Unpacking Secure Remote Commerce (SRC) – Separating Facts from Fiction

August 21, 2019
Welcome!

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Today’s Agenda

1. **Overview**  
   *Introduction to SRC*  
   10 min

2. **Key players**  
   *Overview of the roles and responsibilities of players in the ecosystem*  
   5 min

3. **Use cases**  
   *Use cases / customer flows for merchants with and without SRC*  
   15 min

4. **Implementation**  
   *SRC offerings (e.g., toolbox) and merchant implementation*  
   10 min

5. **Key considerations**  
   *Key issues to be considered with SRC including economics, risk, timing*  
   20 min

6. **Q&A**  
   *Questions from audience*  
   30 min
1. Overview
Secure Remote Commerce (SRC) is a specification defined by EMVCo. aimed at improving interoperability and security in card-based online payments.

Who operates EMVCo.?

Jointly overseen by:

![VISA](image_url), [Mastercard](image_url), [American Express](image_url), [JCB](image_url), [UnionPay](image_url), [Discover](image_url)

Supported by associate members from:
- Banks
- Merchants
- Processors
- Vendors
- Industry stakeholders

Definition and Description of SRC

“EMV® Secure Remote Commerce (SRC) offers an approach to promote security and interoperability within the card payment experience in a remote payment environment.”

“SRC establishes the foundation to deliver a consistent consumer checkout experience while increasing simplicity and security.”

Source: EMV Co.

SRC is an increasingly hot topic due to the rapid growth in digital payments and the associated complexities – for banks, merchants, and consumers.
Growth in e- and m-commerce, along with higher levels of fraud, has created complex checkout flows; a frictionless experience becomes more challenging.

Total digital commerce sales (in BN, 2015-2020)
Growth in global digital commerce is 50% higher than in the US

<table>
<thead>
<tr>
<th>Year</th>
<th>US</th>
<th>Worldwide</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$343</td>
<td>$1,548</td>
</tr>
<tr>
<td>2016</td>
<td>$398</td>
<td>$1,946</td>
</tr>
<tr>
<td>2017</td>
<td>$462</td>
<td>$2,426</td>
</tr>
<tr>
<td>2018</td>
<td>$532</td>
<td>$2,981</td>
</tr>
<tr>
<td>2019(P)</td>
<td>$610</td>
<td>$3,595</td>
</tr>
<tr>
<td>2020(P)</td>
<td>$696</td>
<td>$4,297</td>
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</tbody>
</table>

Fraud costs as a % of revenues for mid/large merchants (2017–2018)
Fraud costs are higher for eCommerce merchants and are steadily increasing

<table>
<thead>
<tr>
<th>Year</th>
<th>Physical merchants (selling physical goods)</th>
<th>eCommerce merchants (selling digital goods)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1.34%</td>
<td>3.00%</td>
</tr>
<tr>
<td>2018</td>
<td>1.58%</td>
<td>3.33%</td>
</tr>
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Source: eMarketer
Source: LexisNexis

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The traditional payments value chain is being transformed by new entrants, regulations, broader functionality, more integrated user experiences,...

The ‘new world’:
GAFA1, 3PP wallets, merchant apps

Based on existing payments infrastructure; often bank-driven or cooperating with banks

1. GAFA: Google, Amazon, Facebook, Apple

Regulation facilitating the movement:
Access to Account, PISP-Payment initiation services allowing A2A and Instant Payments
... and many more local forms of payment. Many merchants now offer 14+ ways to pay, and there are 250+ alternative forms of payment worldwide ...
... resulting in a plethora of ‘buy buttons’ and checkout flows at the merchant, often requiring a large amount of information from the customer.

**Consumer purchase journey**

- **Start**
  - Customer decides to check out

- **During checkout,** the average customer completes **5.5 checkout steps**, including inputting payment information, delivery options etc.

  - These steps contain an average of 23.5 fields to fill out

- **End**
  - Customer confirms purchase

**Merchant options at checkout**

- **A range of payment types exist today,** leading to disparate shopping experiences

**Common but repetitive or unnecessary checkout steps can lead to friction and cart abandonment**

Source: Baymard Institute
The SRC specification attempts to address the pain points around card-based customer-merchant interaction...

**SRC specification 1.0 will:**

1. “Define interfaces to allow for **secure exchanges** of payment data across participants in the **digital commerce environment**”

2. “Accommodate options for using dynamic data, such as cryptograms or other transaction unique data, to **enhance the security of payment transactions** on a merchant’s SRC enabled website, mobile app or other e-commerce platform”

3. “Enable **compatibility** with other technologies such as **EMV Payment Tokenization** and **EMV 3-D Secure**”

4. “Facilitate consumer recognition of a **common user experience**, indicated by an **SRC Mark**, which conveys to a consumer that a merchant’s e-commerce environment is enabled for EMV SRC”

*Source: EMV Co.*
...and aims to establish more consistent checkouts to deliver more convenient and secure payment experiences

<table>
<thead>
<tr>
<th>EMVCo.’s understanding of merchant concerns</th>
<th>EMVCo.’s SRC objectives</th>
<th>EMVCo.’s intended merchant benefits from SRC</th>
</tr>
</thead>
<tbody>
<tr>
<td>“User friction increases cart abandonment”</td>
<td>1. “Establish interoperable interfaces for all stakeholders to enable a consistent payment card specification”</td>
<td>“Potentially lowers shopping cart abandonment”</td>
</tr>
<tr>
<td>“Online transactions carry increased risk”</td>
<td>2. Deliver a consistent representation of the consumer account data to merchant</td>
<td>“Simplifies integrations and supports the integration of new technologies”</td>
</tr>
<tr>
<td>“Supporting multiple, unique payment solutions is expensive and time intensive”</td>
<td>3. Introduce dynamic data to protect the payment data through a scalable solution</td>
<td>“Provides a choice of online checkout methods”</td>
</tr>
<tr>
<td></td>
<td>4. Provide transparency between the participants to facilitate cardholder authentication and consumer device identification</td>
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<tr>
<td></td>
<td>5. Minimize consumers’ entry of their payment data by enabling consistent identification of the consumer</td>
<td></td>
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</table>

Source: EMVCo.
2. Key players
The table below from EVMCo. defines various roles in the SRC ecosystem

<table>
<thead>
<tr>
<th>Functions</th>
<th>Description</th>
<th>Typical participant example</th>
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</table>
| SRC program                 | • Responsible for the policies and processes associated with the oversight of SRC participants within a SRC system | • Any global, regional, or domestic payment system  
• Proprietary (merchant, issuer, other) |
| SRC system                  | • Orchestration of all technical activities between participants; manages technical aspects of the program | • Payment networks supporting payment system (e.g., Visa, Mastercard) |
| Digital shopping application (DSA) | • Payment enabled application that facilitates the SRC customer experience | • Merchants  
• Marketplace  
• Hosted order page provider |
| Digital card facilitator (DCF) | • Holds customers’ card information and provides them access to that information to select a card to use | • Digital wallets  
• Browser  
• Issuer  
• Merchant |
| SRC initiator (SRC I)       | • Facilitates the collection and transmission of digital card and checkout information on behalf of a DSA to enable the initialization of a payment | • Payment service provider (merchant service provider) |
| SRC participating Issuer (SRC PI) | • Enrolls the cardholder, PAN and authorization related data            | • Issuer                  |

Source: EMV Co.
3. Use cases
User Experience 1 – Pre-Enrolled, Un-Recognized (Guest)
User Experience 2 – Not Enrolled, Un-Recognized (Guest)
User Experience 3 – Pre-Enrolled and Recognized User

Secure Checkout

1 > 2 > 3. Review Order

Deliver to
NumberOne Customer
702 SW 8th St
BENTONVILLE, AR 72712

Pay with
Debit ****938
NumberOne Customer

Order Total $327.41

Starting Subtotal $299.00
Subtotal $299.00
Shipping Fee $0.00
Estimated Tax $28.41

Place Order

Add a promo code

Bose SoundLink Revolve+ Bluetooth® speaker
$299.00
Quantity: 1
Color: Silver

Get it by Wed, Jul 31

1(855) 538-4323 | Email Us | Text us | FAQ

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4. Implementation
Implementation Features

• Security, Convenience, Control for FIs

• No Static Password

• Risk Assessments: Account, Device, Network, Behavior

• Interoperability with 3DS authentication

• Support for Network Tokenization
Implementation Challenges

- No tangible implementations in the market, as yet
- Specification too generic to derive any concrete conclusions
- SRC Program: Network Owned
  - Operating rules unknown
  - Network token transactions currently present routing challenges
  - May require a tradeoff between routing choice and security
  - Centralized architecture promotes brand ownership of PII credentials
- Unclear how many SRC systems a co-branded debit card will be associated with
- Merchant integration with multiple SRC systems, if restrictions prevail
- Specification is just a “toolbox” with multiple options of securing credentials
- SRC program will determine the extent of SRC adherence
5. Key considerations
Key Considerations: History of Debit Impacts

- **EMV Chip**
  - Common AID, restricted CVMs, routing choice, OR
  - Global AID, all CVMs, no routing choice

- **Tokenization (Remote commerce)**
  - Branded TSP token, no routing choice, OR
  - Use clear PAN to exercise routing choice

- **3DS**
  - Authenticate with a 3DS solution, no routing choice for authorization, OR
  - Don’t use 3DS solution and exercise routing choice for authorization

- **SRC**
  - Implementation specific SRC Program will determine A vs. B ....
Considerations for selecting an SRC Initiator...

**An SRC Initiator is a service provider that enables Digital Payment Applications to integrate with SRC Systems:**

<table>
<thead>
<tr>
<th>Flexibility in implementing the SRC trigger – Can the merchant choose how the SRC trigger will be displayed?</th>
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<tbody>
<tr>
<td>Flexibility in implementing the SRC experience – Who controls the UI throughout the experience?</td>
</tr>
<tr>
<td>Support for desired SRC Systems – What card brands will be supported?</td>
</tr>
<tr>
<td>Minimal merchant integration effort – How does this work with my retailer wallet? Can SRC payment data board directly into a retailer wallet? Can I make my retailer wallet front and foremost with SRC as a backup for guest checkout shoppers?</td>
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</table>
## Perspectives for Small and Medium Merchants

### Potential benefits and concerns for small and medium-sized merchants:

#### Benefits:
- Provides a level of security small and medium-sized merchants may not be able to attain on their own
- Can give consumers a higher level of confidence and smoother experience when shopping on the merchant’s site
- Third-party SRC Initiator does the implementation “heavy-lifting”
- Can remove card data from merchant’s environment

#### Concerns:
- How will SRC align with non-card products like PayPal?
- How much control does the merchant have over the look and feel? Does it look like an integrated part of the checkout or like a phishing attack?
- How will consumers be educated on the SRC mark?
SRC only applies to card-based payments ... just one part of a merchant’s holistic payments ecosystem

The ‘new world’: GAFA¹, 3PP wallets, merchant apps

Based on existing payments infrastructure; often bank-driven or cooperating with banks

‘PSEUDO-SCHEMES’

CLOSED-LOOP SOLUTIONS

Carrefour Pay

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6. Q&A
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