



Never before has so much payments innovation been seen



Independent retail payments expert Mark McMurtrie guides us through the arrival of in-store mobile, mPOS, new payment form factors, digital wallets and alternative payment methods.

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For many years there was little innovation seen from the payments sector. Retailers just wanted to ensure a customer never abandoned a sale through lack of supported payment acceptance method. The key requirements were for transactions to be completed quickly, safely and at low cost. Terminals may have become smaller, added minor new features, reduced transaction times and offered support for new card types and technologies, however nothing that radical has emerged. Then came the regulatory requirements to achieve

first Chip & Pin and then PCI Data Security Standard compliance.

Payment strategies were largely dictated by the international card schemes with little influence from the merchant community. The large acquirers enforced these regulations and did little to compete on the provision of merchant acquiring services. Retailers became completely fed up with being told what they must do and having deadlines set for compliance. Attention was also largely focused on domestic markets and for Visa/MasterCard credit and debit card acceptance.

IN-STORE MOBILE ARRIVES

In 2015 we appeared to move into a new chapter. 'Boring' old card payments started being treated as 'sexy' new payment methods. Firstly 'Tap and Go' contactless transactions finally came of age, thanks largely to the adoption by Transport For London and the Grocery sector, after a long gestation period. Simultaneously mobile payment solutions emerged in the UK market. Retailers started equipping store colleagues with mobile transactional devices for in-store usage. These could be used not only to investigate stock availability but also to provide assisted selling and for queue busting purposes. These tablet and smartphone based systems are full transaction devices with integrated payments capability.

Following various merchant pilots it became clear that introducing mobile is not straightforward. It is far more than ringing up a sale and hitting the pay button. From a payments perspective chip and mag stripe cards need to be read, PINs have to be captured securely, contactless cards accepted and receipts issued to those customers who want one. Bagging, wrapping and un-tagging of goods also needs to be considered in order to provide a complete customer service. Mobile payment systems have to cope with a tough operating environment and consider issues like battery life, recharging and the securing of assets.

AND mPOS TOO

For the smaller merchant or outdoor traders new mPOS solutions arrived from a multitude of suppliers including both established payment brands as well as new market entrants. This form of payments innovation has expanded the places where electronic payments can be accepted thereby increasing the market size by tens of thousands of merchants.

Initially, merchant take-up is widely viewed to have been disappointing however now, with innovative service features such as pre-integration with POS applications and tiered volume based transaction pricing, sign up rates and usage have increased. Perhaps too unrealistic forecasts on speed of adoption for mPOS were articulated. Let's take another look in three years time to judge success or failure.

NEW FORM FACTORS APPEARING

Sales assistants are very familiar with the traditional plastic card shape, design and branding as they have been using these for the last 30 years, but now payments can be initiated from a wide variety of alternative form factors that look nothing like a card.



The smartphone will likely become the 'new normal' form factor in ten years time, but for now they are still considered new and viewed curiously when used to make a payment.

Smart bands worn around the wrist, like bPay from Barclaycard, can be embedded with a contactless credit/debit card and communicate to the reader via NFC communications. These are particularly popular in closed environments like festivals, campuses, holiday camps and cruise ships. We are expecting to soon see a wide range of new NFC enabled form factors such as smart rings from the UK's Kerv, and clothing with payment details embedded within the garments.

DIGITAL WALLETS FROM abcPAY

The arrival of ApplePay is considered by some to be the most significant payments innovation of the last decade. However those with a deeper payments understanding realise that what Apple has actually done is a great job of packaging a multitude of components together and then creating a very high profile and successful market launch. Apple does not have the NFC mobile payments market to itself, with AndroidPay and Android Contactless Mobile from Barclaycard now live in the UK and SamsungPay expected to launch here soon. All of these new mobile payment options include the use of tokens as a replacement for the 16-digit card number which has become so attractive to criminals.

OMNICHANNEL PAYMENTS

UK consumers have changed their buying habits and now use a variety of sales channels to look for goods and services and to make purchases. Omnichannel programmes have high profile at large and mid tier merchants. Often though, payments has been omitted from the scope omnichannel initiatives. This has created poor customer experiences if an online purchase could not be refunded in-store due to incompatible payment options across channels. As merchants look to introduce payment systems that can work seamlessly across all channels we can expect to see further changes, which may well include new customer authentication methods like biometrics.

PAYMENT IS NO LONGER ENOUGH

Progressive retailers are realizing that their customers are not just looking for a new way to pay. They instead want payment to be combined with loyalty and reward programmes that can form part of a digital customer engagement strategy. These combinations provide 'added-value' and boost customer retention, engagement rates and sales volume. Also, digital receipts are increasingly being offered and these are not only 'greener' options but also more helpful for many groups of consumers so we can expect to see these being more widely adopted.

As a result of this unparalleled amount of payments innovation many retailers are confused about which new payment options to support, when is the right time for adoption and who to be working with.

ALTERNATIVE PAYMENTS

Today, merchants are not restricted to just Visa/MasterCard credit and debit cards, they can pick from a growing list of alternative payment methods. These are headed by support for PayPal and UnionPay, prepayment options as well as direct bank account schemes like Zapp and Klarna, all adding further choice and confusion for retailers.

HELP. WHAT SHOULD I DO?

As a result of all this unparalleled amount of payments innovation many retailers are confused about what should be done. Which new payment options to support? When is the right time for adoption? Who to be working with? These are the commonly asked questions. To help answer these questions Payments Consultancy Ltd offers a range of high level advisory services that include market assessments, payment strategy development and supplier selection. [F](#)