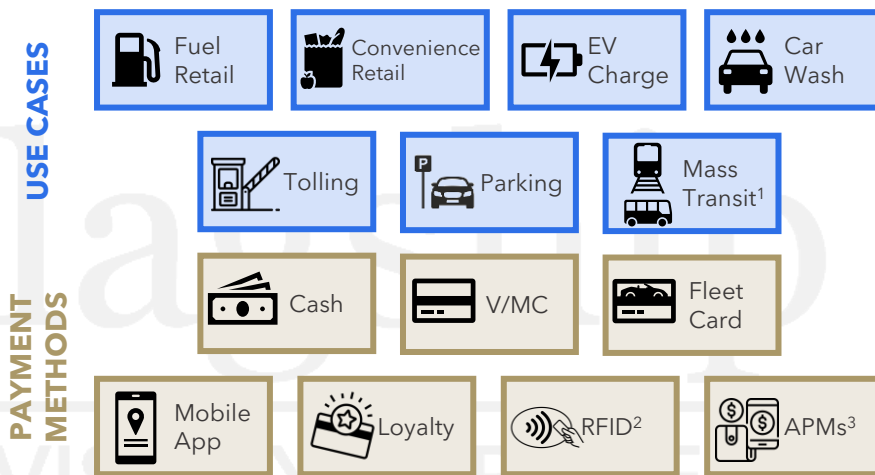


Mastering Mobility & Fuel Payment Acceptance

- Last month, Flagship published an article describing the surge of interest in **B2B mobility & fuel payments**, specifically within the fleet management and related card-issuing domains.
- While innovation permeates payment issuance and related value-added services, **payment acceptance innovation adoption is still relatively nascent in mobility and fuel despite new entrants and emerging technologies**.
- This lack of innovation is not due to a lack of demand, but rather the fact that **mobility and fuel merchants are still encumbered by legacy technology and infrastructure that is difficult (and expensive) to simply replace**.
- Flagship has observed an uptick in demand for innovation across mobility & fuel payments acceptance** that major brands, OEMs, payment service providers (PSPs), and merchant acquirers must be prepared to address, or else risk being left behind in a large payments/fintech revenue pool.

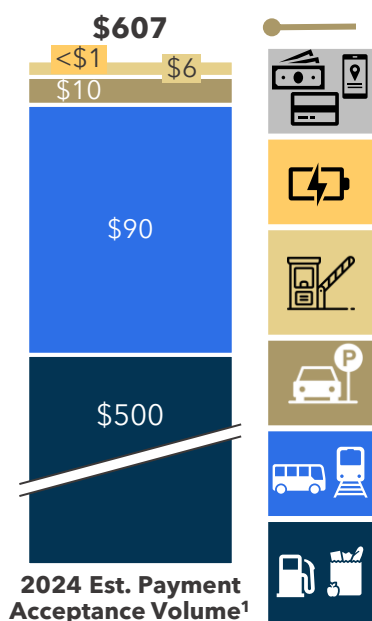
1 Mobility & Fuel Payment Acceptance Use Cases & Payment Methods (non-exhaustive)

- Mobility & fuel payment acceptance spans a variety of use cases** for both residential (consumer) and commercial (business) customers
- Merchants are challenged by the multiplication of use cases and payment methods**, driven by customer demands and internal business needs (e.g., fraud mitigation and geo expansion)
- Today, **merchants commonly deploy point solutions to enable multiple use cases and payment methods**, primarily to avoid disrupting current state processes



¹Mass Transit including rails, buses, ferries, and other passenger transit; ²RFID payments including pay-by-plate, pay-by-transponder, and other NFC transactions; ³APM=Alternative Payment Methods | Sources: Flagship Market Observations & Analysis © Flagship Advisory Partners, August 2024

2 U.S. Mobility & Fuel Payment Acceptance Volume¹ & Growth Tailwinds (2024 directional estimates in USD billions, tailwinds non-exhaustive)



DIGITAL PAYMENT TAILWINDS

- Overall:** Manual, paper-based payments cannibalized by electronic payments
- EV Charging:** Regulations mandating card readers on chargers (alongside mobile payments)
- Tolling:** Pay-by-plate and pay-by-transponder further penetrating consumer and business use cases
- Parking:** Smart cities and apps replacing legacy infrastructure and disparate solutions
- Mass Transit:** Open-loop NFC card technology replacing closed-loop, reloadable transit card
- Fuel & Convenience Retail²:** Mobile in-app loyalty & payments experiences penetrating commerce

- More than \$600 billion in payment acceptance volume in the U.S.** comes from mobility & fuel payment acceptance use cases
- Fuel & convenience retail represents more than 80%** of mobility & fuel payment acceptance volume
- Several tailwinds** (examples listed to the left) **are increasing digital payments penetration** and, therefore, the payments/fintech revenue pool across use cases
- Similar growth tailwinds persist in other regions** including the UK, EU, LATAM, and APAC

¹2024 payment acceptance volume represents digital payment-addressable industry revenue by use case; ²Fuel & Convenience Retail Payment Acceptance Volume estimates include Car Wash | Sources: Global Data, IBISWorld, EIA Gasoline Consumption data, Flagship Market Observations & Analysis © Flagship Advisory Partners, August 2024

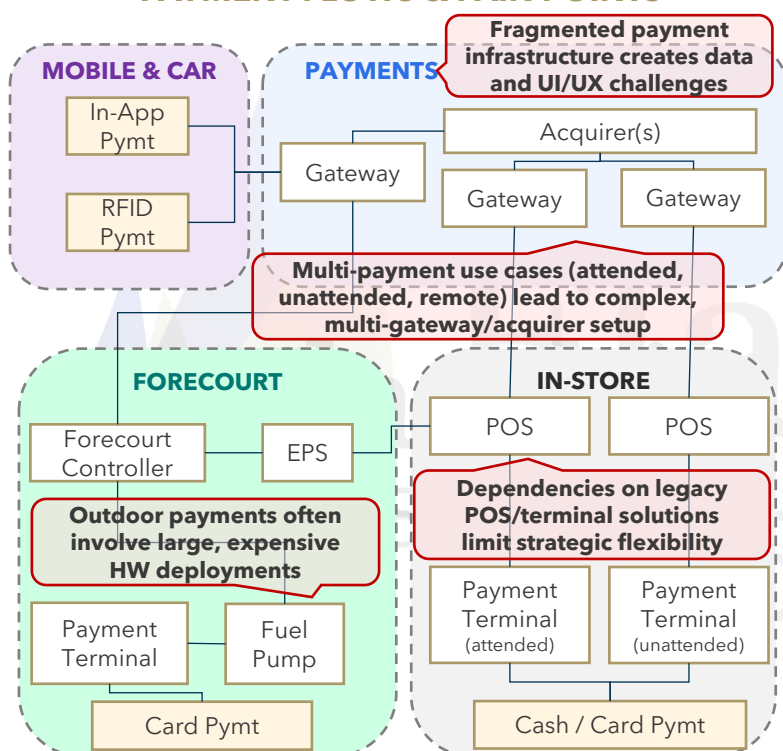
Mastering Mobility & Fuel Payment Acceptance

3 Mobility & Fuel Payment Acceptance Complexities

(non-exhaustive, illustrative fuel retail example and other commonly observed pain points)

- Mobility & fuel merchants are **trying to enable seamless, omnichannel experiences across multiple use cases and payment methods**
- It is **common for current-state payments infrastructure to inhibit merchants from enabling such experiences organically** (i.e., designing the experience with existing capabilities and vendors is challenging)
- Factor in the data demands of B2B mobility and fuel payments (as described in our previous article [HERE](#)) and **merchants are actively looking for solutions to solve these various challenges/complexities**

ILLUSTRATIVE EXAMPLE: U.S. FUEL RETAIL PAYMENT FLOWS & PAIN POINTS



OTHER OBSERVED MERCHANT PAIN POINTS

- Revenue collection (e.g., toll payments)
- PCI compliance burdens incl. tokenization & point-to-point encryption (P2PE)
- Lack of a 360° view of customers
- Back-end payment data reconciliation
- Integrating fuel/fleet cards and other APMs
- Fraud and chargeback management
- EMV & payment protocol updates
- Implementing complex commercial models (e.g., surge pricing)
- Open vs. closed-loop card integrations (e.g., mass transit)
- Payment settlement timing
- Linking customer loyalty & payments information
- Payments connectivity (e.g., stability and uptime)

Sources: Flagship Market Observations & Analysis © Flagship Advisory Partners, August 2024

4 Mobility & Fuel Payment Acceptance Landscape

(non-exhaustive, select company examples)

- Mobility & fuel payment acceptance technology is a **crowded and competitive market that continues to innovate**
- **Industry participants are evolving to solve merchant pain points, with many converging across domains** (e.g., fuel brands and OEMs becoming more like payment service providers)
- **Regardless of use case, all industry participants should have a forward-looking payments strategy**



Sources: Flagship Market Observations © Flagship Advisory Partners, August 2024

Navigating fintech innovation

Flagship Advisory Partners is a boutique strategy and M&A advisory firm focused on payments and fintech. We serve clients globally and have a team of 30+ professionals who have a unique depth of knowledge in payments and fintech.



Thank You!

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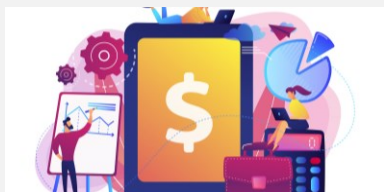
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