primarily on statistical and analytical approach. The measurable characteristics of living organisms are the subject of investigation with the aim of their subsequent identification or verification.
- Identification/verification of people according to the unique physiological characteristics of humans.



THE USE OF BIOMETRICS IN FINANCIAL SERVICES

- Verifying of actually present owner of the financial services (payment card) – it is non-transferable.
- High speed and accuracy of identification.
- Very easy and fast to use.
- It is not possible to forget or lose.
- It is variable - different body parts can be identification (eyes, finger, palm ...).
- Object of verification cannot be stolen or imitated.
- Identification may be faster than using a PIN.
- The part of multifactor verification.



**BIOMETRICS = SECURITY + HIGHER COMFORT OF FINANCIAL SERVICES
USE**

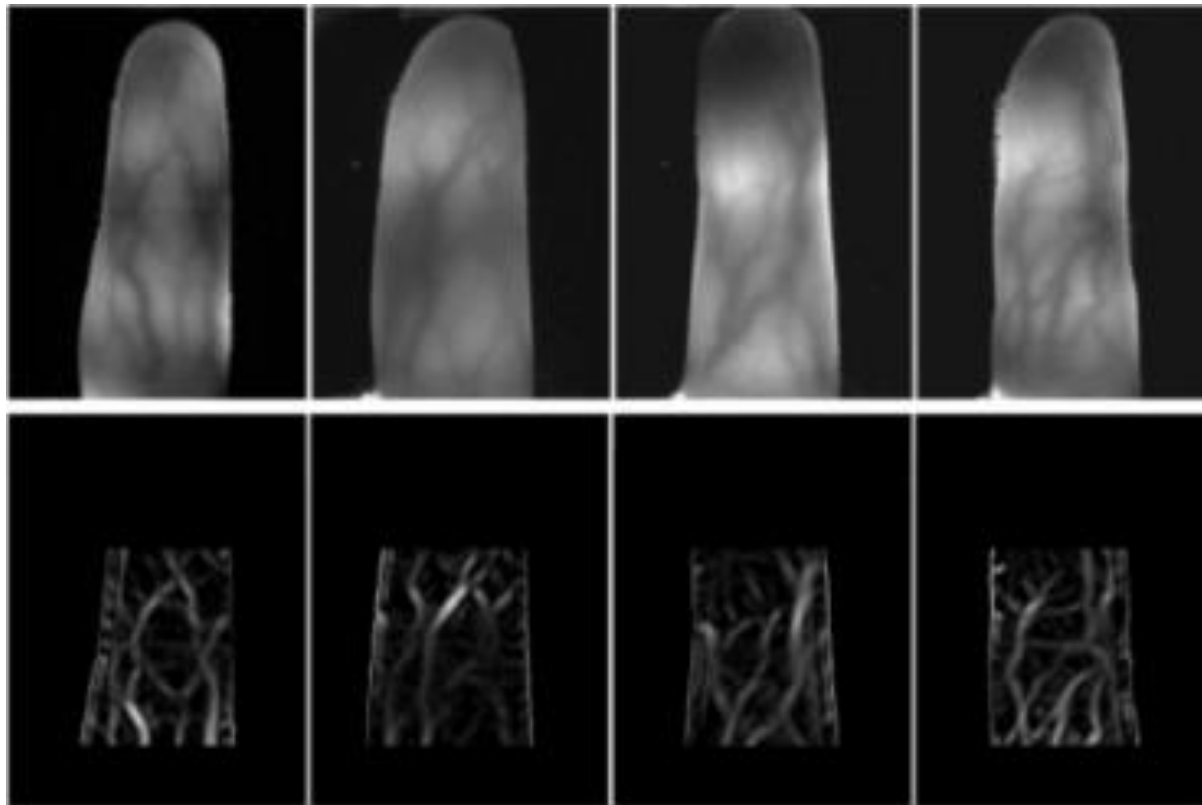
THE USE OF BIOMETRICS IN FIANCIAL SERVICES

- Fingerprints
 - Iris scan
 - Retina scan
 - Facial recognition
 - Voice recognition
 - DNA
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- **Next:** identifying a human by the smell, verification of the correctness of signature, bloodstream of finger, palm geometry, according to the dynamics of keystrokes on a keyboard, ear pinna shape, the distribution of blood vessels on the hands or face, charcoal of thighs and calves while walking etc.



THE USE OF BIOMETRICS IN FIANCIAL SERVICES

Images of the bloodstream



Japan, 70 % ATMs in Poland

THE USE OF BIOMETRICS IN FIANCIAL SERVICES

Payment card with sensor for fingerprint



- MasterCard and Zwipe announced the introduction of the first biometric contactless payment cards in the world.
- Zwipe MasterCard card can be used for contactless payments after activation by reading the fingerprint. Biometric authentication replaces the PIN code.
- It works in Poland.