

## How to Pay: The Future for Mobile in m-Commerce

There is much speculation and comment as to when, or even if “mobile wallets” will take off. Financial services providers and technology companies keep providing various forms of this technology and claim success, but it seems general acceptance is still some way off. It seems to me success will be determined by the general public’s acceptance of the technology and when it becomes a part of every day life.

Banks have introduced mobile versions of internet banking, some with innovative features to make them more usable, but none have really yet embraced the much wider potential that mobile offers.

Telco’s of course, also have a deep interest in the use of a wallet, or some form of mobile application which stores personal and financial information is of interest to a wide range of businesses. They make their money by getting more traffic on their networks and data is a key part of this.

The Groupe Speciale Mobile Association (GSMA) in a very interesting paper (Mobile Commerce in Retail, dated July 2013) argue that for the mobile experience for consumers to be really effective, it needs to cover not just shopping and paying, but the end to end activities of which shopping is just a part. They point out that the mobile can play a role in planning the trip, organising travelling or parking, choosing items to buy, checking prices, shopping, paying and returning home. Many parts of these already exist as separate apps. Bus routes are available on mobile, as are train times, paying for parking, maps and store guides. Shopping guides for comparing prices have been around for a while and the practice of “show rooming” is quite common.

GSMA examine the issue from the view of network operators, as they would. They identify new roles which network operators could play to bring potential new revenue opportunities. As stated many of these activities are already available on a mobile but they are not integrated and come through as disparate series of independent applications.

### An End to End Approach

I would like to build on this general idea and suggest how banks and other financial services players could be part of this “end to end” view and add real value to their customers. I conclude that to be really useful to consumers they will need to open up their systems and allow the provision of account related information to broader mobile applications.

It’s instructive to think about how the overall mobile experience might work for a consumer, concentrating on the components centred around shopping and payments.

Getting customers into their stores is still a priority for retailers, even in today’s virtual world. So knowing when a good prospect is nearby and attracting them into the store is high on the agenda. The mobile can help, proximity detection already exists. I was in a Costa recently, and the next day I received an email welcoming me back as I hadn’t been in one for a while. I hadn’t done anything except be in the place with my mobile. I hadn’t even bought the coffee! They knew I was there and pinged me. I’m sure this could have been done within minutes rather than waiting for the next day. So it’s quite possible to imagine offers and adverts for goods or services to be targeted at consumers using a combination of the location of the mobile and the stores customer data base. In this way very targeted and

potentially attractive discounts, coupons or other incentives to buy can be made and stored on the mobile app.

This is an attractive approach for retailers, who for the most part run on low margins and want to maximise the footfall. Their basic objective is to get the right people in the shop and sell them as much as possible. Targeted offers, with additional discounts for cross sell items are all part of this. The mobile will become a key tool in this developing strategy.

When it comes to paying, as far as the retailer is concerned, the pressure is to speed up, simplify and reduce the cost of the payment process. Make it easier for the customer to buy the product and move to another part of the store where they can spend more money. The details of course depends on the type of retailer; a supermarket would have different needs than a general department store, but the overall principle remains the same.

When thinking about what would be really useful for a consumer an important point to consider is that most, if not all, of us are multi-banked, or at least multi-carded. We nearly all have numerous cards from different providers, plus bank accounts and possibly loans as well. Banks, so far at least, look at their own offerings and provide systems to support them. It's a rare thing for a bank to offer a broader service except in the high end commercial world, and even then it is limited. For an application to really be useful this gap needs to be overcome.

For any market participant to be really successful they need to put themselves in the shoes of the consumer and provide convenience and value, not just a channel for their products. So what sort of application would be really useful for the consumer, what would they find really helped them in their lives?

### The Best Way to Pay

How about an application that tells consumers the best way to pay. Consider this: consumers have done their browsing, received their discounts, coupons and the like from the retailer and are ready to make a purchase. They have a number of options when choosing how to pay. They can choose credit and probably have a number of cards available to them on their mobile. They may have available credit on a loan, or an overdraft facility as well. They also likely have numerous loyalty points and other discounts from the store or from their cards. So which is the best way to pay for this item? They can get lots of advice on which is the best item to buy, but not much on which is the best way to pay.

Suppose their mobile had an app which could help them analyse the benefits of the different cards, payment types and discounts. One that could weigh up the advantages of each by looking at things such as: available credit, due date, interest rates and any loyalty schemes and give them the pros and cons of each for this particular purchase at this moment in time. Perhaps putting them into an order of preference. The final choice would (of course) be the customers, but it would be an informed choice. This "intelligent wallet" would not only be a store for the payment methods, but a mini financial advisor as well.

One would not want to use this for every purchase. A cup of coffee or the sandwich for lunch hardly warrants such an approach, but for larger purchases, even the supermarket trolley full of the weeks shopping which can be pretty expensive these days, such an approach would have serious attractions.

What is needed to make this a reality? To be really effective it would require direct access to the information from bank and card accounts being used. If the providers made API's available for even just some basic transactions then this would be possible. Without such participation by providers, such an app is still possible, but it would require more set up by the user and would not be as accurate.

'How to Pay' is an example of real value to consumers, and providers which could be obtained by the opening up of banking interfaces, preferably in an industry standard fashion. At the EPCA Conference in Brussels in March this year one speaker advocated this, pointing out that this would be a revenue earning opportunity for the banks. They could charge for each transaction and have differential charging for simple and more complex transaction types. The basic transactions such as payment due date, interest rates and available credit are examples of simple transactions. More complex transactions such as interest calculations could be charged at a higher rate.

So, is this just a pipe dream of a romantic, or could this happen and what would be needed. My point is if banks don't cooperate and open up in this way then someone else will find a way of creating something like this without their help. That will further marginalise them and hasten their journey to be back end providers of transactions. Not where they should be!

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