

Payments solutions

POSTS MUST BUILD NEW STRATEGIES TO TRANSFORM THEIR BUSINESS BEYOND PARCEL DELIVERY AND OFFERING A SUITE OF FEATURE-RICH FINANCIAL SERVICES AND PAYMENTS PRODUCTS IS A NATURAL PLACE TO START

It's no secret that the digital economy and changing consumer behaviors are disrupting the postal industry. Aggregate mail volume has fallen by more than 25% over the past 10 years and the traditional core mail business now represents less than half of global postal industry revenue.

It is becoming increasingly difficult for postal organizations to stay relevant in a rapidly changing economy defined by evolving consumer preferences and mass adoption of mobile and digital technologies and on-demand services.

Consequently, revenue diversification remains a common theme across the industry, as postal organizations look to transform their value proposition with new products, digital capabilities, and channels to expand growth and revenue.

Postal organizations have a unique opportunity to leverage their trusted consumer relationships, the inherent core strengths of their well-established brand, and extensive distribution networks to deliver a new set of solutions that the

communities they serve are actively seeking. Offering a portfolio of financial services and payments solutions, underpinned by digital technology, is a natural starting point and strategic area for this transformation to occur.

Payments opportunity The global payments cards market has experienced strong growth for over a decade, driven by an explosive surge in emerging markets, with compound average growth rates of over 7% in Europe and North America, and 13% in other regions. This trend is projected to continue well into the future.

Another related trend is the rising number of mobile, digital-savvy consumers who prefer frictionless payments and commerce experiences. Today's consumers want payment solutions that are convenient, innovative, safe and reliable: they are drawn to payment programs with advanced digital integration across web and mobile channels.

Consumers favor seamless, anywhere, anytime access to manage their accounts

and perform important tasks such as making digital purchases and payments, managing their financial health by checking balances, or even buying foreign currency. Interestingly, they are increasingly reluctant to rely upon traditional banks to do so.

This provides an opportunity for postal organizations to capitalize on their unique market advantages and turn the digital economy from a threat to a profitable venture. Offering payments and financial services products that are relevant for today's digital consumers is an ideal fit.

Competitive advantages Postal organizations may be more prepared to expand into payments and financial services and begin converting new sources of revenue than they, or even traditional financial institutions, realize.

These organizations possess a high level of trust within local communities, given the valuable services and vital needs they fulfill. The post office brand carries the cachet of an exceedingly reliable supplier where



Posts can leverage post offices' trusted customer relationships, extensive infrastructure, efficient operations and vast retail presence to offer revenue-generating financial services

"The door is wide open for postal organizations to capitalize on their unique market advantages"

transaction transparency and safety – both physical and virtual – are maintained. Most consumers interact in some way with their local postal organization on a regular basis.

Additionally, postal organizations' infrastructure, efficient operations and extensive brick-and-mortar presence are key advantages. In contrast, a pure-play digital company cannot match the quality and quantity of postal organizations' day-to-day touchpoints with consumers in a multitude of retail locations.

Like banks, post office branches are already staffed with experienced employees familiar with point-of-sale interactions and cash-handling procedures; they can be easily trained to sell a range of consumer-friendly payment products. Offering convenient and secure payment solutions with advanced integrated digital features is an excellent way for postal organizations to modernize, extend their brand reach, and achieve the revenue diversification they need to survive.

Physical and digital Major retail operations are moving toward the fusion of physical and digital touchpoints at the retail

level. One example is the recent mega-merger announcement between Amazon and Whole Foods, which promises to deliver premier physical and digital retailing experiences for consumers.

Bringing the best of both worlds together makes sense when formulating new consumer value propositions, and this confluence is happening in the postal sector as well. Recently, Australia Post announced a sophisticated set of consumer-oriented payment services that complement its digital identity and e-commerce services with distribution across its national delivery and retail store network. Amazon, Whole Foods and Australia Post all realize that while physical reach matters, consumers also crave digital products that solve real problems.

Offering and cross-selling complementary high-value payment products and financial services solutions that are ideally suited to their consumers' mobile and digital lifestyles is a logical extension. A well-constructed portfolio should appeal to diverse consumer segments and address a variety of needs. Ideally, it should include prepaid and

stored value cards, credit products, and debit card products without a savings account attached to them.

Cash on cards Prepaid card products are a good starting point, because they present an assortment of consumer applications. With prepaid cards, funds are loaded onto a physical, digital, or virtual card by the consumer or another entity. The card can be used until the load limit is retired or additional funds are added. They are also a powerful financial services tool, combining the convenience of a credit or debit card with the ability to set spending limits according to a budget.

General Purpose Reloadable (GPR) prepaid cards are issued for a set amount and are reloadable, with features enabling access to accounts and payments via web and mobile devices. Revenue is derived through load fees, interchange on transactions, and consumer purchases of additional postal products and services when loading additional funds during repeat store visits.

Another popular product is prepaid travel cards, which allow consumers to load funds in multiple currencies and lock in the exchange rates before traveling. Multi-purse technology gives cardholders the convenience and freedom to carry multiple currencies on a single travel card, saving them time and the expense of foreign transaction fees. Parents can even add companion cards to their account to offer their children some spending freedom while managing on a budget.

These types of financial services payment products are available to anyone, regardless of credit rating, income and whether the consumer has a bank account.

Credit solutions The market for differentiated credit products, enabled with the right digital features, continues to grow at a fast clip on a global basis. Worldwide economic growth means consumers are more confident in spending and are willing to accept some interest rate risk with appropriately-managed credit lines.

Credit remains one of the more profitable lines of business in the payments industry through interest and fee income. While consumers are generally a viable market for postal organizations, small



Postal organizations like Australia Post and Kiwibank are diversifying their revenue with with travel and gift card payments products



Financial services



With prepaid gift cards, consumers can conveniently shop online or in-store, and can check their balance at anytime



businesses may be an even better target given their relationships and frequent contact with postal organizations as they have a consistent need for small lines of working capital. Regardless, credit customers are willing to use these products if they are rewarded through points and loyalty schemes, which further consolidates the relationship between credit issuers and customers. Credit relationships through co-brand deals or other means can be arranged with the right financial services partner on a market-by-market basis. Postal organizations can trade consumer market reach and distribution in exchange for portfolio risk management, so all entities bring value to this type of relationship.

Case studies Because the Australian market has one of the highest levels of

penetration of contactless mobile payments in the world, and sophisticated, tech-savvy consumers, Australia Post sought to expand and modernize its digital payment offerings.

Australia Post selected i2c's Agile Processing platform to roll out advanced digital functionality and best-in-class payment experiences for its financial services offerings and payment products, such as its popular Load&Go GPR Visa card, gift, multi-currency travel, China travel, and corporate incentive cards.

Now, Australia Post delivers advanced digital functionality, expanded service offerings, and integrated cross-channel service options for its retail customers, and new integrated self-service capabilities for its corporate customers. It also uses i2c's platform to enhance cardholder engagement and communications.

"We continue to evolve our business to meet the changing demands of our customers, and investing in innovative mobile and digital technologies is an important part of this future," says Deanne Keetelaar, general manager financial services, Australia Post.

Payment technology specialist i2c also partners with Kiwibank, New Zealand's largest prepaid issuer and a wholly owned subsidiary of New Zealand Post. i2c worked closely with Kiwibank to expand the capabilities of its prepaid Loaded for Travel and Prezzy gift card programs, and to roll out a robust set of features to build a best-in-class payment experience for the bank's customers.

"Kiwis have some of the highest rates of card and electronic payment usage in the world, so Kiwibank customers expect prepaid cards to be as feature-rich as any card they have," says Matt Winter, head of cards for Kiwibank. "We're working with i2c to build the new features and digital capabilities that deliver an outstanding cardholder experience."

Revenue diversification Modern, industry-leading payments processing technology can help turn postal organizations into financial service providers, enabling them to deliver innovative payments solutions with customized features to the communities they serve.

Postal organizations like Australia Post and Kiwibank are already leveraging their existing infrastructure, trusted customer relationships, and strong brand equity, to expand their offerings to financial services, and are realizing the revenue-generating benefits of offering such services. Rather than falling behind in the digital economy, post offices can profit from it. ■



Offering and cross-selling high-value payments solutions is a natural extension for posts