

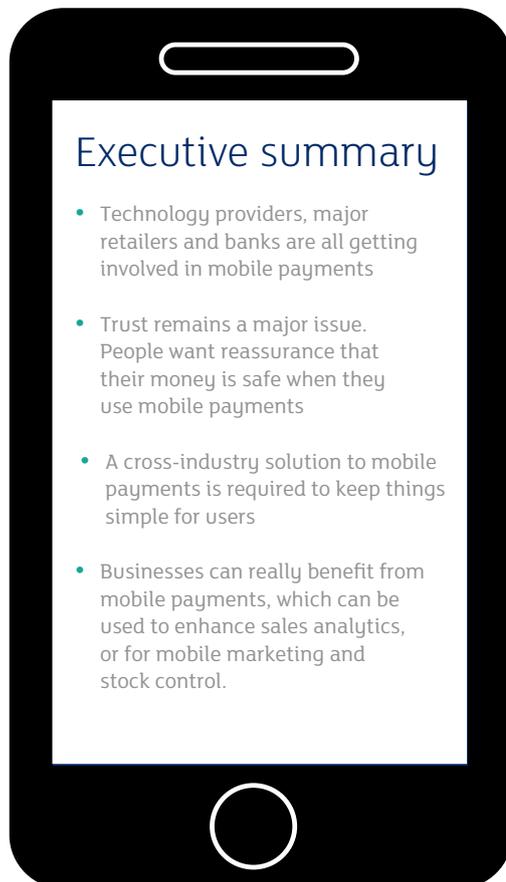
# Making mobile payments work for your business

The mobile payments revolution is gathering pace. With a host of new innovations in the pipeline, UK companies will soon be able to choose from a range of mobile payment solutions that could transform the way they do business.

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## Glossary of terms

**Mobile payments** – Use of mobile phones to take payments, whether by card or phone-to-phone. Also known as m-payments.

**Mobile wallets** – Paying for things at a store with a mobile device using NFC (see below) or similar technology.

**NFC** – Near-field communications, which enable payments for small transactions simply by holding phones close together.

**P2P Payments** – Person-to-person mobile phone payments, which allow consumers to send money direct to a merchant's mobile phone, or even to each other.

## Your questions answered

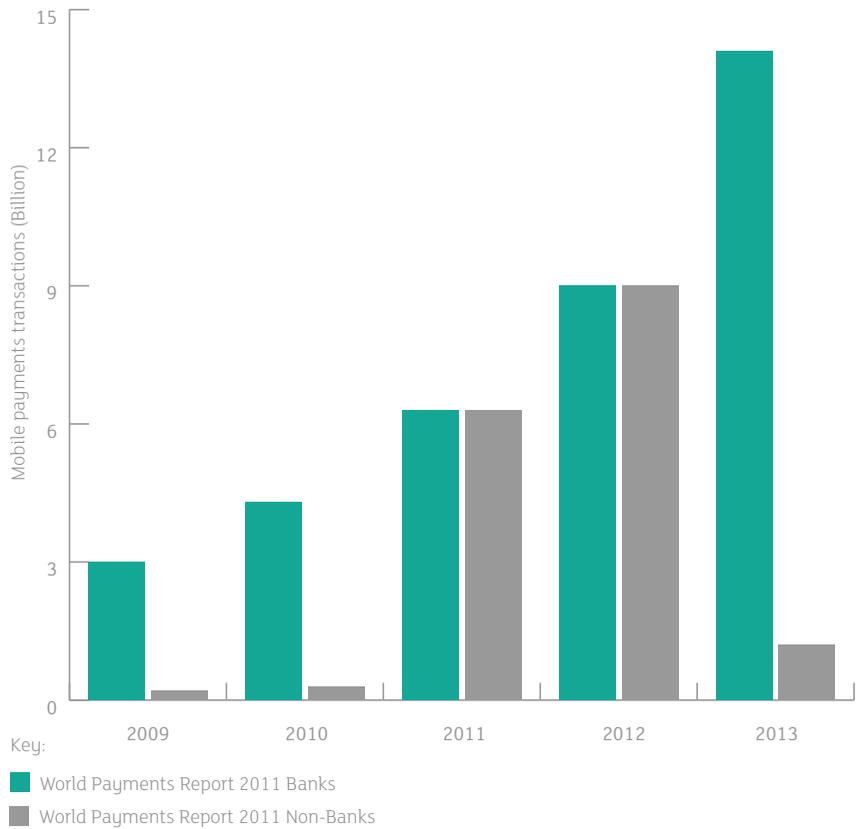
### There's a lot of hype about mobile payments. What's all the fuss?

Mobile payments technology has been on the horizon for a while, but in the next 12 months we will see the launch of a number of innovative services in the UK. With the global value of mobile payments expected to rise dramatically to \$670bn by 2015\*, interest in this area is intensifying. Companies from a range of industries are entering the market: naturally the banks are seeking to leverage their existing strengths in payments, but technology and social networking giants such as Google and Facebook are also entering the fray.

This wave of innovation is good news for consumers, who are already becoming accustomed to using their smartphones for financial transactions. But with a range of benefits on offer, from increased sales revenues through to new ways of capturing customer data, businesses are also waking up to the opportunities (more of which later). This helps explain why companies ranging from high street giants such as Starbucks, down to small merchants and sole traders, are already taking their first steps into the world of mobile payments.

\*Jupiter Research, 2012.

Number of global mobile payments transactions (Billion), 2009-2013 forecast



Source: 8th Annual World Payments Report, CapGemini/RBS/EFMA

### Interesting... but the technology still has some way to go, right?

Yes and no. It's certainly a fast-evolving area, but a lot of companies have already started to roll out mobile payment technology in the US and, more recently, the UK. One of the more high profile examples mentioned above has been the Starbucks partnership with Square (a mobile payments specialist). Customers at over 7,000 of its coffee shops can now pay for their Grande Lattes simply by opening up the "Square Wallet" app and scanning their phones at the till.

For the time being, the focus for most companies is primarily on being able to use mobile phones to take card payments. This innovation in itself can be hugely valuable to traders and employees on the move. But over the next couple of years we'll see further innovations, such as the ability to send payments to another phone (P2P payments), or to make contactless payments using near-field technology (NFC).

A lot of the more ambitious schemes are still in the experimental phase, and mass adoption for mobile payments remains a year or two away. But with smartphone penetration increasing dramatically in recent years, together with the fact that consumers are gaining confidence in mobile banking facilities and mobile commerce, there's every reason to expect some form of mobile payment technology to take off much sooner in the UK.

## Key players in mobile payments

Social networks

Device/platform manufacturers

Mobile network operators

Banks/ financial institutions

Mobile wallets/ e-tailers

Technology vendors

## OK, I can see why companies are trying this out, but is it relevant for my business?

Retail is one area where mobile payments are already making waves, but it's also having an impact in many other sectors. It's powerful for larger organisations – for example in the way it enables them to mobilise their salesforce. But interestingly, mobile payments are also proving popular with smaller business – take for example market stallholders or street vendors who would previously have struggled to take card payments.

Already in the UK, it's being used by the likes of computer repair companies, mobile mechanics and independent clothes designers – many of which report increased sales as a result. Looking ahead, mobile payment systems could help level the playing field for smaller business, by giving them the sort of powerful customer analytics and loyalty tools that were traditionally the preserve of the Tescos and Amazons of the world.

## Where is this all heading?

The first solutions to hit the UK will enable mobile phones to take payments via credit cards. That represents quite a simple and cost effective way for businesses to start down this path. Then over the next few years, we'll see a variety of pilot projects coming onto the UK market, one of the more exciting of which will be the ability to make phone-to-phone payments. Using this technology, your phone number basically acts as a proxy for your bank account, and you'll be able to transfer money even if the two parties to the transaction are using different banks.

On top of this, the payment technology itself is only part of the story: a lot of the bigger opportunities lie in using mobile payments as a doorway to support new customer marketing and loyalty platforms (see RBS perspective).

## So what's the business case?

**Here are just a few of the reasons why businesses are beginning to adopt mobile payments:**

**Higher sales.** Because people take their mobile phones everywhere, they can pay for goods and services even when they have no cash or cards on them. That convenience translates into higher sales for the merchant.

**Mobility.** The old PoS terminals and card-readers don't give you a lot of flexibility. With phone-based payments, it's much easier for your staff to take the transaction to wherever the customer happens to be.

**Low cost of entry.** Many of the technologies now coming onto the UK market will be extremely affordable, so there are viable options even for the smaller merchants.

**Integrated payments management.** It's possible to integrate these technologies with your bank account, so you can see all your incoming transactions in cash, as well as direct or card payments to your accounts, all in one place.

**Enhanced customer data.** Mobile payments create a new source of customer data – paving the way for innovative marketing promotions, loyalty schemes and a host of other ancillary services.

## In the pipeline

### Face to face technology



## RBS perspective

### “ Mobile payments approaches the tipping point

There is no doubt that the mobile payments market is hotting up, with a range of players about to unveil new solutions. It's an incredibly open and fast paced area – we've already seen major launches in the US with Square who is catering to both the micro-merchant market as well as launching a partnership with Starbucks. We now see initiatives from technology providers like Google, social networks like Facebook, and major retailers (M&S). This is on top of the more traditional banks who are pursuing their own strategies in this space.

There are still some barriers to overcome, and mobile payments won't be totally mainstream for several years yet. Trust is

one major issue. People are getting used to the idea of making financial transactions through mobile devices, but they still need to have 100% faith in the people and technologies that are handling their money.

There is also a desire for ubiquity – customers got used to being able to use their cards anywhere, and they don't want to go back to juggling multiple different ways of paying. RBS strongly believes there's a need for industry alignment to address this challenge, and we'll be cooperating with the likes of VocaLink in the UK to make sure that an interbank mobile payments system emerges.

So there's still some issues to resolve, but there's no doubt that we'll see a lot of interesting innovations hitting the market over the next few years. What's really exciting for our business customers is that the ability to take payments is just the first step on the journey. Mobile payments technology opens the door to a whole range of ancillary services – for example, sales analytics, mobile marketing, or stock and inventory control to name just a few. As the technology evolves and the business case becomes more compelling, organisations of all sizes are going to want to benefit from the mobile payments revolution. ”

## Where do I go for more information?

RBS [www.rbs.co.uk/perspectives](http://www.rbs.co.uk/perspectives)

UK Payment Council [www.paymentscouncil.org.uk](http://www.paymentscouncil.org.uk) Cap Gemini [www.capgemini.com/worldpaymentsreport](http://www.capgemini.com/worldpaymentsreport)