

NFC mCommerce: much more than making payments easy

by Michael (Mick) Mullagh, CEO, ViVOtech

Near Field Communications (*NFC*) technology is poised to revolutionise shopping. This is not because it enables mobile phone payments, but is due to enhancing the shopping experience considerably. It allows any type of business to offer promotions and a loyalty scheme which are easily administered at a touch. It is faster and safer than other methods and can be used anywhere in the store. Merchants can benefit from instantly recognising the user through the mobile ID and tracking users' shopping patterns and interests. Users benefit from timely location-oriented information and immediate gratification of completing the transaction.



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Prior to joining ViVOtech, Mr Mullagh served as President and CEO of Telephia, the market leader in performance information for the mobile telecommunications industry, leading the company through many years of rapid growth. Mr Mullagh was previously CEO of Whisper Communications, a provider of last mile wireless telemetry networks. In the 1990s he served as President, COO, and as EVP of Marketing and Technology at Rogers Wireless, Canada's largest wireless carrier (formerly known as Cantel AT&T). There he was responsible for the launch of Canada's first Digital Cellular network. Mr Mullagh began his telecom career at BC Tel (now Telus), where he rose to the position of President and COO of BC Tel Mobility. Under his leadership, it became the first profitable wireless operator in North America.

Mr Mullagh graduated from Trinity College Dublin, Ireland with an honours degree in Economics. He later received a Master's degree in Economics from Simon Fraser University in Canada.

Google has changed the world yet again. At the end of May, Google and partners in credit and debit cards, banking, retailing, and point of sale (*POS*) systems introduced a new mobile payment system built on Near Field Communications (*NFC*), a wireless connectivity technology that lets shoppers pay by waving or tapping their mobile phones instead of pulling out a credit card or cash. Google's announcement in New York was an event ten years in the making - a long held promise that is now finally becoming reality. Based on the rapid growth of smartphones throughout Latin American (up 145 per cent last year), and predicted growth of another 76 per cent in 2011 - before you know it, NFC mCommerce will revolutionise how this region of the world shops.

If the forecasts are right, NFC mCommerce will make eCommerce look tiny by comparison, because with NFC, consumers not only get the ability to wave or tap their phones to purchase goods and services, they also get a passport to all things that are payment related.

Initially, the Google Mobile Wallet will be available only on Google's Nexus S phone, but many more NFC-equipped phones are on the horizon. Nokia, the world's biggest mobile-phone maker, has committed itself to producing NFC-equipped devices. In May, Research-In-Motion (*RIM*) announced the first Blackberry with NFC. There's no way Apple will be able to stay away from this party for long. By Christmas this year there should be 50 to 70 million NFC-equipped

mobile phones in the hands of consumers worldwide, and the experts predict that this will jump to 1.5 billion phones by 2015.

The US Federal Reserve last year pegged electronic payments in the US at topping US\$40 trillion. Even in Latin America, mobile financial transactions are expected to reach a very respectable US\$63 billion



in less than three years. Starting this year and next, say NFC experts, mobile payments will push those number significantly higher, and give the companies enabling the transactions a chance to get a piece of the pie with fees. Bernstein Research, for example, says NFC has the potential of bringing between 15 billion and 30 billion US dollars in revenue to mobile companies.

By enabling NFC, billions dollar-worth of transactions are made easy on handsets with software from Google, Apple and RIM. Nonetheless, if payments are all there is to NFC-based mobile commerce, then Google, Apple and RIM wouldn't be so interested, and NFC mCommerce would be proven to be over-hyped and under-delivering. The game-changer in shopping is not just payments. What's now turning NFC from a promise to a reality in North America, Europe and Asia - and will soon do the same in Latin America - is real-time, in-store personal marketing, merchandising and loyalty schemes that apply to merchants regardless of size.

Mobile wallet applications were never envisioned for just debit and credit. They let consumers set preferences and control features, from privacy settings to designating which account will be accessed, based on the merchant type or the purchase amount. These powerful mobile wallets will also hold gift cards, coupons, admission tickets, transit tickets, and loyalty cards for offers and promotions. That's how merchants, large and small, will make money, and why mobile retail applications are now beginning to flourish. This is where consumers will realise the majority of NFC's value and convenience.

All of the other mCommerce ecosystem components - phones with NFC chips, contactless point-of-sale terminals at every retail register, back-end software that connects the banks, card issuers, and merchants - are a means to this end. If merchants cannot be profitable and grow their business, and consumers do not experience the technology as a better, faster, cheaper way to shop, then NFC will never happen. Merchants understand these market dynamics, and the pent-up demand among consumers is now growing rapidly.

NFC phones and the supporting systems are built and ready to let merchants deliver high-value, personalised offers when consumers are in their stores - offers that give shoppers what they want, when they want it, based on their Internet search and buying patterns. Cutting-edge merchants are now looking

for ways to gain competitive edge with new ways to influence buying behaviour using time-limited sales and product-specific information from shelf tags. Best of all from the merchant perspective, NFC makes it possible for even the smallest shopkeeper to gather unprecedented amounts of data on their consumers' likes and dislikes, which enables customising future promotions and opt-in deals they will value.

Critics would have you believe that rival mobile technologies, like SMS or barcodes, are good enough and can do everything that NFC promises. However, NFC is superior due to five good reasons:

1. NFC is much faster and easier to use for the sales attendants and consumers.
2. It is more secure.
3. The technology can scale up cost-effectively at the point of sale.
4. One-touch redemption or payment is unified.
5. NFC is fully interactive near, in-store and at the cash register.

What this means is that NFC gives merchants many more opportunities to influence their consumers with relevant content and offers.

Consumers can opt-in and have coupons delivered directly to their mobile wallets. When they are nearby a participating establishment, NFC makes it possible to drive store traffic using personalize and location-based promotions. As the consumer enters the store, poster or kiosk technology allows them to check in for loyalty and credit card sign-up, gift-card downloads, or access time-limited promotions. In the aisles, customers can access detailed product information, promotions and real-time suggestions by touching NFC shelf tags with their phones. Finally, at the point of sale, the buyer is given the option to use their store card to pay and redeem promotions from the NFC reader and the mobile wallet in their phones.

As a result, NFC mCommerce is going to generate huge business. It will grow much faster than eCommerce ever did. The reason for this bold statement is that smartphones are a much more powerful commerce device than a computer. They know who the users are. They know when the owner is near or in their favourite stores. They can quickly access the consumer's search and purchase history. Best of all, they deliver instant gratification by connecting the consumer, the store and the digital world through a single touch. One touch to check in and receive personalised offers from the merchant. One touch on shelf tags to get product information, offers

or ship-to-me options. One touch to redeem loyalty points and offers, and to pay and get additional offers. In a fastfood restaurant, one touch is enough to order, pay and identify the table for delivery. In-store sales currently outnumber ecommerce by 19 to 1.

Global security mandates for transaction processing are now forcing upgrades to millions of retail POS (*Point of Sale*) around the world, costing several hundred dollars each. This is a good opportunity of investing in NFC readers, which could increase revenues. Merchants worldwide have started issuing NFC software applications and systems RFPs. In the US, three of the largest wireless carriers - AT&T, T-Mobile and Verizon Wireless - announced in November that they were teaming up to build a national network called Isis, to make payments by mobile phones. They expect to introduce the service during the next 18 months.

For anyone following the media, it is no secret that web players like Google, Amazon, Yahoo!, Facebook, Microsoft, AOL, and Apple - which collectively already own most on-line advertising spending and shopping - look for a way to do the same in the physical world. NFC is just the right tool to bridge the virtual and brick-and-mortar worlds.

NFC is far more than just a payment mechanism. Payment is just the tip of the iceberg. NFC is a totally new medium for merchants to interact with customers and drive sales - a brand new mobile advertising and shopping platform for mobile devices that can be used just as effectively by small business as global merchants.

"We're building an open commerce ecosystem that for the first time will make it possible for you to pay with an NFC wallet and redeem consumer promotions all in one tap, while shopping offline," Stephanie Tilenius, Google's VP of commerce told reporters in May. "It's an opportunity to redefine commerce and payments and usher in a new era of mobile commerce - it's mobile, local, personalised, and open." ●

