

## **M COMMERCE: WAITING FOR GODOT?**

### ***The future is rosy...***

It's nearly a year since we last looked at the world of mobile. The pace of change is so hectic that, 12 months on, we're close to seeing a winning proposition emerging, aren't we?

Well, to borrow Evelyn Waugh's splendid phrase, up to a point, Lord Copper.

Read the blogs and the specialist mags, and you'd be forgiven for thinking that we're only a heartbeat away from the breakthrough. With the fervour of conspiracy theorists, the commentariat spots a piece of evidence here, another there, and weaves a seamless magic carpet. Apple has bought a fingerprint identification company, M-PESA has created a link with Bitcoin, and (gulp) China Union Pay has announced a mobile wallet...

Alongside this torrent of developments, researchers paint wonderfully positive pictures, finding trends fit to beat the band: 41% of iPhone users have bought something on their mobile phones, there are 2 million mobile payments every week, 78% of retailers expect to invest in m commerce<sup>1</sup>....

### ***...if you use the right spectacles***

Impressive, if taken at face value. But it's hard to avoid the impression that many studies skirt nimbly round some of the tougher questions. For example, what exactly were those iPhone purchases? The odd app or iTunes – or an expensive fridge/freezer, or even a supermarket bill? The cautious may also care to bear in mind that the research quite often seems to come from bodies with a vested interest in it, and that their bold ways with extrapolation would, if applied to falling mortality rates, lead inevitably to the resurrection of the dead.

### ***What would success look like?***

And yet, and yet...Even the most jaundiced pessimist would have to admit that m commerce and m banking – too often treated as the same thing, when they have very different dynamics – have a future. The question is, what kind of future? Will m transactions be constrained to the low value ghetto of contactless? Will the m shoppers' world be confined to QSRs and public transport? Will m banking ever move beyond account look-up and (limited) payments?

There is the odd pointer out there: more than 70% of surveyed US stakeholders believe that mobile payments would have the greatest potential in mass transit. Nothing wrong with that, of course: but it's not the visionary's replacement for cards and cash that we were promised. More prosaically, it's not going to create huge new profit streams – especially not if it falls under the EU's proposed 0.2%/0.3% cap on debit and credit interchange.

### ***Context makes a big difference***

The outlier in all of this is emerging markets: in India, we're often reminded that more people have a mobile phone than access to clean water. And smart phones can certainly fill a vacuum where conventional banking facilities are scarce or simply not available: today 15 million Kenyans use M-PESA, and 70% of financial transactions pass through the system, which accounts for around 20% of national GDP<sup>2</sup>.

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<sup>1</sup> *Mobile Payments Today*, 24 June 2013

<sup>2</sup> <http://www.thinkm-pesa.com/2012/03/how-m-pesa-is-transforming-kenyas.html>

The case for mobile in markets with underdeveloped banking is very powerful.

The big question comes where there are already sophisticated retail banking and payment networks. Here, the delivery challenge hasn't really changed since the last time we took a look at mobile: we believe that too often, many fans confuse technical advance with real world benefit. It's not the commentariat that needs to be convinced: it's merchants and customers.

### ***Merchants ask tough questions***

From a merchant POV, m commerce is ideal in many settings where conventional landline terminals can't be used: COD payments to couriers, businesses supporting festivals and concerts, pop-up restaurants...But note two things: it's the mobile terminal that does the magic, not the mobile payment instrument. And with all respect, these are in truth niche markets. If you want to hit the big time, convince a big retailer. The fact is that we have yet to see a benefit that would persuade a large retail chain with big ticket transactions, probably multi channel, perhaps doing business across borders, to expensively retool its existing POS capability so as to incorporate mobile payments.

Talk to these retailers, and they will all say the same thing: will it increase my sales? Will it cut the cost of doing business? Oh, and by the way, which flavour of it should I be looking at? Rather important this last, of course.

### ***Customers also need a reason to change***

Now look at it from the POV of a customer. Comfortable with credit cards, why would he change long-established payment habits to an m commerce app operated by someone he's never heard of, housed on a device which is notoriously prone to being lost, stolen or possibly cyber-meddled with?

Convenience is often suggested as the driver: but is using a phone really more convenient than using a card? And, if mobility is the key, why does it have to be a phone? What about pads, tablets...? The boosters often get excited by location-based merchant messages about product promotions, fulfilled by using a mobile. Fun for some users, bit intrusive for many? Functionality like this also risks running afoul of the growing concern for privacy.

### ***Something to think about***

Here's a suggestion that may provide a reason for both customers and merchants to change their ways: build rewards into the payment capability. Let merchants award points in real time in store, let customers redeem them, again in real time, in store, all through a mobile phone. Genuine value for both sides of the transaction. An extra benefit which makes sense.

What if, for example, a mobile points-and-pay capability were to link up with the iPhone Passbook? Just saying....

For sure, not all of the answer: but maybe an important part of it.

*"Hope deferred maketh the heart sick...but a longing fulfilled is a tree of life." Proverbs 13:12*

## Roy Stephenson Background

- With more than 20 years of experience in the payment card industry, Roy was previously with American Express, where as VP and General Manager, he launched the highly successful commercial card business in the UK, going on to lead product rollout across EMEA and latterly Latin America/Caribbean.
- As a consultant, Roy works with banking and payment card clients around the world, identifying and advising on best practices in customer marketing and relationship management. He has also undertaken assignments in media, utilities, airlines and retail.
- He has developed and audited coalition and bank loyalty programmes in the UK, Ireland, the Netherlands, Spain, Canada, Dubai, Kuwait, Australia, Singapore, Spain, Israel, Turkey, Saudi Arabia, Brazil, Chile, Venezuela and Mexico.
- Roy has also advised on airline FF programmes, and has been the rewards lead in the MasterCard Advisors pool.
- He speaks fluent Spanish, reasonable French and is the author of *Marketing Planning for Financial Services* (Gower Publishing). He has a B. Com, holds an MA in Management Studies and is a Fellow of the RSA.
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