

Alternative Payments Take Flight

*Payment Growth Strategies
as Alternative Payments Enter the Mainstream*

Prepared for ATPS

December 2, 2009



Presenters



Joe Rogalla, Distribution Manager
Delta Air Lines, Inc.
(404)715-6956
Joe.rogalla@delta.com



Guido Sacchi, CEO
Moneta Corporation
(678)398-4104
gsacchi@monetacorp.com

Alternative Payments Take Flight

Objectives

- **To share lessons learned in evaluating and selecting alternative payments**
- **To provide perspective on how airlines can take advantage of a growing opportunity for lowering costs and increasing online sales**

Agenda

- **Delta's Approach to Alternative Payments**
- **Selection Criteria**
- **The Alternative Payment Opportunity**
- **Lessons Learned in Evaluating Alternative Payments**

Delta's Approach to Alternative Payments

- **In 2007 Delta Air Lines took a serious look at Alternative Payments**
- **Why should we offer alternative forms of payment?**
 - **Transaction cost savings versus credit cards. Estimated 3%-5% shift from Credit Card usage to alternative payment method**
 - **Expand booking access on delta.com to customers without a major credit card or with a preference for alternative payment methods**
 - **Customers are asking for new payment methods**
 - **Increase conversion rate on delta.com**
 - **Earlier 2004 CyberSource study found conversion rates may increase by 6%-12% by offering alternative payment methods**

Evaluation Criteria for Alternative Payment Methods

- **Merchant Transaction Fees / Costs**
- **Merchant Lead Time to Receive Funds**
- **Merchant Business Risk**
- **International Availability & Payment Acceptance**
- **Number of Potential Customers**
- **Cost Estimates (Best Case, Low Confidence)**
- **Overall Difficulty of Implementation**

Methods Selected

- **PayPal and Moneta were selected as the first two payment types based on**
 - ✓ **Ease of implementation**
 - ✓ **Payment type share and potential**
- **Universal Air Travel Program Partners:**
 - **PayPal and Moneta utilize the UATP transaction process to route transactions, mitigating lengthy development work since all the processes exist today**



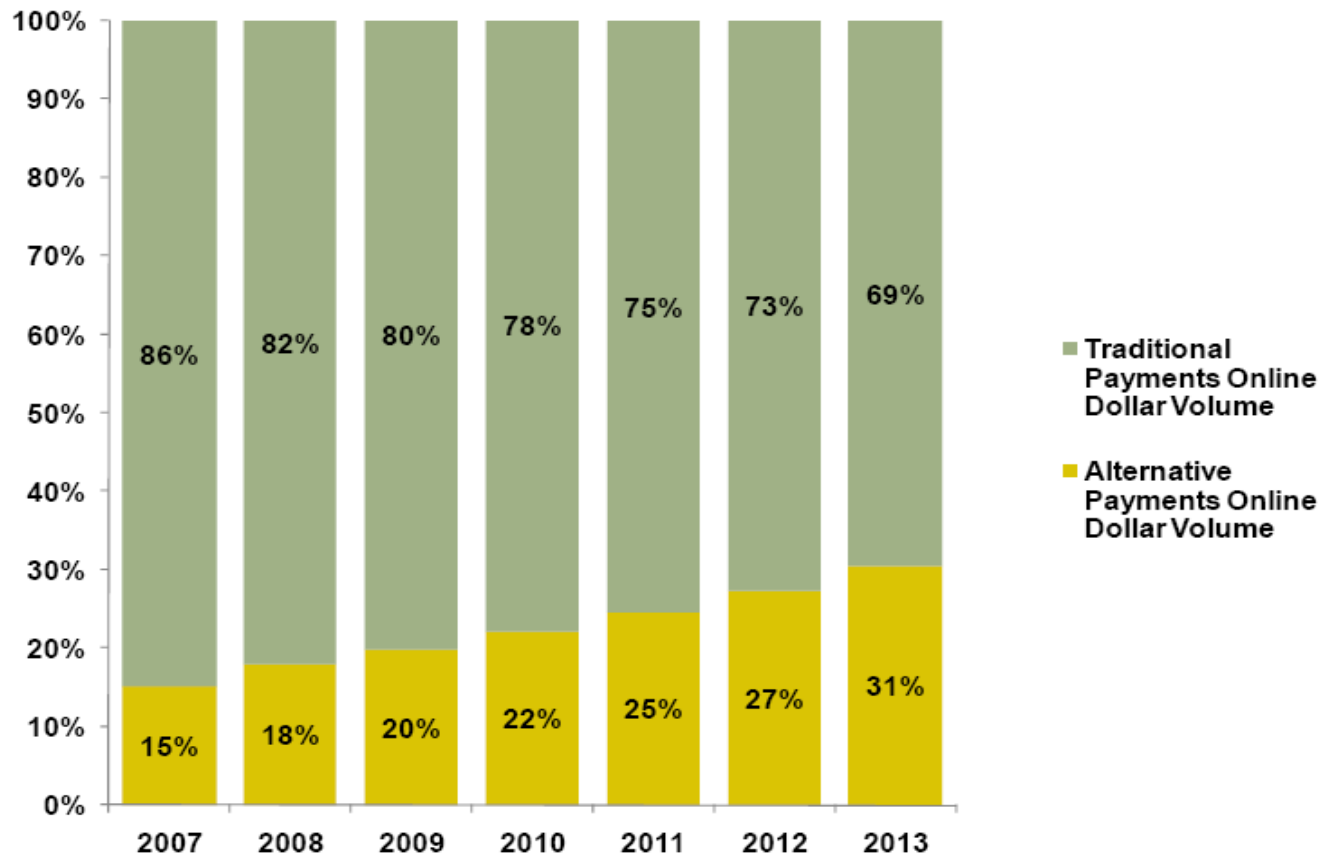
Where Are We Now?

- **Delta Air Lines / Northwest merger is in the final stages**
 - **Integration of sites poses a few challenges**
 - **Standardization**
 - **Ease of Use**
- **Working with Moneta on Marketing promotions**
 - **Promotion through national banks – SunTrust Bank – to drive traffic**
 - **Affiliate marketing programs**

Delta: Alternative Payments are part of Strategy



Alternative Payments Are Growing, but... Are Merchants Reaping any Benefits?



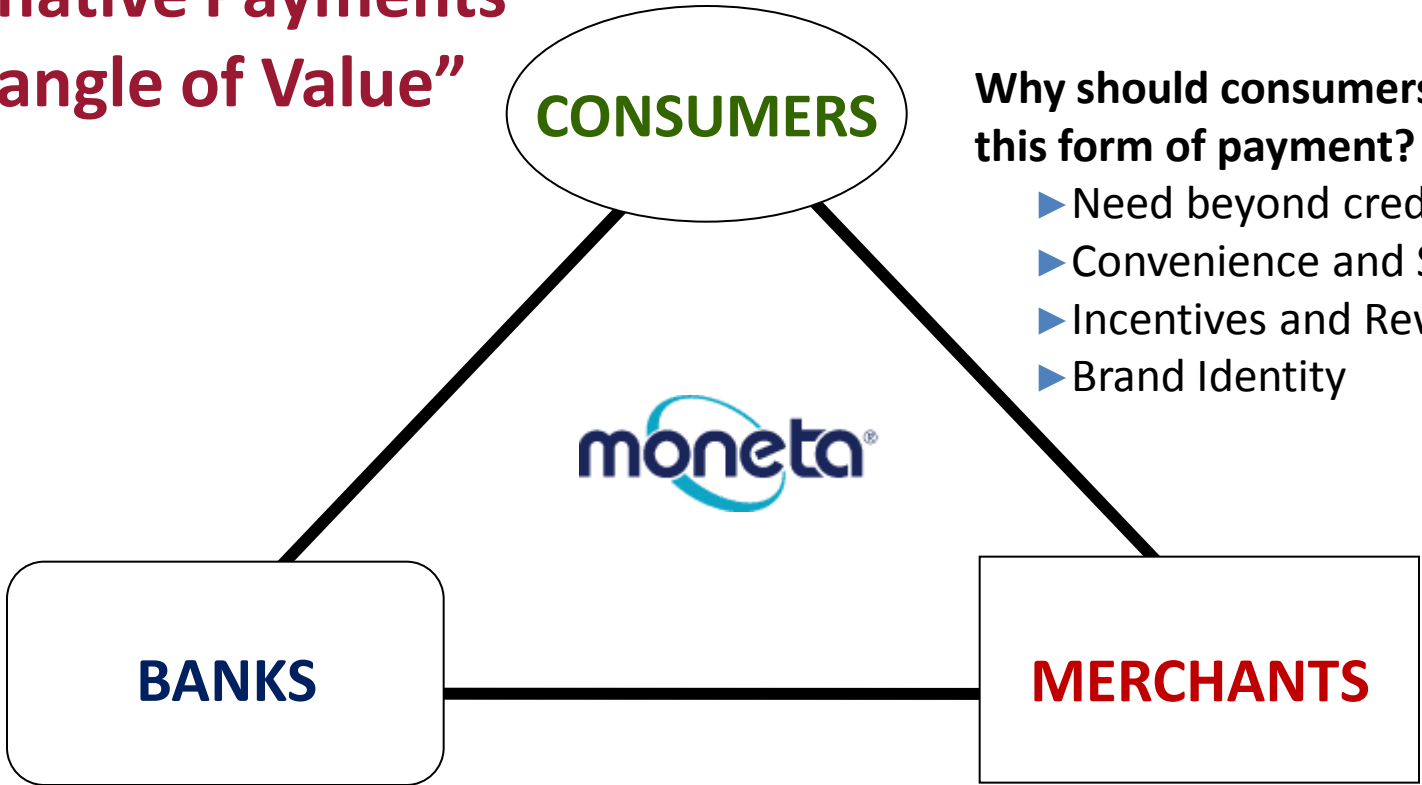


- Decreasing Credit Supply
- Interchange Fee Pressure
- PayPal @ 15%
- Regulatory Action
- Decreased Profitability
- Security Concerns

Market trends are inducing changes in consumer behaviors, clearly favoring alternative payments

- Increasing reliance on debit vs. credit
- Demand for security
- Acceptance of alternative payments
- Merchant steering
- Bank presence
- Disappearing rewards?

Alternative Payments “Triangle of Value”



Why should consumers adopt this form of payment?

- ▶ Need beyond credit cards
- ▶ Convenience and Security
- ▶ Incentives and Rewards
- ▶ Brand Identity

What role can banks play and why?

- ▶ Consumer activation
- ▶ Retailer co-marketing to drive volume
- ▶ Recapture lost revenue
- ▶ Customer “stickiness”

What value is delivered to a retail merchant?

- ▶ Lower costs
- ▶ New sales potential
- ▶ Superior customer experience

Retailers' Approach to Online Payments is Increasingly Sophisticated

- **“What are we trying to accomplish?” vs. “Let’s put it out there and see what works”**
- **Moving beyond “consumer choice”**
- **Matching strategic goals to Alternative Payments’ strengths**
- **Specific requirements, e.g., mobile, international, transactional credit**
- **Merchant steering**
- **Integration issues**
- **Role of affiliates, leveraging relationships (banks, other merchants)**

Lessons Learned in Evaluating Alternative Payment Methods

- **Understand the balancing act of attracting new customers and lowering processing costs**
- **Know trends to make a solid business case**
 - **Consumer adoption of alternative payments**
 - **Youth and “Mobile” consumers**
 - **Shifting preference for debit over credit**
- **Look for flexible providers offering more than just “convenience”**

Key Takeaways

- **Have an alternative payment strategy in place**
 - Alternative payments are quickly becoming mainstream
 - Large, incumbent providers are preparing to act
- **Set evaluation criteria that make sense for your business**
 - Lower overall costs
 - Implementation simplicity
 - Low abandonment impact on checkout process
 - Domestic vs. international customers
 - Customer experience
- **Partner with a provider that works with you to deliver on your priorities**
 - Look at a provider's specific "triangle of value"
 - Evaluate strengths and weaknesses against your objectives

Thank you!



Joe Rogalla, Distribution Manager
Delta Air Lines, Inc.
(404)715-6956
joe.rogalla@delta.com



Guido Sacchi, CEO
Moneta Corporation
(678)398-4104
gsacchi@monetacorp.com