



# Mobile Payment Challenges In Omni-Channel Commerce

Cezary Kosiński | Management Consulting Card & Mobile Payments

---

March 10, 2016

Polskie Karty i Systemy Conference, Session XXIX, Warsaw [www.polskiekarty.info.pl](http://www.polskiekarty.info.pl)

# Embrace The Change

---

- **Consumer**

Experience of Internet, e-commerce, social media, smartphones and personal digital gadgets has transformed significantly consumer's life style and shopping habits

- **Retail**

Mobile Apps are reinventing retail. Commerce continues migrating away from the POS and towards being channel agnostic and allowing digital customers shopping whenever, wherever, whatever.

- **Payments**

Payments follow changes in Retail. Alternative Payment Methods combined with Mobile Apps & Wallets contribute to retailer's success. The new omni-channel strategies implement invisible and hands-free payments.



# Changes in consumer life style

---

## 1. Our life is in a hurry

- Shopping should cause no hassle to our life, rather a great experience & gratification.
- Retailers should adjust shopping to dynamic of each of us. Concepts of Slow / Fast Life are OK as long as choice remains in our hands and they are not forced by waiter or seller or „the system”.

## 2. Our „Intimacy” with technology

- We learned how to bring into play the use of multiple digital devices simultaneously and are very excited about new mobile & digital gadget promises (e.g. watches, glasses, smart-shoes, VR, ..). Shopping great experience is expected to be available on those new gadgets soon.

## 3. We expect hyper-personalisation, recognition, and .... respect to privacy

- We like to be recognized. Retailers are expected to listen and understand our context.
- We want to protect our privacy. Nobody is authorised by default to spy our habits or life. Any personal data must be protected and secured and can't be a subject of trade.
- We practice physical „cocooning” (e.g. house + silence). „Nobody” can disturb us that time or limit us in performing and completing any shopping we could wish.
- We practice digital „cocooning” (e.g. headsets on the street, or Virtual Reality on PC). We like to extrapolate VR/digital experience to the real life and have nothing against gamification of shopping.

# Changes in consumer shopping style

---

## 1. We are aware of our purchasing power and vast potential of choices

- Today's supply of goods is almost „unlimited”. Purchasing decision can sometimes be a problem.
- Consumers have control over choice of tools, place, and time of shopping and use this advantage when searching, testing, paying, collecting goods and „sharing/publishing” experience. Consumers expect the highest quality of service from Retailers.

## 2. We want to do multi-channel shopping

- Customers practice visiting approximately 3 different channels before actually buying, 27% use the mobile to prepare their shopping list.
- Going to an alternative e-shops via smartphone when being in a store is an often practice. Then comparing/seeking for prices and personalised recommendations and promotions.
- Customers enjoy omni-channel style of shopping: e.g. pre-ordering on the screen in McDonalds or click & collect style for daily shopping. Customers seem ready for more sophisticated scenarios.

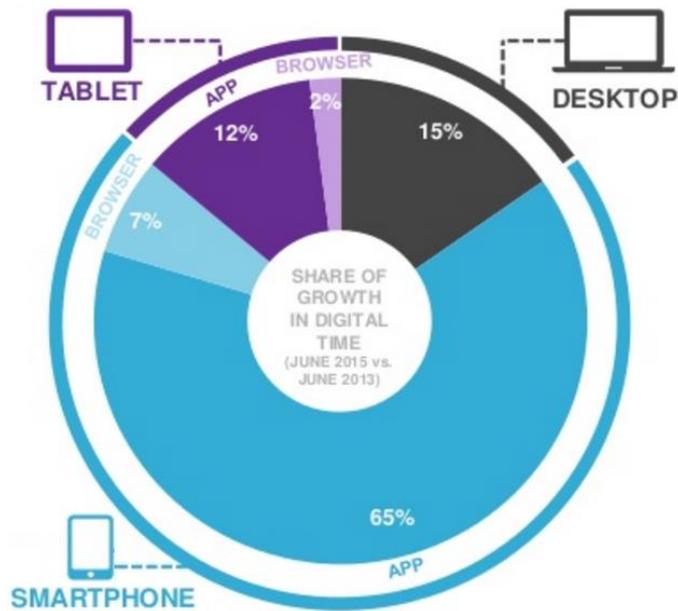
## 3. We prefer diversified payment methods depending on „the context”

- For in-store context: the contactless cards (MC,V) are receiving positive evaluation on all markets
- For e-commerce context: card payments are preferred in Western Europe and Russia, fast bank transfer is preferred in the majority of CEE countries, and direct debit is preferred in Germany
- Alternative Payment Methods get market share and grow fastest in On-Line and In-App.



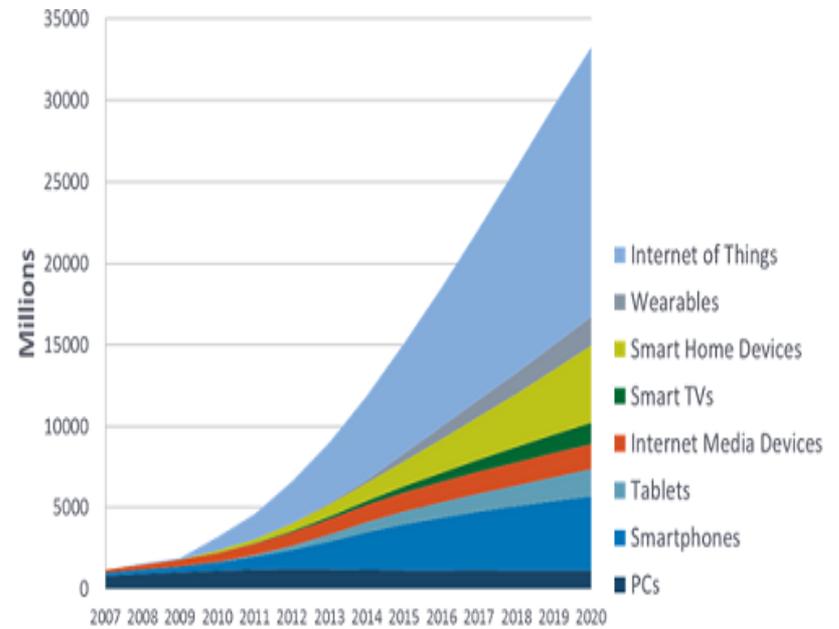
# Consumers will be more digital & mobile

Share of Growth in Total Digital Time Spent:  
June 2015 vs. June 2013



Source: comScore Media Matrix Multi-Platform & Mobile Matrix, U.S., Total Audience

Global Internet Device Installed Base  
Forecast



Source: Strategy Analytics, October 2014

# Omni-channel lesson learned

---

## **Mobile Apps kill traditional checkout and payments at POS:**

- Click & Collect strategy works perfectly in HoReCa; big retail chains offer grocery shopping combined with „drive-thru” collection; 2nd hand cars can be ordered for testing by C&C
- Mobile Apps in combination with digital Wallet and physical Beacons resolve the problems of: check-in in physical stores, tracking consumer’s shopping activity (location, time) and addressing personalised content via e.g. interactive displays between the shelves in the store.
- Mobile Apps with Wallet open doors for cross-channel shopping journey, e.g. collecting coupons (QR or OCR) on active displays, then opening order at the self-service kiosk or sellers tablet in the store, then completing payment InApp or online at home.
- Conversion rate of e-shoppers using mobile Apps is 4x higher than of mobile WEB users. Shopping Apps transform showrooming problem from revenue losing into a winning strategy.
- InApp cross-/up- selling efficiency is 17-30% higher than face-to-face. Similar is for self-service.

## **„Buy Now” Widget – contextual impulse on-line purchases:**

- The concept was originally invented for e-mails and then quickly and widely adapted in social media, news portals, video streaming (e.g. Netflix) or search sites. Buy Button could be also an app that triggers an automatic addition to a shopping list.
- Consumer gets the opportunity to buy something when there is both an interest and intent to buy and from inside an environment that is providing useful information, and from a brand presented in the right context that takes the uncertainty out of buying.

# Omni-channel Retail - examples of leaders

---

## Walmart Mobile Shopping App:

- Consumers can browse, search and buy Walmart.com products right on the spot. Consumers can view, share and print online photos. App locates the nearest Walmart store.
- App allows creation of shopping list and adding products using voice input, or text, or offers of the day, or by scanning bar codes. It is possible to check price and product availability as well as aisle location for any item on the shopping list.
- Payments in stores and on Walmart.com work the same. Today Walmart Pay allows payment by any card, any time. In the future consumers can be easily enabled to pay ACH or another alternative payment method. Walmart can even incentivize to do it (!!!) . App can perform split payments including methods not currently compatible with Walmart Pay (e.g. cash, EBT) and any combinations of multiple methods.
- The App implements Savings/Price Catcher, i.e. takes your receipt, scans competition, compares prices, reimburses differences

## Amazon Dash Replenishment System – „Buy Now” Button:

- Consumers can perform recurring shopping of items just by pressing a button. Alternatively autonomous device can initiate buying when it recognizes low level of supplies (e.g. ink/toner to the printer, water to the distributor, or food for pets to the dispensing machine, ..)
- Amazon is going to attract a lot of retailers and consumers and bind all of them to the own platform, payment system and logistic system.



# Omni-channel context of mobile payments

Payment context	Mobile context	Technology	Objectives
POS: Face-to-face, Self-service	Pay-by-mobile at POS	Touch: EMV, MagStripe Proximity: HFC, BLE, Beacon Codes: QR, OCR, Manual	Pure payment: Replacing Plastic
On-line on PC, Self- service	Pay-by-mobile remotely	P-SMS, USSD, WAP Input: QR, text	Pure payment: Remote
On-line on mobile device	Mobile Web Payment	iPSP: cards and multiple APMs	E-payment: anytime, anywhere
InApp on my device	Mobile InApp Payment	One-click payment for cards & APMs	Loyalty, KYC, Drive New Use Cases, Business Intelligence
„Buy Now” Widget/Button	Instant / Recurring Mobile InApp Payments	Digital wallet in the cloud + One-click payment + Device preauthorisation	Simplify purchasing: - impulse & recurring - consumables  Strengthen customer acquisition & retention
IoT (M2M)	Hands free & Invisible Mobile InApp payments		

# Alternative Payment Methods in mobile Apps

## What is considered an Alternative Payment Method:

- Real time bank transfer (pay-by-link)
- Local card schemes
- E-money
- Wallets (e- / m-)
- Direct Debit
- Instant Instalments
- Loyalty point redemption
- E-Invoices
- Cash-on-Delivery

	Users of mobile payments 2014	year	Cards	APM
Asia Pacific	~140 M / <b>37.3 %</b>	2014	42 %	58 %
		2019	37 % ↓	63 % ↓
Europe	~50 M / 13.7 %	2014	51 %	49%
Africa	90 M / <b>24.8 %</b>	2019	45 % ↓	55 % ↓
Middle East	~4 M / 1 %			
North America	~73 M / 18 %	2014	72 %	28 %
		2019	65 % ↓	35 % ↓
Latin America	~ 16 M / 4.1 %	2014	75 %	25 %
		2019	71 % ↓	29 % ↓
Source: Worldpay		Source: PayVision		

**The connectivity:** Card infrastructure, ACH, On-us, Other

**The funding source:** Card accounts (debit/credit/prepaid/charge), Stored value (E-money, Loyalty), Bank accounts, Cash, One-time (vouchers, coupons, ...), Carrier Billing

# Security vs. Speed vs. Convenience

---

## Consumer KPI expectations are not universal:

(Source: MasterCard Ipsos Research 2015, consumer preference and willingness to pay)

- Germany #1 concern is Safety & Security - 75%
- Sweden #1 concern is Control - 62%
- UK #1 concern is Convenience - 58%
- Poland #1 concern is Payment Flexibility - 68%

## Reasonable balance depends on the context:

- Omni-channel strategies and technologies are under continuous development and professionals are still on the way of learning better sense of how faster, efficient, more secure and convenient mobile payments need to be.
- Mobile InApps create great shopping experience and customers are less focused on speed of payment. This leaves more space for building convenience and taking care about security.
- Biometry based authentication in payments gets traction (e.g. fingerprint readers on smartphones), however there are still concerns on general security of smartphones

## There is still a friction in mobile payments:

- Merchant inertia or indolence in implementing improvements
- Checkout and payments on small mobile devices is still less smooth in comparison to PC
- Consumer's aversion to remembering multiple registration credentials and passwords
- Some regulatory and infrastructure obstacles still do exist

# Change in balance of power

---

## Who owns Mobile App and relationship to customer?

- Phone vendor? OS vendor? MNO? Social portal? Retailer? Bank? 3rd party Wallet? Visa/MC?
- MNOs are likely stepping back from direct involvement in payments and want to focus on enabling consumers to use a device to access services and apps via their network on those devices.
- Others still have appetite to jump on the revolutionary changes in commerce and become a leaders in modern shopping, checkout and payments.

## Industry consolidation must shift balance of power in payments:

- Abnormally high investments into FinTech last years injected fuel to plenty of start-ups, some of them performing well today like Adyen, others loosing like Square or POWA very recently. Time of hard verification comes soon and rationalisation by intense M&As and/or bankruptcies is inevitable.
- Several well established incumbents of worldwide scale will become an M&A targets. Many candidates, „potential champions”, have an eye on payments. This is to mention Apple, Google, Amazon or Facebook at least.
- At the same time PayPal, Visa and MasterCard are already very active in M&As and are targeting the whole shopping process, not only payments or checkout.
- In parallel it is expected several local / domestic 3rd party players or Banks will solidify their positions on local markets and become local preferred providers of payments.

**As the result fragmentation will decrease, but there will be no „winner takes all”.**



**The pressure on extreme innovation will likely be replaced by pressure on showing financial performance.**

# Takeaways

---

## **Mobile and online reshape retail:**

- Mobile Apps combined with online are creatively destroying the retail model that's been in place for decades. Mobile makes interactions fluid, seamless and always available.
- OMNICOMMERCE is a retail reality today. However it is still tough to fully measure the degree to which mobile blurs the lines between what may be bought InApp and fulfilled in a store

## **Mobile Apps open doors for Alternative Payment Methods in brick-and-mortar retail:**

- Merchants are racing to have own Mobile App, claim consumer ownership, play with omni-channel strategies and combine it with Loyalty
- Merchants experiment with and promote Alternative Payment Methods in parallel to offering well known payments by cards
- PSD2 creates a lot of concerns, is expected to have positive impact on development of APMs
- Speed of payment is less critical to customers using mobile Apps if process is frictionless enough.

## **Shift of Power in Payments**

- Within a few years there should be much less fragmentation. Banks, Big Techs, Retailers, Card Schemes and 3rd party Specialists will coexists, each providing different flavour of value proposition and addressing different contexts of mobile payments
  - Role of infrastructure from card schemes will decrease
  - Role of alternative funding sources will grow





# Thank You

[www.swan-payments.com](http://www.swan-payments.com)

Management Consulting Card & Mobile Payments

[Cezary.Kosinski@swan-payments.com](mailto:Cezary.Kosinski@swan-payments.com)

+48 663 77 40 99

---