



CONNECTED INTELLIGENCE

# Christmas 2020: An Authentic Experience



If any vehicle defines Christmas 2020, it's the delivery van, not the sleigh. Gifts, groceries and sale bargains are being ordered online and delivered to the doorstep at an unprecedented rate. The Mastercard Economics Institute recently estimated that 20-30% of the shift to online commerce will be permanent.<sup>1</sup> The trend is multi-generational too. Grandparents are as likely as their grandchildren to be shopping online.

That's created two effects of note. First, it has encouraged fraudsters looking to exploit vulnerabilities in the payment ecosystem. Second, it has thrown a spotlight on the digital shopping experience – is it fast and is it trustworthy? Consumers need to be confident in the security of their purchases, but they also demand superior experience. That means fast checkout and minimal disruption. Retailers need to adapt to this new reality because false declines, cart abandonment and fraud translates to lost revenue or worse for businesses already struggling.

Authentication is key to our collective success here. In fact, it is the bedrock of the digital ecosystem. Without it, there would be no secure payments online, no e-commerce, no digital banking. Authentication is at the heart of Mastercard's Connected Intelligence process, which introduces to online payments the same reliability and efficiency that the chip card and contactless technology introduced to in-person payments. One tap? Think one click. Online transactions are assessed in a smarter way to increase approvals, while cutting fraud and friction. Driving this is EMV 3DS, an industry protocol that promotes seamless consumer authentication during online shopping. This protocol shares more than 150 data points between merchants and issuers to enable smarter decisioning and frictionless transactions.

Identity Check™ is Mastercard's EMV 3DS solution for identifying and authenticating genuine consumers during the online checkout experience. In just a year Identity Check volume has multiplied by a factor of 30 and by the end of the year is expected to exceed 300 Million transactions. Smart Authentication, the risk engine that powers the Identity Check network, has already generated over 1.7 Billion authentication insights, all of which has helped drive approval rates up by 10%, prevented nearly \$130MM in fraud and delivered an incremental \$20BN in commerce globally.

"Authentication is the key to succeeding in digital" says Chris Reid, Executive Vice President, Identity Solutions at C&I "As the world becomes more connected, knowing you are who you say you are, powers those connections and creates trust in the digital world."

Around the world, over 3000 issuers like Citi and HSBC as well as 5 Million merchants including Amazon and Google are using Mastercard's authentication services. And as of January 2021, Strong Consumer Authentication (SCA) also known as two-factor authentication, will be mandatory for all digital payments in the European Economic Area. With merchants and issuers in the final stretch of testing and optimizing their checkout experience, the PSD2 regulation will drive a step change in authentication usage globally.



Mastercard offers solutions to both merchants and issuers that allow more online transactions to be completed behind the scenes with minimal cardholder disruption. Today, 82% of Identity Check transactions are frictionless, and issuers can leverage intuitive methods like biometrics to authenticate high risk transactions.

Minimizing latency and friction is paramount for digital merchants that depend on payments being fast, secure and easy. Earlier this year, Mastercard teamed up with a large ride sharing merchant in Latin America to deploy Identity Check Insights, a data exchange solution that offers users a completely frictionless experience. This merchant quickly realized an 8% lift in approval rates with no impact to the consumer experience and so has expanded usage of Identity Check Insights.

2020 has shown that while the shift to digital commerce shows no signs of slowing, consumer's expectation for payment security and convenience are higher than ever. As the internet evolves to encompass smart devices, smart cars and smart cities, so authentication will become ever more important as a means of creating trust in this environment. Being able to seamlessly integrate digital authentication into these new interactions will raise security for all participants in the ecosystem, both young and old.

