

Russian Case study for Mobile Commerce: experience, examples and lessons learned

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Personal account

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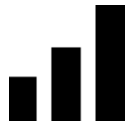


Smart Wallet

Personal account as Smart Wallet.

Integration with multiple payment instruments:

- Payment cards
- Bank accounts
- E-wallets
- Virtual cards



Unlimited possibilities using personal account:

- Direct payments to Service providers
- Payments for online orders
- Universal ID for other applications
- Scoring tool
- Cash-out money funds from Personal accounts
- Microcrediting

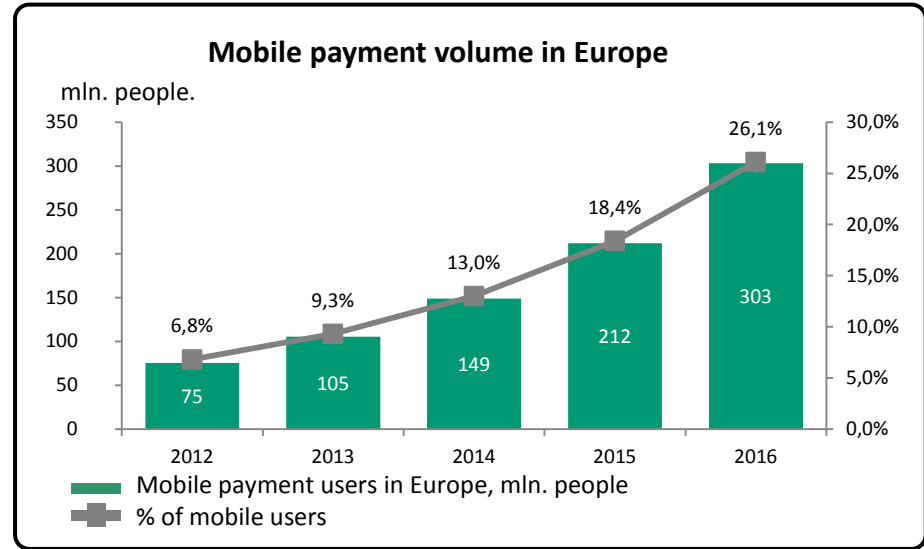
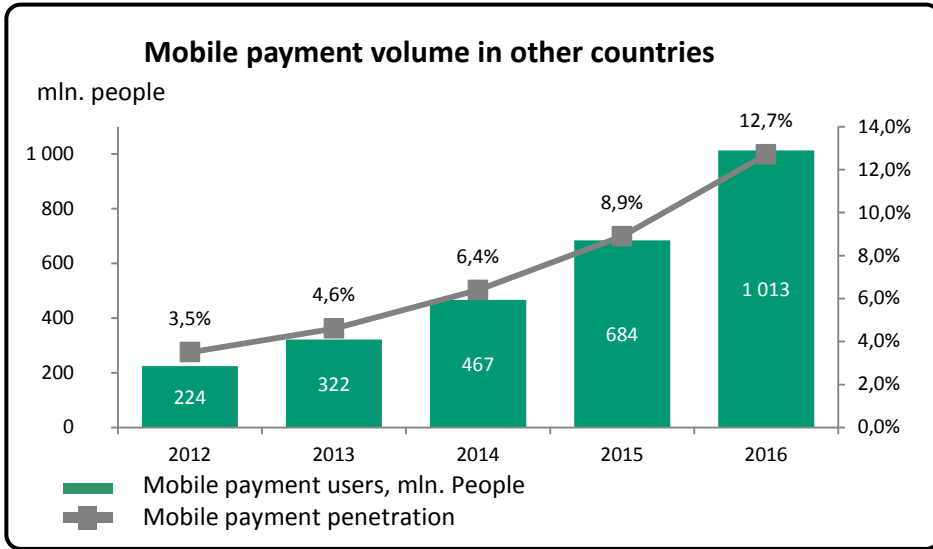
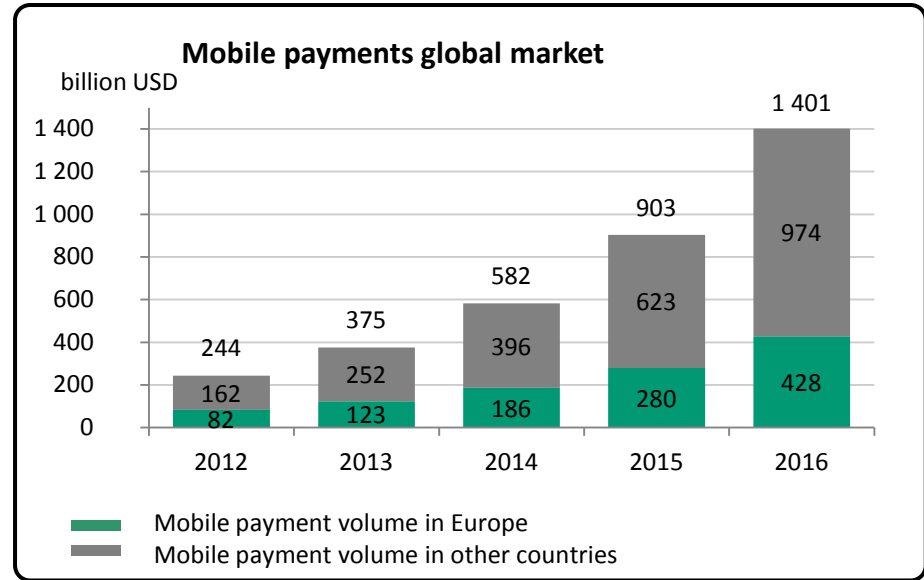
Mobile payments world market

Mobile commerce, especially, mobile payments market, started to carry out transactions for MNO subscribers – currently, amount of those in the world exceeds the amount of all PC owners, Internet users, credit and debit cardholders.

Modern users are interested in financial services, which are simple to use and are easily available at any time, any place.

Innovations introduced to the market drive VISA and MasterCard to enter the mobile payments market.

Major mobile operators worldwide follow the same trend.

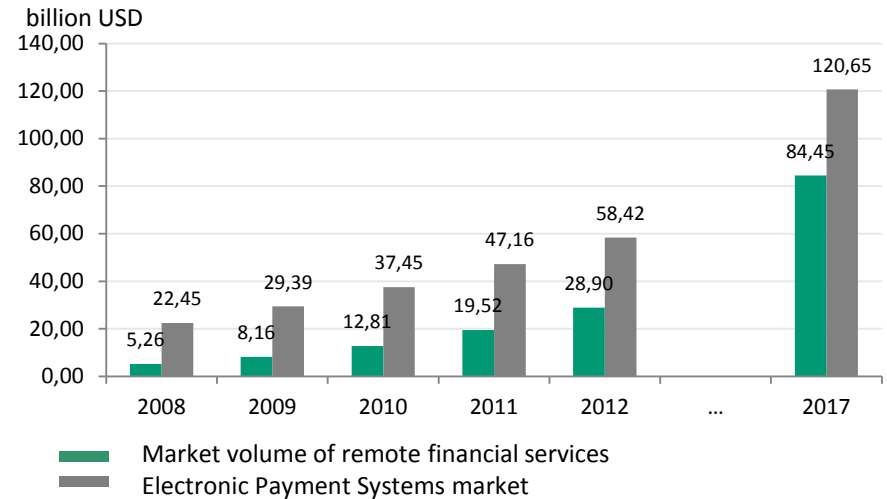


Turnover of EPS (Electronic Payment Systems) market in Russia in 2013 amounted to more than \$65 billion.

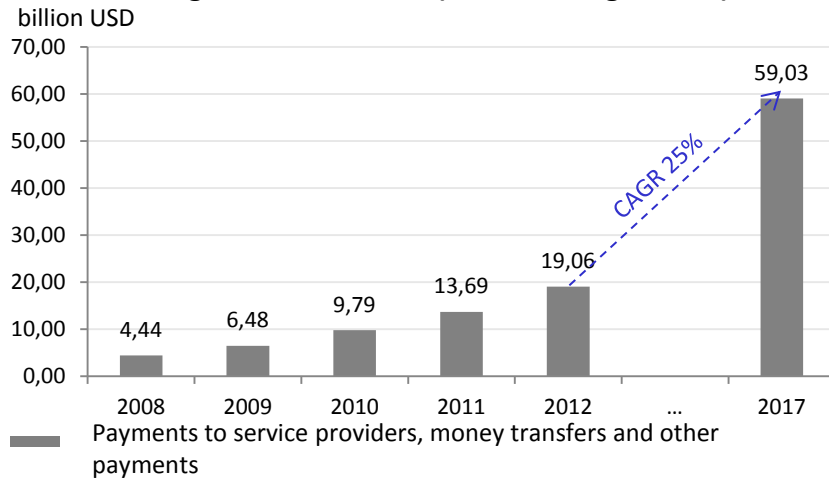
- Turnover of remote financial services being a part of EPS market, in 2013 will exceed \$35 billion and present 49% (remaining 51% - payment terminals) of EPS expecting turnover.
- In 2018 the turnover of remote financial services will be 70% of the EPS market turnover.

Thus the largest growth rate will be due to mobile remote financial services which are provided both by banks and non-financial institutions (e-money systems)

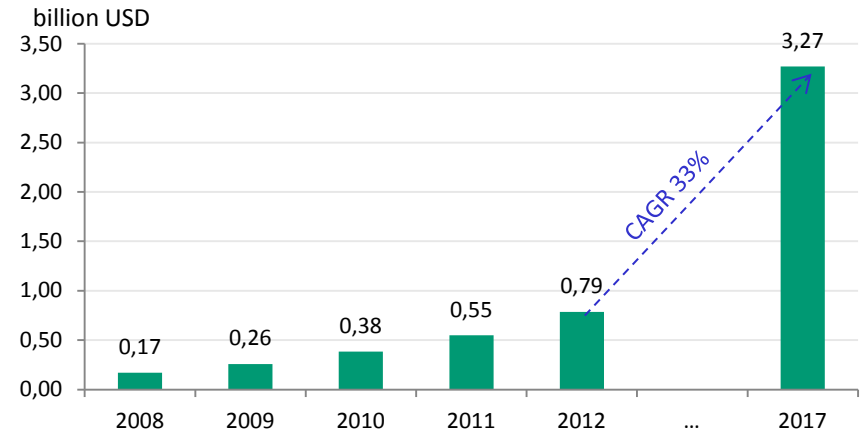
Remote financial services market



Banking remote financial (not including mobile) services

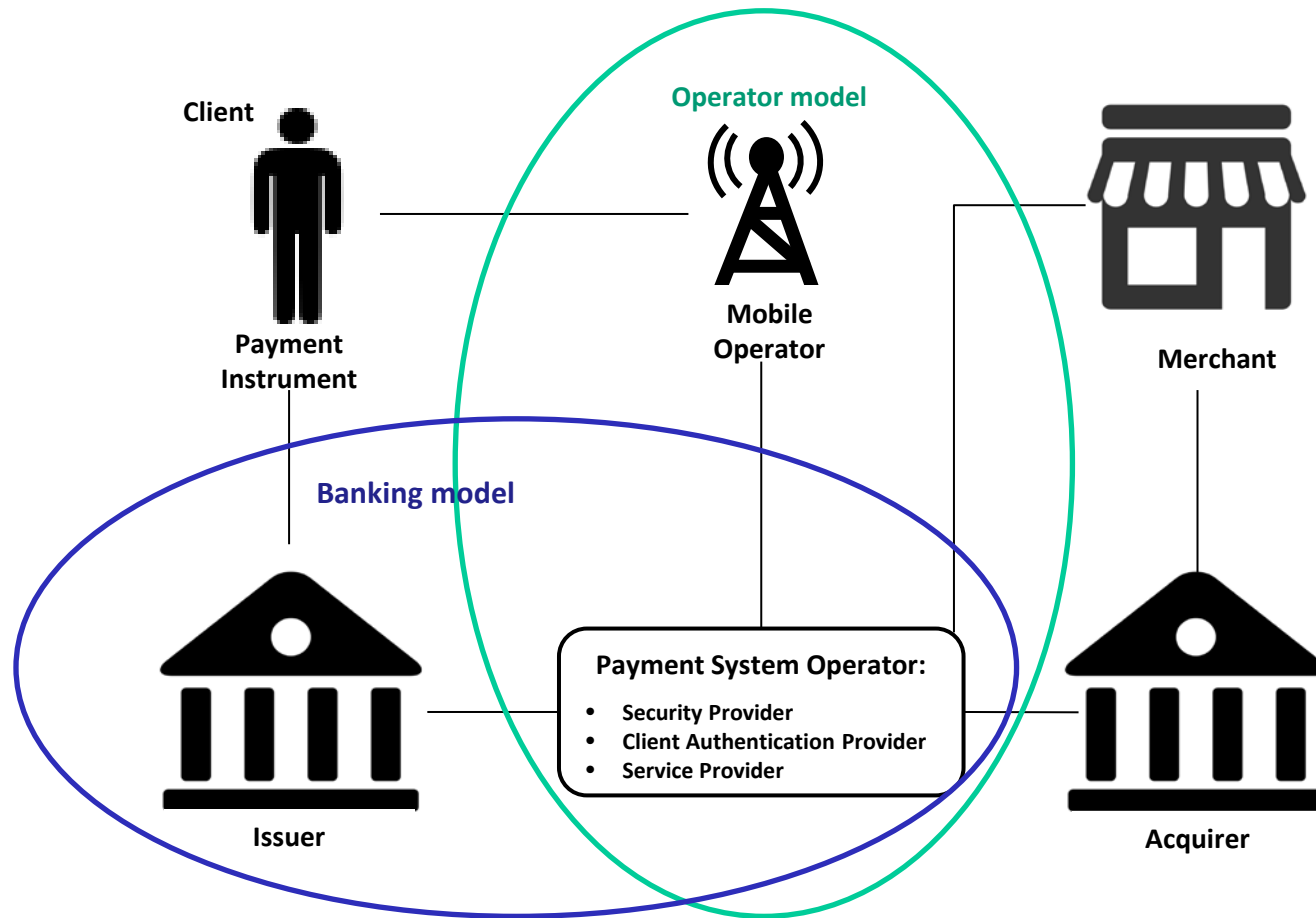


Mobile remote financial services





Interaction between Mobile Network Operators (MNOs) and Banks






M-commerce market development in Russia: major delay factors

The major issues that delay rapid development of mobile commerce in Russia that aims to replace traditional payment services, are caused by:

Security



Inconsistency strategy




Markets and time



"Dispute" between business models



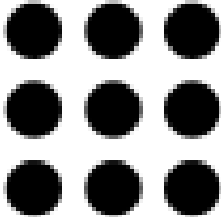
Technology standards




Regulation



Reception infrastructure

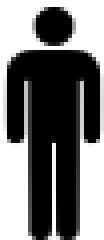


Merchant interfaces





Interaction between MNOs and Banks: benefits

**Benefits:**

- Fast and simple shopping method
- More transactions are available if the Client selects the Bank for carrying out payment services

**Benefits:**

- Less cash flow reduces risks
- Higher client satisfaction rate



Banks

**Benefits:**

- New clients acquisition
- Quick launch of new services, as they are offered either by MNOs, or by “technical integrator”

**Benefits:**

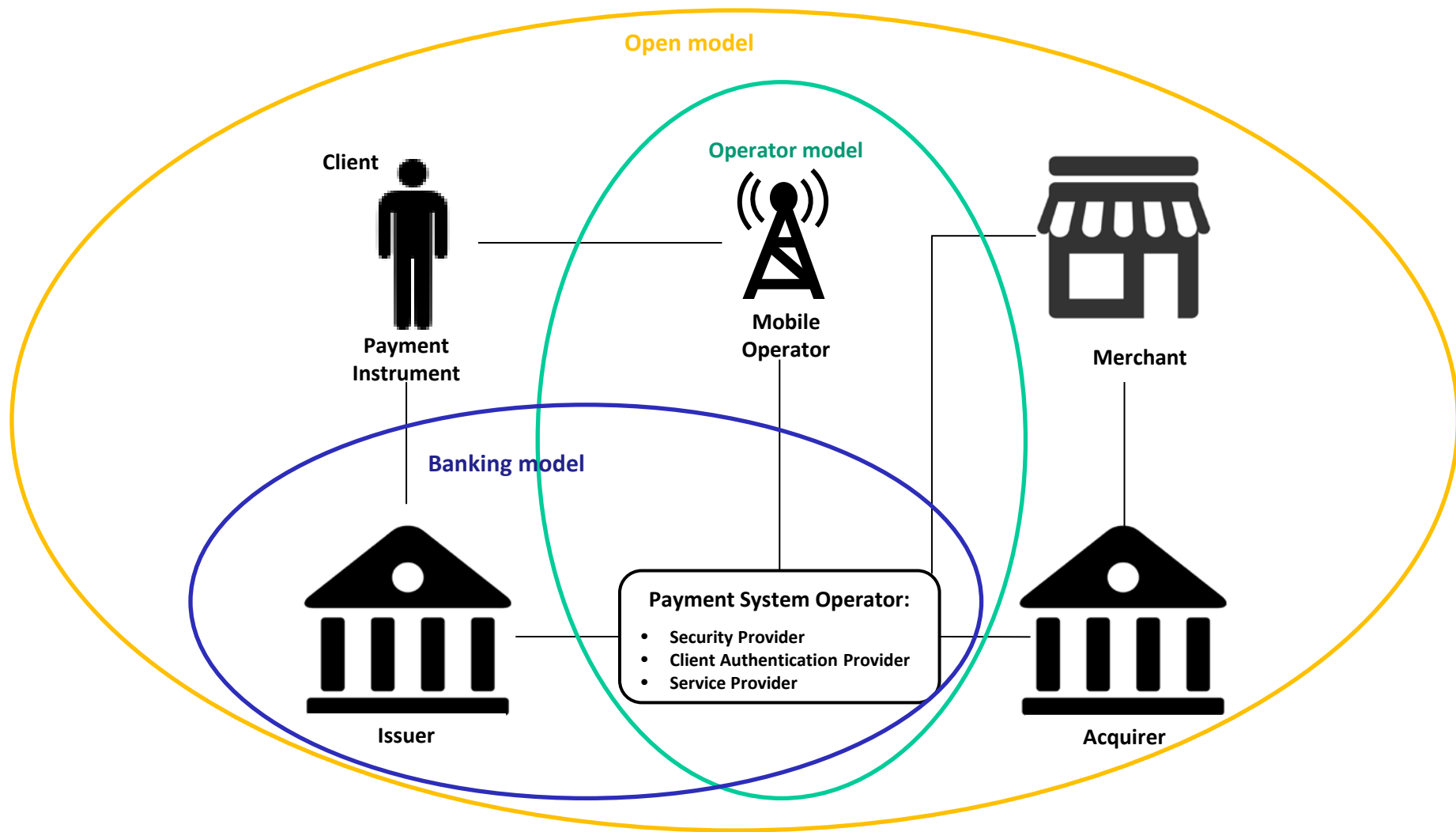
- New income from transaction flow
- New clients acquisition



MNOs



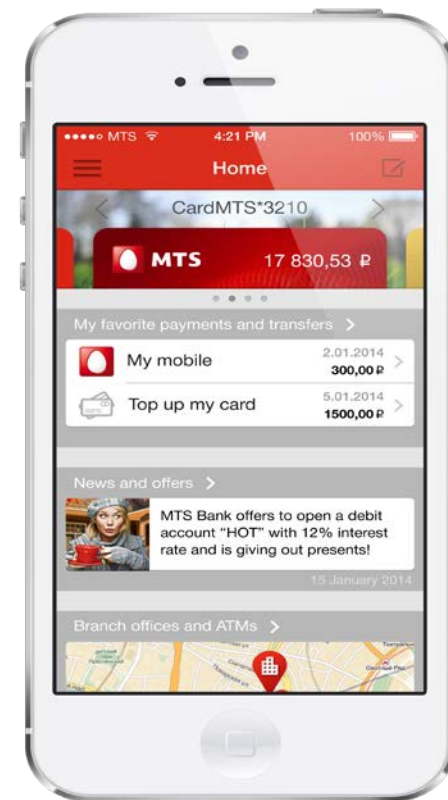
Interaction between Mobile Network Operators (MNOs) and Banks



More efficient development is projected for open model of interaction between all market players. It is required to implement single business model and income distribution model.

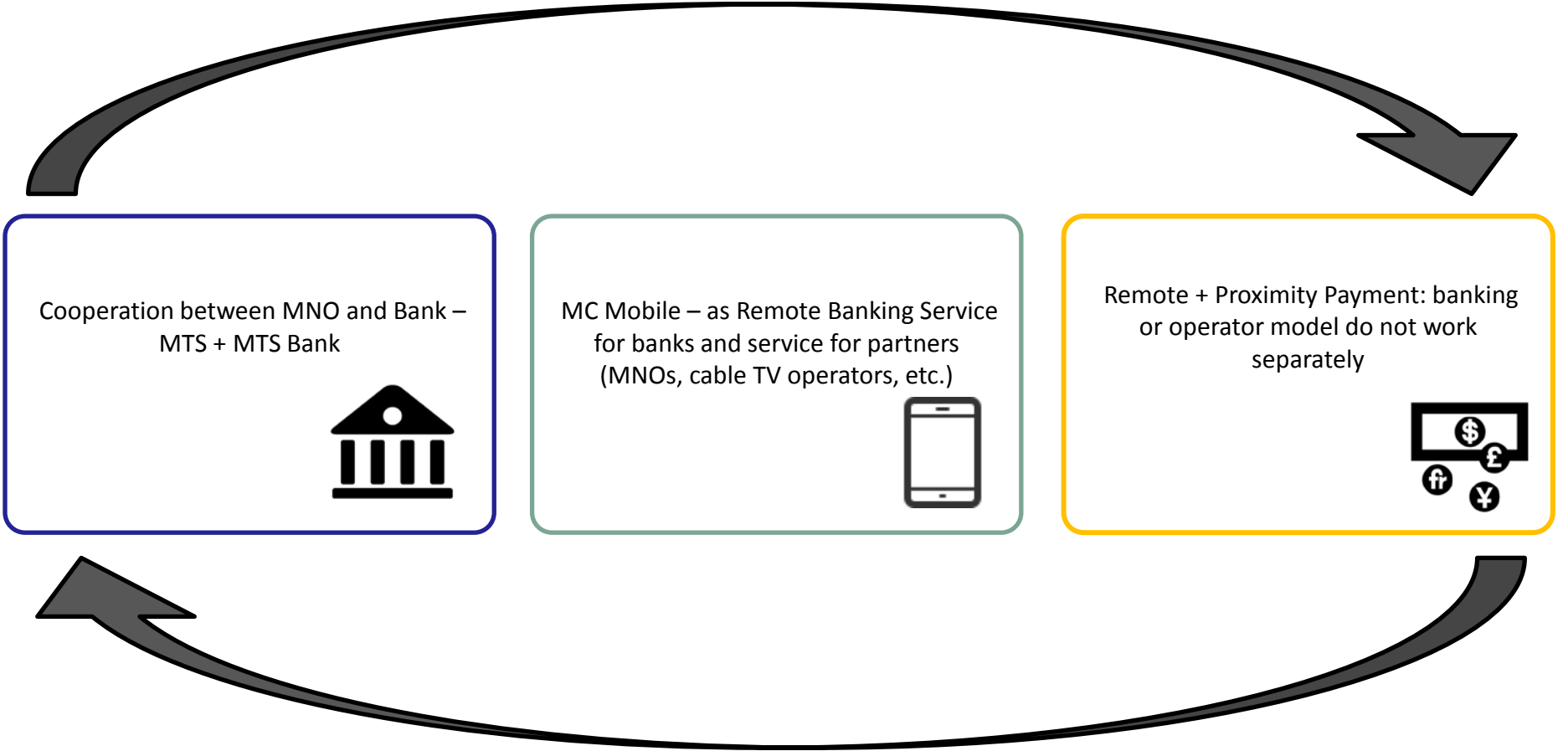
In 2014-2015 MTS plans to integrate MTS and MTS Bank in single payment application with enabled EasyPay features and basic banking functionality; to implement NFC payments using SIM card and to provide loyalty program in a single application to all MTS clients.

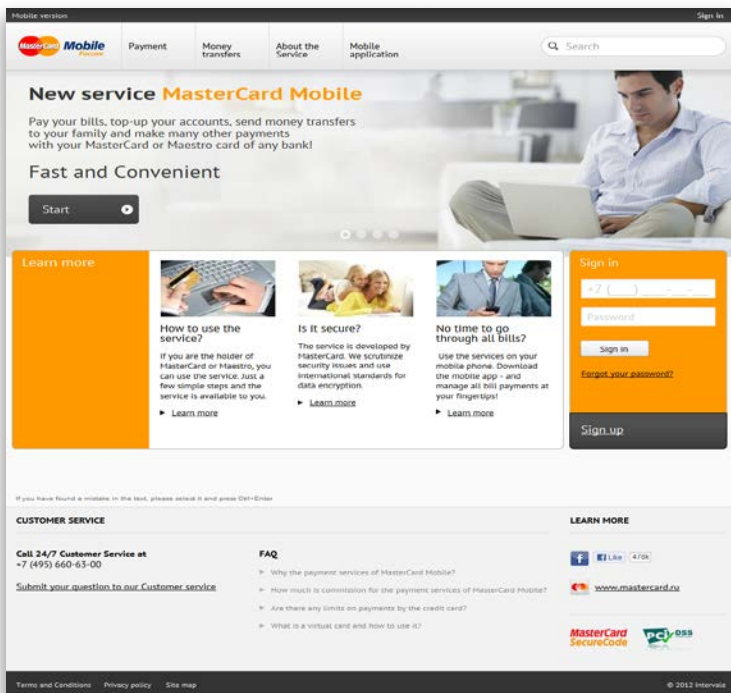
- Auto-payments using EasyPay service
- Money transfers from personal accounts/bankcards via interfaces of EasyPay service
- Top up virtual cards via MTS Bank
- Integration and improving of EasyPay and MTS Bank interfaces
- Mobile wallet 2.0. Payments using NFS embedded in SIM cards
- New attribute implementation at the level of product category
- Improving the Console and performance increase
- Improving mobile application for the Mobile Hub
- Change of region definition mechanism and implementation of categories break-down
- MTS - Emergency Cash in USS (Unified Settlement System)
- Extension of EasyPay interfaces - implementation of TV payments page
- Enabling purchases of products and services using virtual refillable bankcard of international payment systems, by debiting funds from MTS personal account in online mode.
- Integration of MCP and EasyPay with the module “Unified Payment Acceptance System Bonuses” (MTS product)
- Payments for merchant services using MNO account of Russian “Big 4” mobile operators (MTS, Beeline, MegaFon and Tele 2) through EasyPay
- Money transfers from personal accounts/bankcards to Russian Mail via Russian Standard Bank
- Money transfers via Mobi-money
- Loyalty program with offers



MNOs and Banks in Russia: cooperation examples

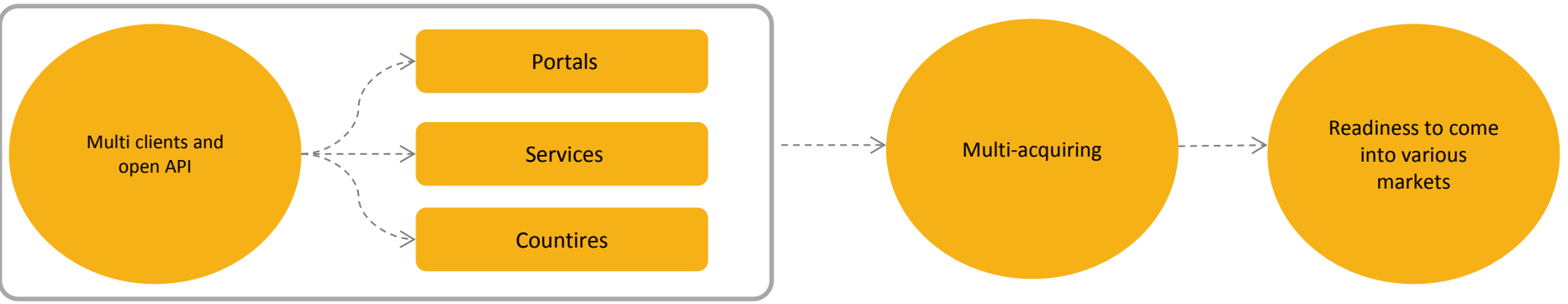
In the Russian market one can observe fast-growing instances of open interaction model implemented by m-commerce market players. Examples of such cooperation confirm their efficiency:





- **Openness** for any cards
- MasterCard and Maestro of any Russian banks
- Available for **money transfers**
- Available for purchases of **virtual cards**
- Implementation of **MARP technology** – “one click” payments
- Accessible via multiple **platforms**.
- **Payments using short commands** via SMS.
- Full compliance to **PCI DSS** and full support of **3-D Secure** protocol.

Development of MasterCard Mobile service:



Appendix 1

Intervale Mobile Commerce Platform

Intervale is an active player of mobile commerce market in Russia. Intervale is one of the largest leaders in solution development industry and service provision for market participants.

Main characteristics of Intervale platform:



System components flexibility



Modularity



Easy setup



Prompt assembly delivery for the end User



Scalability

Available functions:

Types of services

to be paid using MNO account

- payments to service providers (Internet, utilities, communication)
- payments of penalties and charges to state authorities
- autopayments for services (according to the schedule)
- billing and payments of providers' invoices (Internet, utilities, etc.).

Payment methods

from MNO account

- via user interfaces of the platform
- via merchant interfaces
- in retail shops using bank cards bound with MNO account
- in online shops using virtual card

Platform functionality

Transfers from MNO account

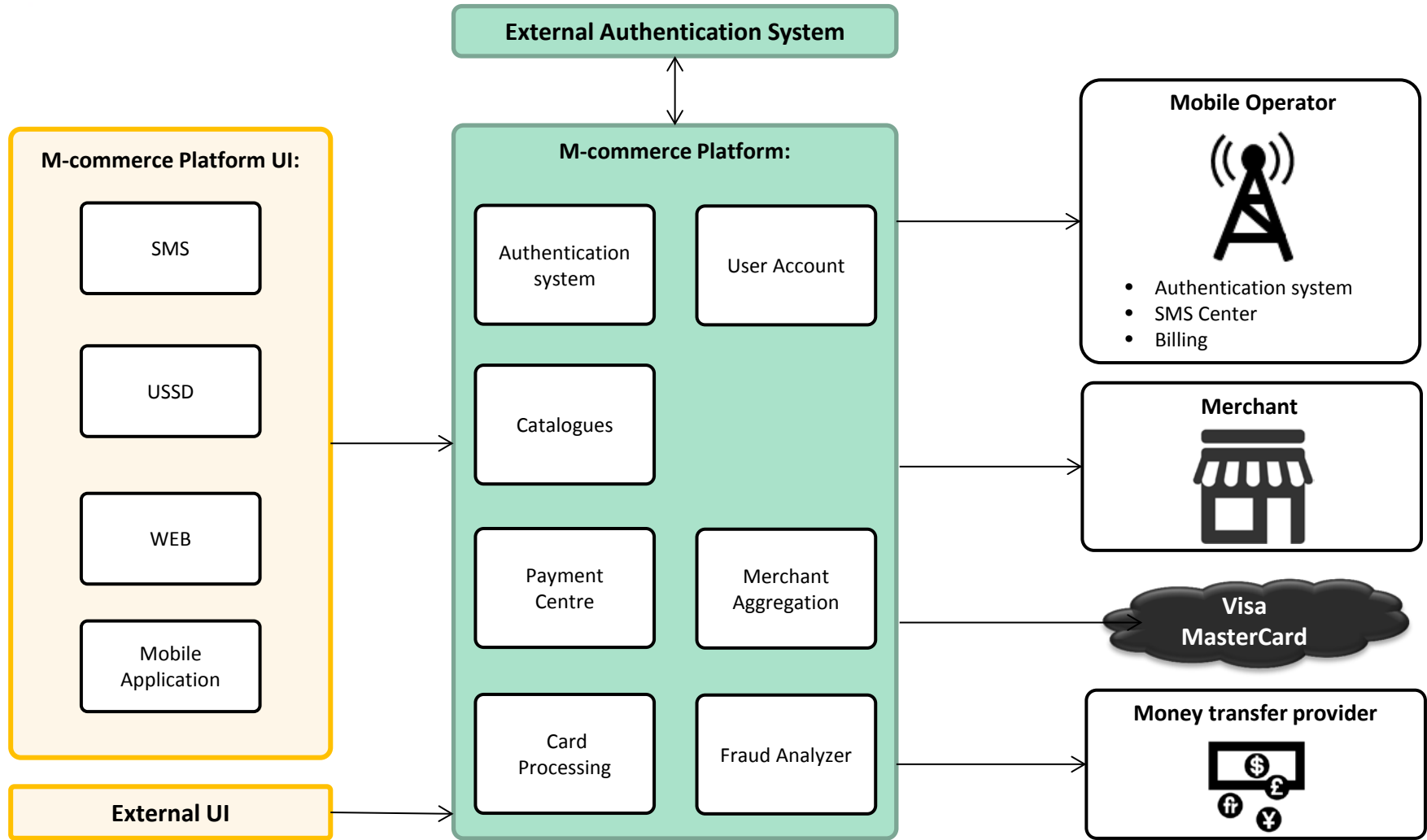
- to bank cards
- to money transfer systems
- to get cash in ATMs

Single subscriber's user account

- payment instrument registration
- transaction history
- balance request on all payment instruments
- transaction template management

Appendix 2

Architecture of Intervale Mobile Commerce Platform

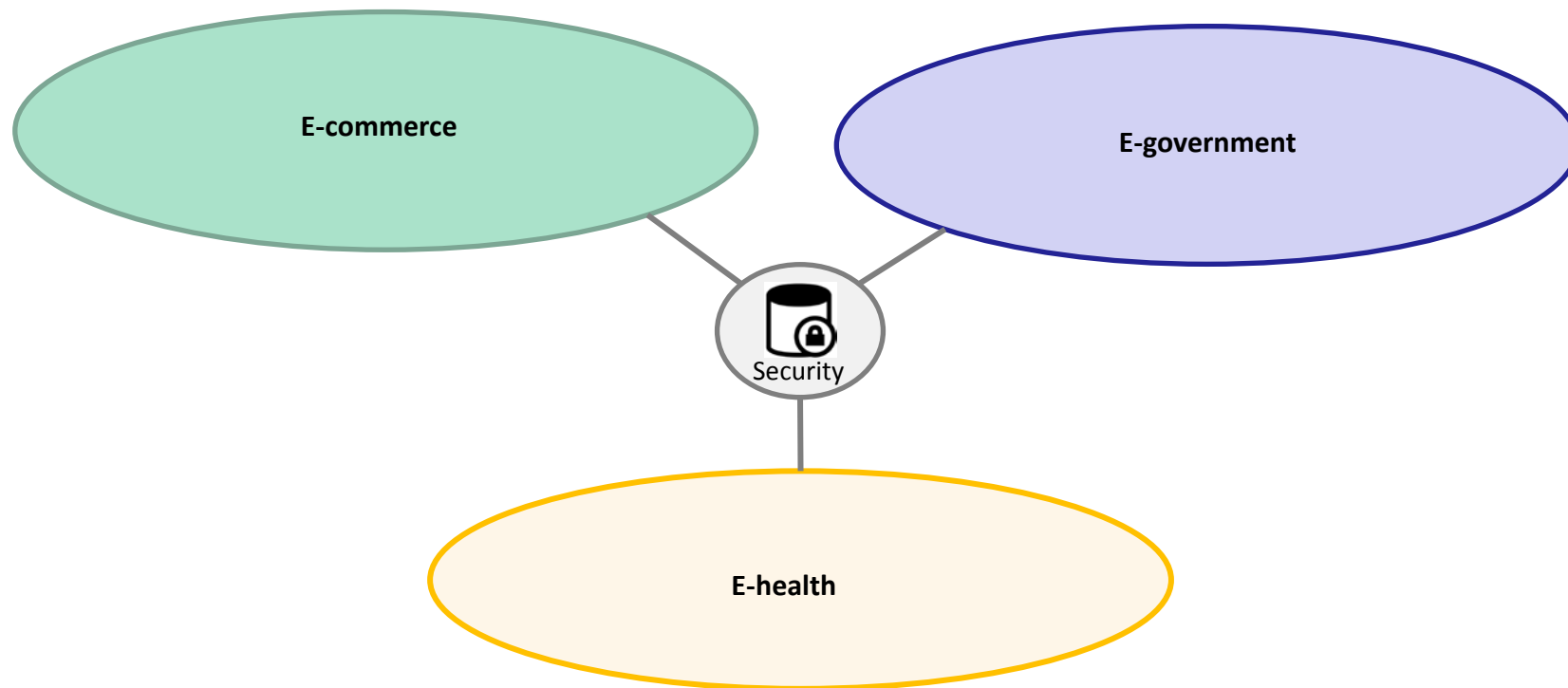


Intervale provides the Customer with ready-made platform solution with out-of-the-box interoperability: hook-up with MasterCard/Visa, major service providers, the largest financial institutions.



Appendix 3

Security is foundation of services



The most important requirement for payment systems, as well as e-government and e-health, including their mobile variations, is security, which is ensured by following recommendations of the ITU Telecommunication Standardization Sector, published in the manual entitled "Security in telecommunications and information technologies".

This manual provides an overview of existing ITU-T Standards and their practical application in secure telecommunications. ITU-T Standards are required to follow, they stay as recommendations, but compliance with recommendations is essential to ensure compatibility and consistency of telecom systems in various countries.