



# Comment: Bringing clarity to mobile payments market

Mark McMurtrie from the Payments Consultancy believes it's time for clearer definitions in the field of mobile payment technology.

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So much has been written about mobile payments over the last couple of years that many will tune out when they see yet another article on the topic. This piece however aims to take a different slant.

It does not focus on wallets which are starting to make an impact and expected to become a battleground between the payment networks, banks, network operators and internet giants. It also does not focus on MPoS solutions and micro merchants – a new merchant category only recently classified.

Mobile payments mean many different things to different people; surely the time has come for clearer definitions.

Consumer adoption of smartphones continues to grow and we are starting to see significant volumes of retail sales generated from mobile phones. The recent IMRG and Capgemini survey reported that mCommerce accounted for 23% of online sales during Q2, double the figure from the previous year. At these levels no retailer can afford to ignore mCommerce and must ensure the channel is optimised and is an integral part of their online strategy. With smartphone models increasingly including an NFC capability as standard (with the notable exception of Apple) it is highly likely that eventually this technology will be used by consumers' in-store to make a payment at the point of sale.

But I suggest that payments will not be the first use case for NFC at the till, instead I propose that electronic coupons and loyalty programmes will be the NFC 'killer app'.

This will help build consumer confidence and the infrastructure to accept and process NFC-based transactions. Many retailers still need to invest in contactless card readers at the point of sale and hopefully the prospect of loyalty and electronic coupons will help make the investment case stronger and speed up installation. My prediction therefore is that NFC 'tap and pay' transactions will become significant in the medium term, but not in 2014.

Retail chains have very different needs to micro-merchants. Transaction charges of 2.75% will simply not fly in this tier. Tablets rather than smartphones will have far more impact in-store. The technology must work in a rugged environment and be able to cope with high levels of usage. We are not talking about occasional usage and a few transactions; instead we are dealing with high volumes and mission critical processing.

Battery-powered devices, including Bluetooth PIN pads, must be able to cope with these requirements. For these and other reasons I do not expect the new breed of mobile payment service providers to drive mobile payments adoption within retail chains.

A card payments capability is a critical part of an integrated point of sale system today. The advantages of faster transaction times, fraud reduction, improved management information and cost savings are well understood. Payments applications must work seamlessly with EPoS applications.

It is worth highlighting that an alternative to card-based payments is on the horizon. This uses a transfer of funds directly from a consumer's bank account to a merchant's bank account, no card number is used anywhere in the transaction. This approach has proved very popular in the Netherlands and is expected to be launched in the UK soon by Vocalink under the Zapp brand. This payment method will initially be available for eCommerce and mCommerce transactions but they also have plans for usage in-store at the point of sale with smartphones and one time codes.

Savvy retailers fully understand that mobile payments technology must integrate seamlessly with their other IT systems. They are busy planning omnichannel strategies in order to maximise their understanding of consumer behaviour and improve the level of customer service they can provide. Mobile payments must not be implemented in isolation and become an isolated island of technology. We saw the issues created when internet commerce was introduced with completely separate structures and systems. It is far trickier and expensive to reintegrate after a few years operation. Lessons should be learnt from this experience.

This Christmas we can expect to see far more usage of mobile payments technology as temporary payment points or for queue busting solutions. As card payments are currently the preferred payment method of consumers when shopping, pop-up stores would not be practical without an effective mobile payment capability fully integrated with the EPoS application.

It is an exciting time for mobile payments. There is a lot happening at the moment, significant investments are being made into the sector and many new products and solutions are being developed. This has been helped by the stabilisation of industry standards and the ability to reduce compliance scope by using point-to-point encryption.