

## Money on your mobile

by Roelant Prins, CCO, Adyen Global Payments

Early mobile payment systems based upon the WAP protocol were not notably successful. Today's mobile payment systems can count on broadband access to the Internet via sophisticated applications loaded in powerful smartphones, and their usage is growing rapidly. Airlines, banks, merchants, charities, among others, are all seeing mobile payments jump ahead and analysts report signs that by 2012 more than 400 million people will be using their mobile phones to make payments. A cashless society might not be too far away.



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Making payments online is now firmly part of the mainstream, but next generation smartphone technology is causing many to consider mobile payments and m-commerce as serious alternatives.

Heightened demand for fully functional, easy-to-use mobile services and applications that can support our increasingly hectic lifestyles means that there is now an array of mobile apps that can handle almost anything. As a channel for the movement of money, mobile represents a massive area of opportunity for banks, building societies, retailers, gambling, travel and dating merchants.

The technology to support this application of mobile technology has actually been in existence for a number of years. So what has

happened to bring money to our mobiles and what further developments are in store?

### 'Worthless Application Protocol'

Back in the late 1990s the likes of Nokia, Motorola and Ericsson came together to develop a universal standard that, they believed, would be integral to the successful implementation of the Web on wireless devices. This worked by converting existing, data-heavy Web pages into a simplified language for viewing on micro mobile browsers.

The Wireless Application Protocol (*WAP*) was incorporated into a range of first generation smartphone devices and this was followed by the development of a multitude

of mobile Web services to take advantage of this new technology. Most of the major European banks developed mobile Web-enabled banking services for their customers, and merchants began accepting payments through mobile channels.

However, WAP was overhyped.

The first smartphone Web-enabled devices, launched in 1999, fell far short of expectations. A combination of cost (WAP's charging model forced users to pay each minute, regardless of the amount of data received), closed connectivity (WAP only worked with native WAP and Web-to-WAP proxy content) and chronic speed issues, meant that the devices were met with widespread derision and the adoption

of monikers such as 'Worthless Application Protocol' and 'Wait And Pay'.

Despite its flaws, WAP was a significant step forward and revealed the burgeoning demand for data services and ever-greater data speeds over mobile.

### Money as a virtualised reality

The lessons learned from WAP have resulted in mobile technological advancements that have begun to outstrip even that of some PC's and laptops. Today, smartphones with data-optimised mobile technologies deliver much higher speed and, as well, much better accessibility and functionality; they are now capable of offering high-quality IP-based mobile broadband.

Advances in mobile telephony are such that there now exists a very real opportunity for mobile technology to become the primary channel for customer interaction - and banks and merchants have noticed.

Juniper Research, a telecom industry analyst, has estimated that more than 400 million mobile subscribers are likely to use their mobile phones for payment purposes by 2012 - almost double the number now. Many retail banks have already announced mobile banking applications, the most recent of which being First Direct, the Internet banking arm of HSBC. Its mobile banking application for the iPhone is the result of overwhelming customer demand for mobile services. An Android version is expected later in 2011.

With Web pages now heavily optimised for mobile, using the native interface of the handset, consumers can now feel more secure entering card numbers, making payments and checking account details. Furthermore, it is possible to use single-click technology when making transactions, which simplifies the mobile payment experience for returning shoppers.

As money becomes more of a virtual reality, it is becoming increasingly clear that innovative service offerings have made mobile the 'must have' channel.

### Information overload

Studies show that adoption of mobile payment technologies has grown more quickly than the Internet and email. The Internet, new media, 24/7 communication and connectivity and powerful business tools have bombarded us with more information than

ever before - making us more willing to adopt technologies that make our lives just that little bit simpler.

### Tickets please!

The airline industry was one of the first to embrace mobile payment technologies. The ability to purchase or change plane tickets with the simple click of a button on a mobile phone is enormously attractive to both the airlines and their customers.

There is also room for some interesting diversification with the technology.

For instance, Malaysia Airlines introduced its MH app last year, enabling passengers to access deals online that are dependent on their current GPRS location. Heathrow Airport has also recently entered the fray with its own Heathrow Express app, providing passengers with the opportunity to book tickets online and use 'their phone as a ticket'.

Proliferation of mobile payment technology is such that data from a recent Airline Business SITA trends survey suggests that 70 per cent of all airlines will be selling directly to passengers who have used their mobile devices to purchase tickets by 2013 - big business indeed.

### Playing the odds

'Bet in Play', the ability to gamble whilst an event is ongoing, has become one of the most popular activities in gaming and, as such, services have developed that cater to its time-sensitive nature.

The gaming industry has always experienced very high conversion rates, thanks largely in part to payment systems that have been modified to provide streamlined, uncluttered payment processes - making it as easy as possible for consumers to make that 'I have a feeling' bet. Mobile technology allows gamers to make a bet whilst in a pub watching a game on TV or whilst in the stands at the event.

So called social gaming has also benefitted from mobile payments, with players more likely to 'top up' gaming credits at the touch of a button. Research has shown that 17 per cent of mobile gamers play one to three times a week, and one reason for this is the rise in popularity of social networking sites such as Facebook.

Social networks offer a vast array of games that involve topping up 'game credits', enabling users to play against friends or other users anywhere in the world - and competition drives users to keep buying gaming credits.

### Niche appeal

In certain niche markets, where small, impulse purchases are often made, an upturn in online and mobile payment conversion has been reported. One example is the postcard industry. Consumers can take a photo on their smartphone, send the picture to a postcard company and pay, online, before the photo is loaded on to a postcard and then posted. Simple, yet highly effective.

This same impulse factor has also been noted with charitable donations. In the 48 hours following the Haitian earthquake disaster, over £2.5m in donations were received via SMS and other mobile payment systems.

Charities in the UK have also been quick to adopt mobile payment technology. An impulse donation might be set off by a TV program or advert or by reading a magazine article. With 26 per cent of the UK population using a smartphone, the impulse to donate can now be satisfied at the click of a button. After the first donation, all that is required is the CVC (*card verification code*) to donate again.

Technology also exists that enables smartphone users to make transactions via photographic identification. For example, when purchasing an item via a smartphone in a shop, a barcode with prepaid money will be presented to the customer's phone. When the merchant completes the transaction, a passport-style photo will appear, proving that the customer is not attempting to transact fraudulently.

### The future is here

Predicting the future is always difficult, but some things are certain.

The proliferation of WiFi networks and ever more powerful smartphones and wireless devices has made it very easy for people to transact and handle money over mobile.

Talk of a 'cashless society' might not be as far away as we thought. ●