

Excerpt from the World Payments Report 2011:
Mobile Payments

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REPORT **2011**



Mobile Payments

As noted in Section 1, the volume of mobile payments is expected to grow at almost a 50% rate in the next three years. The largest banks, especially those with a significant presence in the cards businesses and schemes, and mobile operators are investing in these new technologies, sometimes in partnership with producers of cell phones and providers of smartphone operating systems. It is uncertain at this point which models will be successful and how revenues will be shared.

Figure 3.5 maps the mobile payments market into four quadrants to show today's achievements and to define the 'value spaces' that define tomorrow's opportunities, as well as incorporating the potential barriers to mobile-payments adoption.

Each **value space** hinges on a different proposition:

a. Pay on mobile: This includes initiation of payments, such as paying through contactless NFC. Volume growth is constrained in this space by handset/acceptance concerns.

b. Purchase on Mobile: This assumes 'mobile commerce' evolves, with payers using more sophisticated actions such as 'search' and 'share' to fulfill the purchase loop. (Social media also offers unique possibilities in this space).

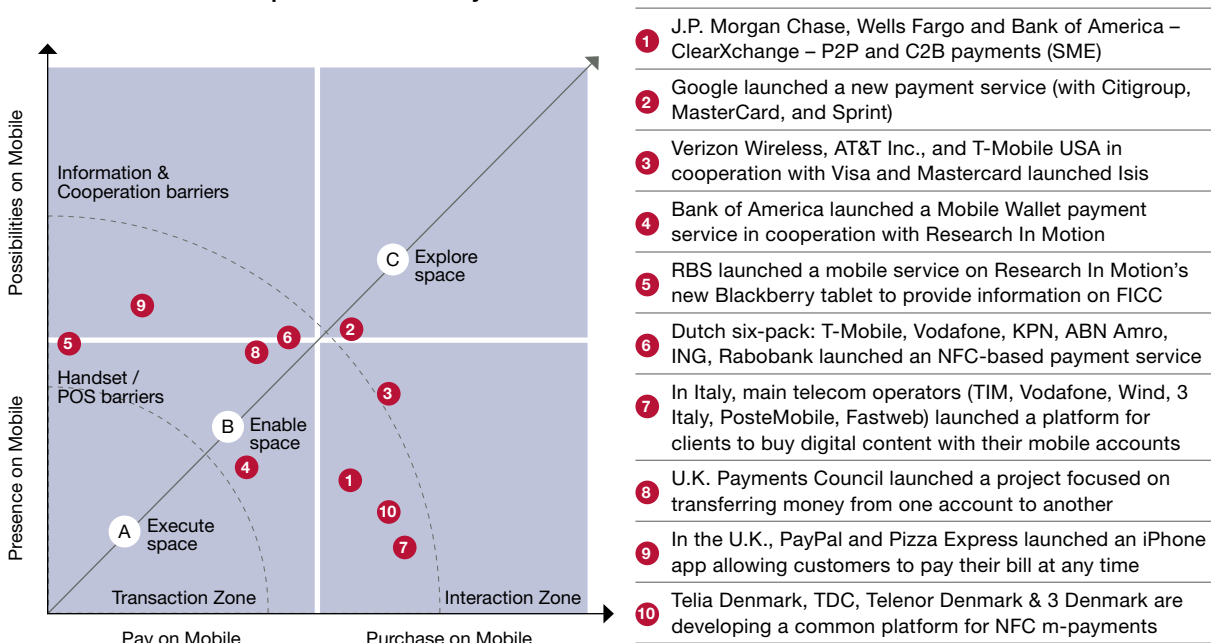
c. Presence on mobile: This space has only the basic building blocks of enabling technologies that kick-start the adoption of mobile payments. These include short-message-service (SMS, text messaging) enablement, applications, NFC chip/sticker, etc.

d. Possibilities on Mobile: This space blends elements from the demand and supply sides to offer enhanced customer experience:

- **Demand side:** Builds on possibilities from 'knowing the customer'—for example leveraging social, CRM-based insights and/or location-based services to generate and present dynamic offers to customers.

- **Supply side:** Builds on the ability of players to co operate—perhaps offering management (e.g., co-branding arrangements), revenue-sharing, etc

Figure 3.5 Mobile Payments Is a Multi-Layered Solution Requiring Players to Calibrate Their Actions per the Zone of Play



Source: Capgemini analysis, 2011

BARRIERS TO ADOPTION

Barriers to adoption exist alongside the potential value of mobile payments. A critical barrier is the compatibility of handsets and POS terminals and fears that not all stakeholders will fully cooperate. (Both of these barriers are mapped on Figure 3.5). These obstacles may make the mobile business case a ‘tough sell’—especially in the shorter-term and for any player that views mobile primarily as just another delivery channel and cannot envisage its potential for cross-selling, location-based services, etc. The extent of these obstacles differs by market, depending on infrastructure, regulation, user preferences, etc., so business cases will need to be evaluated accordingly.

DRIVING VALUE IN MOBILE PAYMENTS

One way for banks to create value from mobile payments is to drive an actionable agenda across the four quadrants (and two barriers) of Figure 3.5—delivering a mobile payments program that fits in one of three spaces: Execute, Enable, Explore.

A. Execute (Mobile Payments)

In this space, players need to provide, at a minimum, the ability for customers to make mobile payments. The increased availability of technologies like NFC-enabled phones, contactless POS, mobile phone POS will increase the opportunity. In some markets, transit ticketing and top-up, etc. are already possible in this space due to the homogeneity of infrastructure (e.g., in Hong Kong and Kenya).

B. Enable (the Project Frameworks)

In this space, players look to leverage initial investments and explore opportunities to provide enhanced services and circumvent barriers to adoption. These could take the form of ‘pilots’ for specific offerings targeting the customer base of a given bank, such as Bank of America and RIM piloting microSDs as a bridge to NFC to overcome handset barriers. Along the same lines, RBS has launched a mobile service on Research In Motion’s (RIM) new Blackberry tablet to provide information on fixed income, currencies and commodities.

Similarly, Facebook Deals and Google Offers stimulate a closer relationship with local dealers while maintaining ‘presence on mobile’. Some revenue streams that could be explored within the cooperation barriers are:

- Customer fees for traditional services such as registration, money transfer or withdrawal, and bill payment.
- Customer fees for new services, such as application load fees, secure identification, top-up and transit ticketing.

In addition, there are several initiatives that originate solely from mobile telecommunication operators. For example, Telia Denmark, TDC, Telenor Denmark, and 3 Denmark have formed a joint company to develop their mobile wallet platform. As a response, Danish banks are developing mobile payments using text messaging. BankSMS will launch later this year, enabling users to initiate purchases of things like train tickets by sending a text message with a product code. Another example is in Italy, where main telecom operators (TIM, Vodafone, Wind, 3 Italy, PosteMobile, Fastweb) launched MPay, an open platform for clients to buy digital content with their mobile account credit.

C. Explore (the Opportunities)

In this space, players iterate their propositions, though not in any pre-defined way. The focus may be on technology or revenue-sharing. ‘Possibilities’ could combine with commerce to transform the landscape (i.e., in the emerging, interconnected D3 dimension of the payments universe).

Adjunct players like Google, Apple and non-bank players like PayPal are at the forefront of the possibilities, and some players will need to engage and brainstorm with like-minded partners to succeed. In particular, Google is offering an NFC sticker in partnership with VeriFone, MasterCard, Citi, Sprint, and First Data, that can be connected to a credit card and communicate with a virtual wallet app (Google Wallet) through cloud computing. The company is also working to equip leading merchants with NFC-enabled terminals. Taken together, these systems aim to combine payments and merchant discounts at the POS, using the smartphone as an evolved “wallet of the future”.

Revenue streams that could be targeted include:

- Mobile marketing, couponing and advertising, such as mobile coupons at fast food chains (e.g., McDonalds, Qdoba Mexican Grill, Arby’s, Dairy Queen and Dunkin’ Donuts in the U.S. and retailer Tape à l’oeil in France).
- Co-branding arrangements, analogous to today’s co-branded credit cards, generating revenue from bonuses and incentives.
- Customer fees for new services, such as home or building access or location-based services (e.g., tracking of lost devices).