

THE NILSON REPORT

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Visa Developer Platform Expands

When launched in February 2016, the Visa Developer Platform offered application programming interfaces (APIs) and software development kits (SDKs) to issuers, merchants, and commerce

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Mastercard Blockchain for B2B Payments

Mastercard's latest initiative to move beyond its network expertise in facilitating card payments includes software development kits (SDKs) that banks, merchants, and corporations can use to access

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Loyalty Pay for Mobile Payments

Bridge2 Solutions has spent more than a decade developing technology that focuses on the redemption or "burn side" of a loyalty/reward points program. Its clients are the program

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Bill.com B2B Gets \$100 Million

Since 2006, Bill.com has offered an integrated set of tools delivered through a cloud-based platform to small businesses to automate the handling of payables, receivables, and cash management. It

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Chase Merchant Services Buys WePay

The largest U.S. merchant acquirer measured by Visa and Mastercard transactions handled in 2016 will purchase WePay, a company that provides integrated payment processing to

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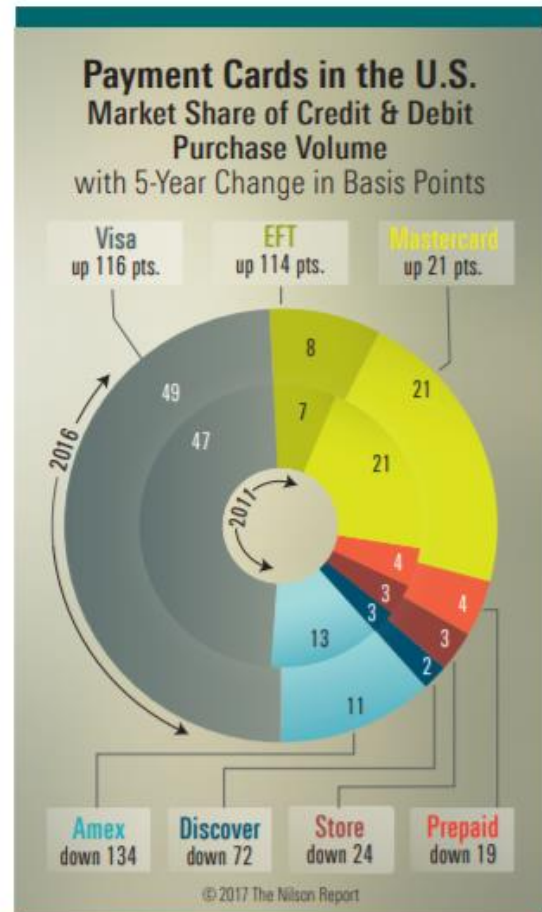
U.S. Credit Cards Projected

Consumer and commercial general purpose and private label credit cards in circulation in the U.S. at year-end 2016 totaled 1.04 billion, up 2.6% from 2015. Credit cards in circulation are

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U.S. Debit Cards Projected

Mastercard and Visa were the leaders in purchase volume growth among debit card types in 2016. Both brands increased 6.52% versus 2015. Visa's market share increased to 51.25% in 2016 from



All U.S. Payment Cards Projected

General purpose and private label consumer and commercial credit, debit, and prepaid cards generated \$6.192 trillion in purchase volume in 2016, up 6.6% over 2015. Credit card spending accounted for 53.84% of the total, compared to 53.44% one year before. Debit card spending accounted for the remaining 46.16%, down from 46.56% in 2015. Debit includes

Loyalty Pay for Mobile Payments

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sponsors—financial institutions, airlines, hotels, and others—that issue points. They realize that loyalty to any brand depends not only on the value of rewards but also on

Loyalty **PAY** with points

the ease of redemption. Bridge2 Solutions' clients include 7 of the top 10 credit card issuers in North America, 2 of the 3 largest third-party cardholder account processors, and 1 of the 3 largest global airlines.

Over the last 10 years, redemption options have grown to include payment card statement credits, cash back, hotel and airline travel benefits, prepaid cards, merchandise, and charitable giving. Bridge2 Solutions' platform facilitates all of those. Its clients can access the platform for every option available or use only some while relying on another third party to facilitate redemption of others.

Historically, consumers have experienced at least some friction when they attempt to redeem points. Typically, multiple steps are required. For example, if a consumer wants merchandise, they might first have to convert points to a virtual prepaid card,

goods. Or, the consumer first has to pay for the goods they want and then apply for a post-facto redemption of points by way of a credit on a payment card statement.

Loyalty Pay is Bridge2 Solutions' attempt to remove friction entirely from the process using rewards points as currency. The mobile-only product, which will begin pilot tests in the first quarter of 2018, offers immediate redemption of points from any program sponsor—bank, airline, hotel, etc.—at the point of sale by way of the existing contactless POS terminal infrastructure. No change of any kind is required of the terminal or by the merchant acquirer. Consumers with Apple Pay and Android Pay will be able to add Loyalty Pay to those mobile wallets.

Payment cards enrolled in Apple Pay and Android Pay work by issuing a new virtual credit card number for each transaction, tied to a primary account number as well as the issuer's bank identification number (BIN). Loyalty Pay will work the same way.

Consumers will scroll the screen on their smartphone to find a visual representation of a Loyalty Pay card. They can use it to access

points from any rewards program in the same way they select a Visa, Mastercard, American Express, or Discover card in Apple Pay or Android Pay to make a purchase. Program sponsors will be given a software development kit, which will enable the addition of a button in their mobile app to allow their customers to add the Loyalty Pay "card" to Apple Pay or Android Pay. The Loyalty Pay "card" will include a built-in points-to-cash value converter. Bridge2 Solutions plans to contract with multiple large credit card issuers to provide virtual credit card numbers to be used as a proxy for the rewards points. It will also have its own BIN.

Merchants with NFC-enabled card readers in their checkout lanes will accept Loyalty Pay transactions without even knowing the consumer just paid with, for example, airline or hotel rewards

No change of any kind is required at the point of sale.

points. Bridge2 Solutions has patents pending on the technology and methodology of the Loyalty Pay procedure tied to the program manager's app.

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