

Three Benefits of Mobile Payments

Faster transaction speeds, better security and more targeted marketing are helping mobile payments grow.

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The total global volume of mobile payments in 2011 was \$240 billion, and that number is expected to reach \$670 billion by 2015, according to Visa's Annual Report 2011. Thanks to the increasing ubiquity of mobile subscribers (4.7 billion in 2009, 5.4 billion in 2010 and 6 billion in 2011, according to the International Telecommunications Union), more people around the globe are able to use mobile payments for purchases of everything from meals, to parking to tickets and vending machines.

This white paper, sponsored by Parma, Italy-based Custom, a provider of RFID technology, will discuss the benefits of mobile payments, including added convenience and flexibility as well as more targeted marketing.

Convenience

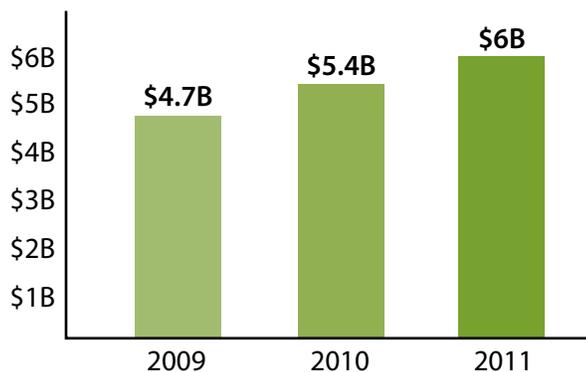
A certain amount of speed is one benefit of mobile payments. In a setting such as a quick-service restaurant or a vending machine, it is quicker and easier to simply wave the phone with an RFID chip at the sensor for payment instead of having find credit cards or cash.

An application such as Custom's FIDELITY app, for example, offers both pre-paid cards and an app. The customer can load money onto the card, which is embedded with an RFID chip. The app can read the RFID chip and know how much money is available on the card. The customer can then use either the card or the FIDELITY app at a store, such as a restaurant or to purchase a snack from a vending machine, and the money is automatically deducted.



A mobile payment that offers both an app on the phone and a prepaid card, such as Custom's FIDELITY, gives customers flexibility and convenience.

No. of mobile subscribers worldwide (in billions)



Source: International Telecommunications Union)

Such a product offers two method of payments — a card or the mobile phone — giving customers choice and flexibility.

“It’s so much easier than a wallet,” said Chiara Ottini, a member of Custom’s marketing department. “After all, you may forget your wallet, but everyone remembers to take their phone when they leave the house. And this way, you control how much money is loaded onto the card, so it’s easier to budget.”

For merchants who are worried about accepting mobile payments, Custom also offers RFID and NFC-enable POS systems, so as soon as the POS is installed the merchant can handle mobile payments. By accepting more payments, the merchant can serve more customers and distinguish himself from the competition.

Security

Even though some people may fear that using a mobile phone for payment would

make them more susceptible to theft, this is not the case. In fact, using RFID via a smartphone is actually very secure.

“Mobile payments are and will be more secure than carrying cards in your wallet,” said Dan Trigub, vice president of business development and chief financial officer of New York-based Blue Bite, a mobile payments provider.

Unlike a traditional credit or debit card that has a magnetic stripe, with a mobile payment, the customer’s information is stored on a separate chip within the phone called the Secure Element. The data is encrypted and it’s highly unlikely that a hacker would be able access it via a corrupt app.

“The chip is cordoned off from the rest of the (phone’s) operating system,” said Raghu

“Mobile payments are and will be more secure than carrying cards in your wallet.”

— Dan Trigub, vice president of business development and chief financial officer, Blue Bite

Bala, technical advisor and board member at Irvine, Calif.-based Fanggle, a cloud computing and mobile solutions provider.

If a person loses his wallet, then he has to call each credit card company separately and cancel the cards. But with RFID, all of a customer’s cards can be linked together via a Secure Element in the phone. Instead of having to call every credit card company individually, a person need only to log into the computer, push a button and cancel all of the cards.

In addition to this, an average consumer takes longer to realize he has lost his credit cards than he takes to realize he has lost his phone. Because people use their phones for so much in this day and age, a lost phone will be noticed more quickly and the cancellation steps will be initiated sooner than if the customer had lost a credit card or cards.

Lastly, this payment option saves money for both banks and merchants. It costs money for banks to manufacture credit cards and ship them to customers. For merchants, they don't have to pay as many fees for mobile RFID payments as they do for standard credit cards.

Targeted marketing

While the added convenience of RFID is a plus, the technology needs to offer more than just convenience, said Marc Borbas, vice president of marketing for Vancouver-based INETCO, a provider of business transaction management software. Fortunately, mobile payments offer businesses the chance to deploy more targeted marketing campaigns to its customers.

By opting in, customers will be allowing businesses to keep track of their purchase history. So, if a person buys an action movie on Blu-ray, for example, then the retailer can send suggestions to the customer's phone on other movies he might like to purchase. This offers a chance for businesses to use more targeted marketing strategies instead of the shotgun approach seen with conventional print or TV ads.

"Today's technology gives the retailer a chance to achieve truly targeted market-

ing," said Stuart Taylor, vice president of systems product management for NFC technology provider ViVOTech, of Santa Clara, Calif.

The technology's incentives aren't just limited to retailers. Customers can receive coupons via their mobile device

for various items. A customer can go to a display and wave her phone at the sensor, "checking in" to the display. Because the signage can communicate with the phone to know the customer's purchasing history, the signage can alert the customer to deals or coupons on products that customer may like based on her previous purchases.

Craig Fuller, CEO of Chattanooga, Tenn.-based TransCard, a provider of non-traditional financial transaction products, said RFID readers also can determine how much money is left in a customer's debit account. If the amount is low, targeted messages can be sent to the customer about financing options within the store.

Mobile payments also can be integrated with social media. It's one thing for a person to say on his Facebook or Twitter account that he likes a certain product. But if that person's status or tweet announces that he just bought a specific product from a store, that sends a more powerful message to that person's online friends. It's informing them that he likes the product

Uses of targeted marketing with mobile phones

- Businesses can keep track of customers' purchase history and send suggestions directly to the consumer based on her preferences
- Customers can receive coupons via their mobile device
- Social media integration

enough to actually spend money on it and isn't just liking a business or an item on a whim or as a favor to a friend.

In a world that moves faster than ever, mobile payments offer a more convenient and secure way to purchase products, benefiting both customers and retailers.

***About the sponsor:** Parma, Italy-based Custom Engineering SPA designs and manufactures dedicated printers and printing solutions for the industrial sector, retail stores, the gaming market and for all applications for kiosks and ATMs. Custom Engineering kiosk printers can be used in a variety of applications, such as tickets for travel, parking, banking and cinema/theater seats, maps, site layout in retail stores, stations, airports and places with high consumer flow.*