

COLUMNS

Is this the year for mobile commerce? Promise and practicality

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By **John Elliott**

For the past few years, each year has been heralded as "the year for mobile payments." Yet, for a variety of reasons, the uptake of mobile commerce has been slower than expected.

Emerging markets have had a degree of success. M-PESA in Kenya is one of the most prominent success stories with rapid consumer adoption and usage. However, the role of mobile commerce across these markets has been limited to the purchases of products and services using a mobile device in the place of cash a virtual cash replacement.

Cashing in

In developed markets, mobile commerce is on the brink of evolving into a serious market force with the widespread adoption of smartphones and growing consumer acceptance of the mobile medium for banking and commerce.

The momentum in developed markets and the nascent opportunity in emerging markets have led a growing number of Web giants, startups, financial institutions and wireless carriers to compete for primacy of place in enabling retail customers to simplify the purchase of goods and services by using their mobile devices.

The focus on retail payments is partly driven by the rapid growth of near-field communications, commonly referred to as NFC a key enabling technology that connects electronic devices to a reader capable of initiating a payment transaction.

Already accepted by thousands of merchants across the United States, NFC works by allowing consumers to store their credit and debit card details in a mobile application and then use the app to securely transmit card data wirelessly to a point-of-sale (POS) reader at checkout.

NFC-enabled devices will also enable consumers to redeem coupons and earn loyalty points all in one touch.

Contact point

Contactless data exchange is not a new concept.

Today, people use contactless technology to get into locked buildings and to use public transportation, as Japanese consumers do each day.

NFC takes this technology to the next level because users can use their NFC-enabled devices for much more complex activities such as accessing services, interacting with content, setting up connections, making payments, or presenting a ticket for admission to an event.

This ease of use will enable mobile commerce to become a daily activity with highly versatile NFC-enabled devices

The ease of use will enable mobile commerce to become a daily activity, making it possible for NFC-enabled devices that can read NFC tags on a museum or retail display or share a contact, photo, song, application or video.

NFC has the potential to consolidate cash, credit, store value cards, gift and coupon loyalty programs, ticketing, mobile marketing, and validation of the user as a location-based service all on one device.

What is preventing broader adoption of this tantalizing scenario?

Chips down

With 30 million NFC-enabled handsets shipped in 2011, predictions are that by 2015 one quarter of all mobile devices will be NFC-enabled, per Berg Insight Report.

Also, it IHS iSuppli predicts that NFC payments will be being made in-store by one in four mobile phone users in the United States and Europe. But a groundswell in mobile phone-based NFC is not apparent, when you consider the number of people who have mobile phones in those geographies.

Adopting mobile NFC technology has hardly been a straightforward proposition for most merchants and consumers, with several barriers hindering the broad adoption of so-called mobile wallets.

The barriers include a lack of widespread merchant acceptance and consumer adoption, combined with uncertainty about the business model itself.

When it comes to getting enthusiastic buy-in from retailers, some merchants have been wary about potential security risks and the corresponding need to invest in expensive upgrades of their retail environments for contactless payment transactions.

Merchants are intrigued, however, by the promise of establishing a direct and individualized connection with customers through new mobile marketing activities such as advertising, couponing and loyalty programs.

The other half of the equation is, of course, consumer acceptance, turning mobile commerce into a chicken-and-egg scenario.

First things first

Before mobile wallets can become an integral part of the retail experience, consumers must be willing to use a mobile device to make bricks-and-mortar payments rather than merely initiating a mobile transaction for remote or online purchases.

In part, this will mean ensuring the widespread availability of devices outfitted with NFC chips.

Some industry watchdogs believe that, sometime this year, an estimated 100 million NFC-equipped phones will begin reaching the market.

But shoppers still need to be able to use their mobile wallets with a variety of merchants, and must be convinced that tapping versus swiping is a convenient and secure way to pay.

To turn mobile commerce from a promise to a reality, retailers must see it as a mechanism for gaining greater insights into both customer preferences and spending behavior in real-time, allowing them to target their marketing and advertising more effectively.

Research by Accenture and others backs up the idea that consumers are open to such mobile marketing initiatives and that it will enhance their purchasing experience.

In fact, some reports indicate that nearly 60 percent of global consumers would be likely to redeem coupons delivered to their mobile device and would value the personalized communication.

However, critical to the transformation of mobile phones into wallets will be working out the privacy setting options, so consumers can customize and control features for location-based offers.

CONSUMERS ARE ALREADY adopting blended mobile and in-store shopping experiences.

Increasingly, merchants will recognize mobile commerce as a way to enhance their brand and, ultimately, generate revenue.

Now is the time for merchants and providers to closely examine the opportunities that mobile commerce can afford, plan to address barriers, and actively commit to rolling out mobile commerce programs that serve their customers with excellence.

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