

FINANCIAL SERVICES GIANT SHAPES A DIGITAL FUTURE FROM SYDNEY HUB

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Australia's high adoption of contactless and device-based payments, coupled with the presence of top-tier financial and retail institutions, were pivotal factors in Mastercard's decision to set up a global technology hub in Sydney.

Mastercard is bent on creating world-leading payments technology using blockchain, digital identity, biometrics and artificial intelligence to make transactions faster and more secure. Its Global Tech Hub in Sydney, the company's first in the southern hemisphere, is central to fast-tracking the technology that is changing the face of commerce worldwide.

'Sydney is the global lead centre for our acceptance development,' explains Mastercard Australasia Division President, Richard Wormald. 'This work is as varied as helping Australian retailers get online for the first time, to helping small businesses in India operate with QR codes, to laying the groundwork for our entry into the Chinese market. There's a whole range of work that we're doing out of Australia, not just for Australia but for the business globally.'

Mastercard always works with partners, and Australia offers the opportunity to roll out innovative technologies in close partnership with leading institutions.

World-class partners, stable market

'Australian banks are among the top 20 globally, while some retailers are well up there with their global peers in terms of scale and capability,' says Wormald. 'Having very capable partners in a stable market with a high adoption of new technology means that Australia does tend to lead in some of those innovations in payments.'

Australia was one of the first markets globally to adopt contactless payments. 'More than 95 per cent of all the transactions we see in Australia in stores are contactless,' he notes. 'That was one of the



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foundational elements of technology that has allowed Australia to also lead in the adoption of device-based payments on phones and watches.'

Australia's rapid uptake of technology and stable regulatory environment were key to Mastercard choosing it as a pilot market for new innovations such as digital identity, the digital Opal card, and digital marketing.

Mastercard has created a digital marketing platform that can demonstrate the advertising purchased actually resulted in a sale. It has also incorporated alternative distribution channels into partners' banking apps, such as the Commonwealth Bank Rewards program launched in 2020 to 8 million customers.

Working with Transport NSW, it built an open-loop contactless payment system for Sydney ferries, trains and light rail, enabling passengers to use their Mastercard instead of an Opal transport card. More



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recently, it developed a digital replacement to the Opal card, which can be loaded into Apple, Google or Samsung Pay and topped up. While it runs on Mastercard's payment rails, the brand is not present.

'Often we operate in the background providing the plumbing, whereas our partners will be the hero brand that you see, that will engage with consumers,' says Wormald.

A pilot with Australia Post and Deakin University on Mastercard's digital identity service is testing new ways for people to confirm their identity without handing over physical documents when filling out applications, accessing benefits and booking accommodation.

To bring these ideas to life, Mastercard runs launchpads, or product design workshops, at its Sydney hub.

'Within a five-day sprint we will solve a problem, develop a prototype, and develop the business case and architecture to get something going,' says Wormald. 'We've done more than 20 of those in 2020 with different partners in Australia and New Zealand, and we've been running them virtually from Australia with markets in Asia as well.'

Agile approach equals opportunities

COVID-19 has required Mastercard's 800-strong cohort in Australia to pivot.

'We've had to develop some new tools to help collaboration,' says Wormald, 'but we've been surprised at how effective the launchpads have been in the virtual setting.'

Mastercard also launched a small business support package, offering a range of digital resources, tools and services to help Australian SMEs open up online quickly and effectively.

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Over the last few years, the world's third largest card scheme has been diversifying.

'Traditionally we have worked with banks, but now we do a lot more with retailers of all sizes, and government,' says Wormald.

'We're also moving into areas like supply chain. We've been running a trial in Australia of a blockchain-based supply chain provenance solution, which allows an individual batch of products to be traced. A customer going to a supermarket could scan a QR code at a fish counter and see when and

where the fish were caught, how they were stored and transported, right through the supply chain.'

Mastercard is also eyeing other transformational technologies, such as 5G and the Internet of Things.

'I don't think it will be unusual in few years' time to have your car connected to the network and to buy petrol from the car without needing your phone or anything else,' says Wormald.

'I think we are going to see more and more devices in our homes connected to the network that can make payments or other transactions. We expect to move from a relatively small number of transactions today – albeit that number is billions – to something that is many, many times bigger.'

The flip side of that, he admits, is added opportunities for hackers. Consequently, Mastercard is working in the cyber security space, including collaborating with selected Australian universities to develop and support specialised tech talent.

As one of Mastercard's top three performing regions worldwide, Australia punches above its weight in terms of the innovation it drives, which is then deployed into other markets.

'One interesting thing about the Australian market is the high level of concentration in many business sectors, which means you can effect change as a network quickly with few partners, whereas in highly fragmented markets like the US that's much, much harder,' says Wormald.

'I think that's one of the reasons why Australia has, and continues to lead, in innovations in network businesses like ours.'

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