

# technology outlook 2009

By Josephine Rossi

## ETA survey reveals current economic woes weigh heavily on member companies

**S**urviving the recession, meeting PCI security requirements, and adding new products and services to current offerings top payment professionals' concerns, according to a recent survey by ETA.

More than 70 percent of the study's 260 participants cited the economic recession/reduced consumer spending or credit availability as harmful to the payments industry as a whole, followed by state and federal legislative or regulatory activity. Data security regulations and changes to interchange rates were deemed the least dangerous to the industry.

Asked to rank payment technologies according to their importance for the industry over the next two to five years, 32 percent of respondents said alternative processing platforms, such as ACH and PayPal, will be "extremely" important, while only 11 percent felt the same regarding smart cards and related technologies. Stored value/pre-

Technologies' Level of Importance: Next Two to Five Years

Technologies	Extremely Important	Somewhat Important	Not Sure	Not Very Important	Irrelevant
Alternative Processing Platforms (ACH, Paypal, Google, etc.)	32%	24%	11%	6%	0
Mobile (Cell phone-based) Payments & Processing	27%	35%	7%	7%	<1%
Technology for Specific Vertical Markets (Healthcare, Schools, Government, etc.)	27%	31%	5%	7%	<1%
Stored Value/ Prepaid Cards & Processing	26%	37%	7%	6%	<1%
Contactless/NFC Products & Services	17%	32%	15%	9%	3%
Smart Cards & Related Technologies	11%	22%	23%	13%	5%

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paid cards and processing (63 percent “extremely/somewhat important”) and mobile payments and processing (63 percent), however, outranked other technologies as having the most overall importance in the coming years.

Corresponding closely with those results, participants predicted that integrated POS systems (65 percent), alternative payments (61 percent), and mobile payments (60 percent) will most likely be adopted by the merchant community at large. Smart cards ranked last, with only 23 percent of the vote.

### Personally Speaking

The general business climate also is influencing individual companies, according to participants. The majority cited troubled economic times as the top concern for their organizations as well. Fifty-five percent “very/somewhat likely to be harmful” mentioned competition and pricing pressures, and about half said increased federal and state regulations will have a negative effect. Public ownership of the card companies, however, ranked least troublesome among the items on the survey, followed by the “evolving ISO environment,” which includes consolidations, mergers, and acquisitions.

In what may be a response to the troubled economy, many respondents indicated that their business strategies for the coming year will include value-added options. Nearly 80 percent of participants said adding new products and capabilities to their current product offerings will be important in 2009, followed by educating merchants about meeting PCI requirements (73 percent). Of least concern for participants were changes in processors or financial institution sponsorship.

Closed-loop prepaid cards and integrated POS systems topped the list of participants’ most commonly offered products. Approximately four in 10 said they currently offer the cards, and another 13 percent will within the next five years. Smart cards (29 percent) and contactless payments (17 percent) ranked among the technologies least likely to be adopted in the immediate future.

### About the Survey

The ETA Technology Committee Survey was conducted in December 2008.

### Adverse Influences on Business

Influences	Very Likely to Be Harmful	Somewhat Likely to be Harmful	Not Sure	Somewhat Unlikely to Be Harmful	Not Likely to Be Harmful
An Extended Weak Economy/ Consumer Spending Drop	21%	39%	9%	10%	3%
Merchant and Card Fraud	17%	26%	15%	12%	12%
Competition and Pricing Pressure	16%	39%	12%	13%	3%
Data Security and Identity Theft	13%	26%	18%	14%	11%
Increased Legislation & Regulation – Federal and Local	12%	38%	17%	8%	6%
Evolving ISO Environment (consolidations, M&A activities)	5%	20%	19%	24%	13%
Public Ownership of the Card Companies	4%	11%	32%	19%	15%

### Customer Offerings

Technologies	Offer Now	Will Offer Soon	Will Not Offer Soon	Not Sure
Closed-Loop Prepaid (Gift/Loyalty Cards)	42%	13%	8%	6%
Integrated POS Systems	41%	11%	8%	6%
Alternative Payment Platforms (ACH, Paypal, etc.)	36%	13%	12%	5%
Contactless (RFID/NFC) Payments	29%	8%	17%	12%
Mobile (Cell Phone-Based) Payments	29%	15%	15%	7%
Smart Cards (Chip & Pin, etc)	15%	9%	29%	12%
All of the Above	7%	2%	0	2%
None of the Above	1%	0	<1%	2%

Seventy-four percent of 260 participants worked for organizations with less than 100 employees. The majority of participants were executives (39 percent), sales managers (25 percent), or technical managers (12 percent) at ISOs or processors. Others represented software and hardware vendors (14 percent), financial institutions (7 percent), and security-related firms (5 percent).

The majority of the companies represented in the survey spend up to 15 percent of their annual budget on technology. Software development

and terminal/merchant peripherals account for half of that spending, followed by infrastructure (31 percent), gateways and merchant software solutions (17 percent), and telecom (5 percent).

Slightly more than half of companies also have internal IT services, and 63 percent maintain their own research and development departments. **TT**

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