

A young woman with a bright smile is looking at her smartphone. She is wearing a blue headwrap, an orange t-shirt, and a dark blue apron. She has a white and red beaded bracelet on her left wrist. The background shows a market stall with various goods, including what appears to be packaged produce and fresh fruit. The lighting is warm and focused on the woman.

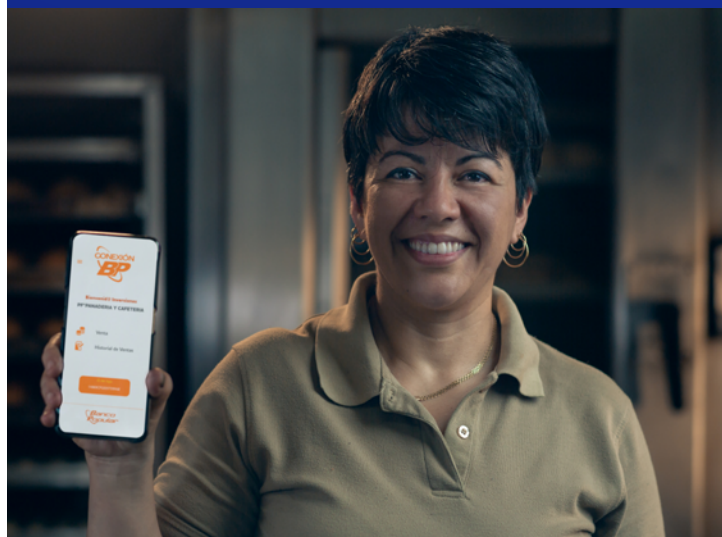
The Power of  
Tap to Phone Technology  
for Financial Inclusion

**VISA** everywhere  
you want to be

Small business owners and their customers need simpler, easier, and more accessible ways of paying and accepting payment. And fortunately, those options are increasingly available. Innovation in payment methodologies has spiked under the pandemic as buyers have demanded a touchless, cashless experience, and sellers have sought to provide the latest digital payment experience for their customers.

Tap to Phone (TTP) lets sellers use the smartphones they already own to accept payments simply by downloading an app. The Android phone with NFC-technology enables off-the-shelf mobile devices to accept contactless payments without the investment in additional hardware.

These innovations in digital payment solutions are a powerful lever for increasing financial inclusivity by providing under- or unbanked sellers and customers greater access to digital payments. Visa and partners are at the forefront of this monumental change, leading the charge in a new era of smartphone payments.



## Contactless payments streamline business for a Costa Rican bakery

Panadería y Cafetería K&W is a bakery, coffee shop, and catering service in San José, Costa Rica. The business adopted Conexión BP, the TTP payment system from Banco Popular. Panadería y Cafetería K&W's transaction totals on the Tap to Phone system increased 17% in a one month period as the business migrated more of its payment processing to Conexión BP.





## How Tap to Phone empowers sellers

A central feature of TTP is that sellers can access and use the apps easily. Sellers simply download an app on current-generation Android devices, quickly register and then are ready to start accepting contactless payments. By removing barriers to Tap to Pay technology, Tap to Phone expands access to digital payment options.

Tap to Phone also enables customers to make safe, contactless payments with a tap of their contactless card, phone, or wearable device to the seller's smartphone using the same Tap to Pay technology that consumers know and trust. Because acquirers or Point of Sale (POS) enablers build and certify to payment brand standards, apps that use Tap to Pay solutions can enable contactless selling. In addition, Tap to Phone builds on top of the security of an EMV chip transaction, in which each transaction contains a dynamic cryptogram that cannot be reused. This means that sellers can access the sophistication and security of contactless POS capability with the phone in their pocket.

## Why sellers love Tap to Phone

Sellers know how difficult and expensive it can be to transact digitally. A traditional POS must be kept in a fixed location, meaning that customers need to come to a central terminal to pay. For example, in restaurants, servers must ferry receipts for signature from the POS to customers' tables, or diners must leave their tables to approach the cashier. In addition, sellers must pay to rent the hardware and depend on hardware support if they need technical support.

Even mobile phone attachments that require a piece of hardware at which customers can swipe their cards have inconveniences. Users must tether the hardware to the phone via an audio jack or Bluetooth connection and they still need to rent and maintain the piece of hardware external to their phone.

With Tap to Phone, many more sellers have access to the type of contactless terminal that was previously expensive, complex, and usually used by larger retail chains. From the plumber who visits your home to the vendor at the local farmers' market, sellers love using TPP. Here are some reasons why:

**Quick setup on mobile phone.** TTP allows sellers to use technology they already have — that is, mobile phones, which are very widely owned throughout the world. The digital tools are easy to set up; it's a matter of quickly downloading an app.

**Speed, convenience, and flexibility.** Once a seller has the Tap to Phone app installed, they can start accepting payments, which can go through quickly and can be transacted widely. This convenience can help sellers reduce customer wait times for payment and provide new flexibility for running a location-independent business. The option to transact wherever is needed has been especially important during the coronavirus pandemic — for example, by allowing barbers to cut hair outside or at people's homes.

**Customer satisfaction.** Sellers also enjoy increased customer satisfaction when using Tap to Phone. Many customers prefer to be cashless; they like the convenience of being able to simply tap their card or device to pay and be on their way. These digital payments have accelerated to reflect how customers want to interact; during the pandemic, being able to pay without having anyone else touch their payment cards has been reassuring to customers.

**Eco-friendliness.** TTP is more environmentally friendly than using a traditional POS because the receipts are digital. With these tools, retailers aren't endlessly printing out paper receipts that customers immediately throw away.

**Physical safety.** Using TTP reduces retailers' need to hold cash, a safety advantage that can be of particular help to women business owners.

## Businesses are eager to adopt Tap to Phone

Millions of small and micro-businesses worldwide accept payments from their customers every day and most of those transactions are completed using traditional payment acceptance methodologies. In many cases, customers swipe a credit or debit card on a point of sale (POS) system — dedicated hardware that the seller must rent from a provider.

Small businesses, especially micro-businesses in developing markets, can find it difficult to afford this arrangement. In many cases, that cost of renting hardware is one thing that leads sellers to limit their business to cash-only. Another is lack of access to formal banking resources, both among sellers and customers. In all, nearly 2 billion people and 200 million small businesses in emerging markets transact only in cash.<sup>1</sup>



### Businesses and customers around the world are eager to adopt TTP

63%

Nearly 63% of MSMs say they are interested in implementing TTP in their businesses.<sup>2</sup>

58%

Small business owners understand that customers are in favor of TTP, with 58% of sellers saying that contactless and card payments are more convenient for their customers.<sup>3</sup>

61%

The number of consumers that say they prefer to shop where contactless is available.<sup>4</sup>



TTP holds promise for the 180 million micro and small merchants (MSM) around the world because fewer than 10% of these sellers in emerging markets currently accept digital payments.<sup>5</sup> Tap to Phone provides a pathway to digital acceptance; in developed markets, some businesses resist digital transactions. According to one survey of 500 U.S. small business owners, 1 in 5 currently don't have the ability to accept digital payments.<sup>6</sup>

But an enormous number of the MSMs that don't yet accept digital payments can easily adopt it. TTP relies on near-field communication (NFC) technology based on protocols that allow two electronic devices to talk to each other at a distance of 4 cm or closer. Around the world today, there are some 2 billion NFC-enabled Android devices in use, which means that more than 20% of the world's population has access to a device that could transform into a payment acceptance machine in a matter of minutes.<sup>7</sup>

In addition to displacing cash in stores, other use cases include expediting checkout via line busting and self-service checkout. Android devices can be used for curbside pickup, food and other deliveries, freelance workers, payments at conventions, festivals and other events and transit.

Tap to Phone could have profound opportunities for businesses everywhere; each year \$17 trillion<sup>8</sup> is still spent in cash and checks which can be expensive for business owners due to the handling of cash and onerous manual invoicing processes. A 'bring your own POS device' option creates a paradigm shift for these sellers who are in many cases just trying to survive.



## How Tap to Phone can accelerate financial inclusion

Adoption of digital finance is poised to give 1.6 billion people in emerging economies, more than half of them women, access to life-changing financial services such as credit, loans, and insurance. Digital financial services, including those using smartphones like TTP, can lift the fortunes of people on various rungs of the economic ladder. They can provide substantial benefits to financially excluded and underserved people. A wide variety have been launched in more than 80 countries by non-banks targeted at this population, resulting in millions of underserved and formerly excluded customers moving from using exclusively cash to engaging with formal financial services.<sup>9</sup>

The emerging middle class (EMC) is positioned particularly well to benefit from digital finance. This population makes up 46% of the total emerging market population and earns 39% of the income in emerging markets. Almost 80% of customers in this group use cash for most or all their purchasing, but at least half of them say they are looking to incorporate digital payments in the near-term. Making digital payments via their mobile phones is their most accessible option, as at least 70% of the emerging middle class own a smartphone.<sup>10</sup>

Along with the ability to accept more payments more easily and grow revenue, TTP helps expand the financial options for underserved and emerging populations by using digital tools that put users in a direct relationship with a regulated payment service provider. This relationship serves as a

doorway into the world of digital financial services; users are positioned as known transactors with access to digital options, which makes them more attractive partners for other financial companies whose products may assist their financial wellbeing.

“Transaction accounts operated by a regulated payment service provider are at the heart of retail payment services,” states the World Bank’s Committee on Payments and Market Infrastructures. “To improve financial inclusion, these transaction accounts need to enable end users to meet most, if not all, of their payment needs and to safely store some value.”<sup>11</sup>

## A big and growing market with huge impact

The shift toward adoption of digital finance is not only good for sellers; it benefits entire societies when it occurs at scale. Digital finance has the potential to save governments \$110 billion annually by shrinking leakage in spending and tax revenue and to increase personal and business lending by \$2.1 trillion.<sup>12</sup>

In addition, financial-services providers stand to save \$400 billion annually and boost their revenue by \$4.2 trillion, gains that will translate into higher tax revenue for governments. In fact, widespread adoption of digital finance could increase annual GDP of all emerging economies by \$3.7 trillion by 2025, 6% greater than business-as-usual.<sup>13</sup>





## Global Payments SRO brings Tap to Phone to Central Europe

Through its partnership with Visa, Global Payments launched several innovative solutions that provide more accessible ways of paying and accepting payment. Their solutions include enabling a large fleet of taxis with digital touchless capabilities and providing a Tap to Phone solution to a large beauty retailer so that salespeople can check out customers anywhere on the salesfloor. In addition, they provided solutions to small and independent sellers so they could accept payments on the go and never miss a sale.

TTP is a quickly growing element of this incredibly impactful transformation. TTP apps are now available in more than 25 markets across Europe, Middle East, Africa, Asia Pacific, and Latin America, and the number of sellers using TTP around the world has grown by 200% in 2020, and by 400% year-over-year. Tools using TTP technology have launched in Poland, the United Kingdom, New Zealand, Turkey, Belarus, Romania, Malaysia, Costa Rica, Peru, Russia, and South Africa and many other countries are interested in introducing the technology and prepare launches of their own.<sup>14</sup> Visa plans to expand its use in the United States and accelerate global product growth in the rest of the world via more than 35 new partners.<sup>15</sup>

One notable example of a successful TTP project is Visa's partnership with Sacombank in Vietnam. The bank launched a contactless payment solution in 2017. TTP technology is increasingly important to Vietnam's growing digital economy and to the nearly 152 million MSMs in the Asia Pacific region. Vietnam is the first market in the world to offer TTP together with Visa's Rapid Seller Onboarding solution (RSO). RSO makes it easier for acquirers and payment facilitators to onboard and affiliate small businesses by reducing onboarding time from weeks to minutes, enhancing the payment experience, enabling digital data capture and validation, and near real-time affiliation. Together, these Visa products provide customers with a more cohesive integrated solution so customers can pay with their preferred method and sellers can get paid faster.

## Conclusion

Visa believes that Tap to Phone can empower millions of sellers and improve their quality of life. By expanding acceptance and turning smartphones into POS devices, Tap to Phone solutions are helping unlock opportunities for digital acceptance and new payment flows.

Furthermore, by removing barriers and expanding access, Tap to Phone has the potential to empower the next billion sellers. These tools can help people who are currently excluded from financial institutions gain a foothold in this space, setting them up to expand their access to banking and other financial resources.

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