

MOBILE PAYMENT



Goodbye Wallets!

How Mobiles are becoming the New Mode of Payment

According to the Deloitte survey, approximately 70 percent of mobile payment users will be under the age of 40. Millennials' annual spending is expected to reach \$2.45 trillion by 2015, paving the way for a wide array of players in the mobile commerce value chain to target this younger population for growth.

PayPal, The payments giant boldly predicts that the wallet will be dead by 2015.

Payment alternatives have proliferated over the past decade. A new mobile payment technology seems to launch every day. Aite Group forecasts that mobile payments — which includes mobile bill payment, mobile P2P, mobile phone billing, mobile top-up, etc. — will reach US\$214 billion by 2015.

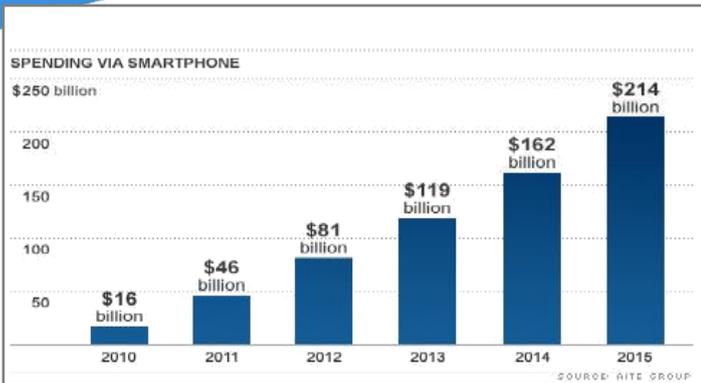
Consumers and businesses worldwide will make more than \$1 trillion in purchases from mobile devices by 2017, as the technology enabling mobile payments becomes increasingly common, according to a new report from IDC Financial Insights, a market research firm.

IDC predicts that the vast majority of these payments will come from mobile commerce, which includes things like making purchases through a company's mobile website.

The devices that first mobilized voice communications years ago have emerged as a pervasive technology that is now compelling individuals to mobilize nearly every aspect of life. Pervasive wireless infrastructure and the proliferation of smart mobile devices are enabling real-time access to e-commerce, payments, communications and information services across devices and application platforms like never before.

Mobile commerce is a natural successor to electronic commerce. The capability to pay electronically coupled with a website is the engine behind electronic commerce. Mobile payments are ripe with potential to offer convenience to consumers, new growth avenues to mobile carriers, differentiation to financial institutions, and loyal customers to merchants. Mobile payments are a natural evolution e-payment schemes that will facilitate mobile commerce. The realization of mobile payments will make possible new and unforeseen ways of convenience and commerce.

Unsuspected technological innovations are possible. Music, video on demand, location based services identifiable through mobile handheld devices — procurement of travel, hospitality, entertainment and other uses are possible when mobile payments become feasible and ubiquitous.



Three forces — technology convergence, ubiquitous connectivity/computing

and increasing affordability — are driving the demand for smart devices.

The International Telecommunication Union reports that there are 5.3 billion mobile subscribers with 3G technologies in 143 countries.

The use of mobile computing in business today goes far beyond e-mail access, messaging services and horizontal applications.

EMERGING TRENDS

1) NFC is finally here

NFC (or Near Field Communication) is currently present in an increasing amount of smart phones, including many of the top-selling phones on the Android platform. All Windows phones are NFC capable. Blackberry 10 devices will soon be NFC-equipped, as well. Gartner currently has the equation set at 50% of all smart phones being NFC-enabled by 2015.

The benefits of the application are clear – customers simply wave their phone near an NFC-enabled POS to expedite a transaction.

What is less clear is whether a standard will emerge that makes the process seamless and intuitive.

MCX, or Merchant Customer Exchange, is a recently announced collaboration of some of the world's largest retail players

(Target, Best Buy, Wal-Mart, Sears and others) to develop a standard mobile payments platform and eventual app. It's too soon, however, to know what that effort will yield. Starbucks is the current poster-child, having successfully introduced a Square-based payment method into 7,000 of its stores.

You can now order and pay for your latte in seconds (no instant app to speed up the frothing, however).

It is important to note that Starbucks utilized a barcode reader displayed by the app, rather than NFC, because it more easily integrated with their existing POS system. Meanwhile, McDonald's is currently piloting a PayPal-based NFC mobile payments option at 30 locations in France.

2) Seamless Conversion

One of the obvious benefits of mobile payments is the ability to expedite a transaction: the more barriers that a merchant can remove from the point of purchase, the greater the conversion rate.

Visa payWave, an NFC mobile payment system, proved successful at the 2012 London Olympics. Over 3,000 systems were installed at the park and around the city, speeding up payments for food, drinks and other goods. The result? Contactless payment transactions doubled during the games, making the case for the speed, convenience and security NFC enables.

3) Moving to the "Cloud"

Security has been one of the x-factors "clouding" the adoption of mobile payments as a legitimate solution by consumers, retailers and financial institutions. With a move to the cloud for credential storage, mobile wallets such as the Google Wallet have begun to offer some additional peace of mind, opening up the door for wider acceptance from financial institutions.

4) Loyalty Programs

Whether a digital "punch-card" or virtual "stamp," the winners and losers of the mobile payments battlefield may be determined by who can not only enrich the POS process, but also use NFC and mobile payments as a means for building customer loyalty. Coupons, frequent customer rewards programs, push notifications and the like will be seamlessly integrated into the mobile payments solution offered by merchants who "get it." Programs that combine mobile payments with loyalty cards and coupons have been documented by Mobile Commerce to drive an increase of over 25% in average ticket and frequency.

“NFC payments will make up a significant chunk in M-Payment as this technology comes to more smart phones and retailers upgrade to point-of-sale terminals.” (Source: IDC)



5) Multi-Tiered Integration

With standards far from established, the likely winners will be those that cast a wide net and offer consumers and business/retail partners the most options. Google, via its partnership with Discover, has been rumoured to be working on offering a more traditional plastic Google Wallet card as a companion to its virtual Google Wallet. This will allow consumers to use the card at locations where NFC is not accepted. On the retail side, using mobile payments in tandem with loyalty cards and coupons have netted the biggest uptick in both frequency and average ticket (both in excess of 20%).

Solutions that both embrace emerging technologies and understand consumer behaviour stand the best chance of gaining immediate traction in the marketplace. A flexible, open strategy is essential – so is understanding the first-mover (or at least second- or third-mover) advantage. This represents a new channel in which to fight for share and “top of wallet” status. New channels don’t surface everyday (i.e. Internet), so it’s critical to take advantage. The expense of introducing the technology as a part of a given standard operating procedure is far less costly – in the long run – than playing catch-up or not offering it at all.

For banks, all of these strategies for mobile payments represent a completely new revenue stream and provide an instant differentiator for a financial brand. While the form factor has not been nailed down yet (combinations of NFC, cloud, bar codes, QR codes), individual’s wallet will increasingly be turning virtual.

Road Ahead...Future of M-Payment

Mobile payments offer exciting new possibilities. Though mobile payments solutions are far from standardized, there’s a growing movement to remove hurdles from the payment process.

From SMS-based transactional payments and direct mobile billing to mobile web payments and the much-hyped Near Field Communication (NFC), mobile payments are already taking shape in the marketplace. For example, Google Wallet is already accepted at select businesses nationwide, and Apple recently won a patent for its iWallet initiative.

Starbucks had upwards of 26 million mobile transactions in 2011—all within a year of launching its barcode-based mobile payment app. And Square is personalizing convenience for small businesses with Card Case. With roots in the developing world as an alternate currency, mobile payments proved their efficacy as a means of doing business in previously inaccessible remote areas.

While effective, this system was rife with fraud and lacked consumer trust. Today, in order to be effective and far-reaching, the mobile payment system can benefit by standardizing across banks and payment processors and proving its security and trustworthiness to consumers.

Beyond standardization, it’s important to think more about solving consumer and merchant problems and less about applying cool new technologies to the traditional transaction model, in the name of “innovation.”

Focus on mobile payment solutions that remove steps from the payment process, rather than simply recreate the existing model on a mobile device.

Despite the challenges, the possibilities for mobile payments are seemingly endless. Not only do they have the potential to simplify the payment process, they also carry the potential of taking personalized customer interaction to a whole new level.

Let’s close with a tip - Rather than focusing on specific technologies or touch points, let’s find innovative ways to remove major steps from transactions and simplify the entire process.

“The success of the mobile payment industry not only hinges on consumer and merchants’ willingness to adopt but also requires seamless integration of technology with viable business models.”

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- Credit card processing
- Authorization and settlement
- ACH Clearing
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- Disputes handling- Visa,ROL,VRTSI,MOL,Image Interface

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- Sms alert
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Payments

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- Risk measurement & Management

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- Global Credit card & ACH processing
- Global transaction Expenses control
- Merchant relationship management

- Offices in USA and India
- Software Development centre in India
- Project Services & consulting Divisions
- Minority Business Enterprise
- 150+ Employees



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