



Wallets go mobile

Google have launched a mobile wallet and Apple are rumoured to be working on their own version for the iPhone 5. But what will the rise of Near Field Technology (NFC) payments spell for retailers'?

The roundtable took place at London's Tower 42 and was chaired by Wil Cunningham, an independent consultant working for Lloyds Banking Group. The panel consisted of: Laurel Wolfe, marketing manager at VeriFone; Mark Dickson, business solutions manager for retail at Marks and Spencer; Sharon Peterson, head of retail programmes for Marks and Spencer; Cathy McCabe, business relationship director for Burberry; Tony Saunders, sales and marketing director for VeriFone and John Hughes of Service Graphics.

WC: It is said one in five smartphones will have an NFC contactless facility by 2014, meaning there will be 300 million handsets offering this technology. The payments industry is set to undergo a considerable change, but is this yet another example of overhyped technology or can it deliver tangible benefits for retailers?

TS: People think this is a new technology, but NFC has been around for many years. Seven years ago the first NFC trial took place in Caen, France which used an Orange mobile phone to test NFC. Ever since then there have been trials, trials and more trials. And now we have the latest trial coming out from Barclays. The big change I see this year is the emergence of mobile wallets, such as Google's announcement last month. Right now, to me, it feels a bit like a land grab because people

see that there is an ecosystem sitting there, waiting to be tapped into. Where NFC becomes of real value is through this mobile wallet, where it is not just card emulation but has many other benefits as well. But retailers have to actually want NFC because there are tangible benefits to their business. I think NFC will take off probably more through the efforts of Google than from a card issuer, retail outlet or a mobile network operator putting something out there.

MD: But just from a technology integration point of view, the mobile touch points from a retailer's perspective, it sounds reasonably straightforward. Should we be massively worried about touch pads developing as long as we have got the ability in-store to interface and talk to them? To an extent the Google wallet, or the Apple wallet, is going to have to be about application development on their side and potential users.

TS: And that is where VeriFone come into it. We are trying to make sure of that, in the same way that we have been trying to do with contactless. We are basically trying to future proof everybody in a pain-free way. Our contactless payment solutions are also NFC capable.

SP: One of the challenges is customer confidence. If there was a trial seven years ago; why hasn't anything been done for seven years? Contactless has been in a few retailers, EAT is one of the retailers where I have seen contactless, but it is not one of those things that is always used. From a retailer's perspective, one of the challenges is how do we get the customer out as quickly as possible once they have finished their shop. I think NFC does have a home somewhere, but it is how it works and how you get that customer confidence, people will want to make sure there isn't something fraudulent happening to them.

CM: I think you won't see the technology coming into stores for 18 months, two years, three years possibly. But it means the whole payment process will become more consumer-centric. So it is harder for us in some ways, but it could also provide huge opportunities because it's much more down to how the customer wants to pay, what method they will use, what they have got on their mobile device. And it's going to be about who they trust, because consumers might buy something on Amazon or through PayPal, but how do you do that across a much broader global market with a device that you own? It's a huge challenge for PoS and from a multi-channel perspective.



"One of the main challenges is customer confidence."



TS: It's about how many times you touch your mobile phone and how many times do you touch your wallet during the day. Unfortunately we touch our mobile phones a lot because we get ourselves completely hooked onto this device. If you jump in your car and you forgot your wallet or your purse, you just keep driving, but if you forgot your phone you turn around and go back for it, and that is human behaviour. But consumers have got to know it is safe. To know my details are actually safe, nobody can steal them from me. It is the kids that will drive this really fast. They will be going up to the cinemas and using this technology, downloading their two for one vouchers from Google or Facebook straight onto their wallet.

SP: I think that is absolutely one of the key areas, being able to keep your vouchers and everything on your mobile wallet, removing all paper. If you are a premium cardholder in M&S and you get vouchers every month and use them at the till, you could be holding up people behind you. By scanning the vouchers you are adding a good couple of minutes to the transaction, which is quite a long time and I think those sorts of things are much more reactive and could be much more bespoke to the actual customer and that should be a lot quicker. So I definitely think that from a retailer's perspective is probably an opportunity going forward.

TS: It is going to bring the e-commerce guys closer to bricks and mortar because people who shop online are going to see these vouchers in adverts and and the like, they are going to have an interaction with that. They will then get vouchers sent to their wallet, and then they will go down to the High Street and redeem.

WC: It will be interesting to see how many people actually use electronic vouchers as opposed to the original paper versions., If I get sent vouchers in the post they go immediately in the bin, I just can't be bothered, but if it becomes part of the transaction and is seamless, then I will start saving money which is going to be first.

CM: If you go for lunch at Zizzi or PizzaExpress you can download the voucher and then all you do now is show it to a member of staff. I wouldn't normally be too fussed on vouchers either, but when you start to use them and it is easy, it persuades you to use them again.

SP: That is the opportunity for the retailer; how do you take that kind of technology and really develop it into something that is consumer-centric and whether it is loyalty or engagement with the consumer, to make them feel special but they don't want a plastic loyalty card. This kind of technology that is ideal

and drives the value and that personalised engagement with the customer. And it is how we are going to crack that that is going to be key.

TS: From a security perspective, all of your credentials are kept in a secure element within the device so it is basically the same way you have a secure element in the chip on your phone or on your credit/debit card. It is fully encrypted, based on chip and PIN technology, you have the same level of security. We all know smartphones themselves are not secure. Someone could put malware on them and all sorts of things. From an NFC point of view we are going straight into the secure element on the chip, within the smartphone. So that is a secure technology but as a consumer you are not going to understand that, it is like a leap of faith, as much as it is a leap of faith when you put a payment card into a terminal. You have got some security elements, an authentication to confirm that you are the person who owns that wallet. So before you can open that wallet you will have a PIN you have to enter on the phone.

WC: The security aspect is key for everyone. Do you think you are going to get into developing multiple profiles for your customers? Just discussing in terms of my own experience of cards, I hate when my bank phones me up and tells me they have stopped my card because of a transaction. So in the context of this technology is it going to be possible for the retailers to develop profiles for customers based on what they spend? So they know the people who will spend a tenner and those that will spend £100.

TS: A retailer can have a customer's details if they are happy to associate their email with the card they use in-store. They may want their receipts emailed to them instead of a print receipt. So I think some of those aspects of personalisation and experience have come forward now. Having a no hassle fast check-in where people just say; 'here I am, I am only going to spend a tenner and get through really fast,' that would suit me down to the ground. There is nothing worse than queuing behind somebody when you only have a few items to pay for.

SP: At M&S we have quite a big portion of customers who are mature, and I'm sure we are always going to. So if we eliminate those people from being able to choose how they pay, we are failing I think. We have tried restricting payment choices on certain tills before and it hasn't worked because as you say it is the customer who needs to be able to choose.

CM: I think it comes back to the opportunity, because if it works in your market then it is about giving the consumer choice over how they manage and how they pay. Ten years ago we didn't



"NFC technology will free up staff to help customers."

transact online, but if you take something like iTunes, it is completely painless and fast and you don't have to go through 3D Secure. It is small value, how do you take that and make it work in a bricks and mortar place?

TS: You are actually answering the question of why do people go to shops less, because it is not painless. I bought all my Christmas presents online, I didn't go into a single shop because shopping is painful. So the more this goes on the worse it is going to be for retailers unless they can adapt to the model that their consumer wants.

SP: It is about convenience isn't it? We see a huge queue and we walk away. And it is how you break that model and obviously with the younger market it is easier to use that because they have greater confidence in the technology behind it. If the customer believes there is value in doing it, and can see what it means to them then that is a huge opportunity for the retailer that takes that on board and really drives it.

LW: NFC is a good opportunity for retailers to get more people in-store, because you can run promotions, send NFC vouchers to consumers' smartphones and drive people to come to the store to redeem it. So there is a great opportunity there to be creative about what kinds of programmes you run in the future. You can get people away from shopping online and get them in-store by offering them new technology experiences.

TS: When you move into NFC it is a little bit different from contactless. Contactless will have a limitation on it, with NFC you can go beyond that. NFC lends itself to everything that you sell within your bricks and mortar stores. It opens up the whole market for you to adopt mobile wallets. It is really down to how the UK will accept it, how far the UK acquirers take it. They may well still put an amount limitation on NFC transactions.

MD: Would £15 be the limit, as it is for a contactless card transaction?

LW: An NFC payment transaction could be for any amount, but

a PIN or personal code would still need to be entered on the mobile device.

TS: You lose something of the immediacy and the convenience, but really, how long does it take you to open up your mobile phone and enter a PIN? A couple of seconds. How long does it take me to go into my pocket and open up my wallet and make a choice as to which card I am going to use to make the payment? This authentication should give the acquiring community the confidence to say they don't have to put a floor limit on it. They may still say, 'this is new technology, we are breaking new ground here so we will maybe give it a floor limit, release that and see how the market goes'. I think this is a conversation we all need to have with our acquirers and card issuers.

SP: As consumers we do expect, whether it is a website or a payment piece, for it to have some kind of password. That is a lot more common now, but it just boils down to speed and once again the whole balance of what limits you put on it. Possibly that could be driven by the consumer; if they want to be able to spend £100 or under without a PIN, that is their choice, they have to accept the liability.

TS: From a retail community point of view you have got to make sure you accept any mobile wallet. You don't want to be restricted to the Google mobile wallet, when PayPal or Apple could come out with wallets as well. You want an open standard for the transaction activity taking place. Retailers have the power to ensure that there is no barrier being set up.

SP: It would free up store staff too, they could go and help you buy a bottle of wine, ask what the shopper is having for tea tonight and suggest a wine as an additional service. This is more about customer convenience; certainly from an M&S point of view. We were talking earlier about our occasional shopper who may be coming in for their sandwich, they don't want to spend 20 minutes queuing up, but it is not just about the occasional shopper now. This is about the person coming in with a whole shopping basket saying, 'well I have to lift everything out of the trolley, put it on a belt and actually the whole thing needs to be quicker and faster and more convenient'. If I am shopping, once I have decided I'm finished I just want to get out of the store as quickly as possible.

TS: I think it is interesting though that you said you would have your staff doing other things. Does that mean there are opportunities in capturing the history of the customer, in terms of understanding their shopping profile and therefore introducing them to an experience?



CM: I absolutely think we can, if we can gain their confidence. How much will the customer allow you to get into their life and understand their patterns? I have various other retail loyalty cards where they send you vouchers and some you look at and think; 'why have they sent me that, I am never going to buy that'. It is ridiculous, and other times they send you stuff you like, but at the wrong time. If we could tap into that and use the quality of information we have got already, I think that will be a huge entity. This is the way forward because we are in such a competitive market that loyalty is changing massively and shoppers are not as loyal as they used to be.

SP: It has almost come full circle because it is about service as well as convenience and speed. When we want a service, we want it there and then and we want informed staff to engage with us. I think as consumers we drive the experience that we demand in store and sometimes we want less, depending on what we are buying or if we are in a hurry.

TS: With this technology and speeding up the PoS, it is freeing up your staff to do other things. The key things you want your staff to do when you are freeing them up is interact with the customers, it makes their experience even better and will create incremental sales. The customer is going to walk out the store thinking; 'wow they looked after me, they really helped me get what I was after'. With the mobile wallet, from a marketing point of view, your speed to get a new idea in front of the customer and the cost effectiveness of that is just phenomenal in comparison with what they have today.

LW: You could have a promotional campaign out driving people in-store to redeem something on a Wednesday and then you could track the person making the payment and what offers they use. You can get immediate feedback and can then try some more campaigns in the future. NFC can add a high level of immediacy.

SP: It was like you were saying earlier, some of our shops are quite big, so when a customer goes in, we could instantly send something to their mobile wallet saying exactly where in-store the offer can be redeemed.

CM: And you would drive it by the knowledge that you have about that consumer, so if that consumer goes into Marks & Spencer and only buys food, then you would drive the voucher or the promotion towards food. But if they just buy Per Una clothing or home furnishings, then you can target that person as an individual.

WC: The number of purchases I have made in Amazon, not because I was looking for them, but because Amazon suggested them to me is a really good feature. I have bought loads of stuff like that. So what is to stop Marks and Spencer suggesting products based on past purchases?

MD: If you try to put that kind of paper in the store next to the product there really wouldn't be room for relevant products. Emulating that level of customer information, in bricks and mortar, that you get online is quite a challenge, and I think the mobile wallet is a vehicle that could help us do that.

CM: With a reward scheme you must get that influx of customers, you must see an increase in footfall when you have sent the vouchers out. But with mobile wallets it is sent right to the customer's phone while they are in-store so the redemption rate with increase. I think it is hugely interesting and there are massive opportunities.

SP: In the future will the till become a point of service, rather than just a point of sale? Places like Kiddicare have fewer manned checkouts and instead do customer service points combined with self-service payment. I know it is a very different model, but I think we can implement them. But if we are really focusing more on benefits exploitation, which I think most retailers probably are, it is where NFC sits in the multitude of other emerging technologies and them interacting, which is obviously the challenge for retailers.

CM: I believe it will change because that is where the kind of devices we have in store, to support a sale, will change. Because if you can take that to the customer, and do everything with that one device, then you can change how you design the store. But the difficulty has always been that it is arranged for payment and chip and PIN versus signature. We have foreign customers and need to take a global perspective.

TS: Apple trail-blazed that, with their staff walking around and taking payments. But sometimes I go into the Apple store and it is so busy, it is difficult to actually find a guy who can take your payment. And there is a whole host of people walking around with something to purchase and trying to find an employee.

LW: That example is really good because it could work in an Apple store easily, they could have self payment kiosks. That is what happens at Kiddicare; you pay, you get your receipt, and you go out and an employee gets you the pram or whatever. You don't have to queue up two or three times. There are lots of good things that could come with that kind of self service.



“Retailers should be more vocal about NFC needs.”

TS: It is just the up-sell opportunity is not there with that model. The customer knew what he or she wanted, goes to buy it, pays and leaves.

SP: Which is going to be the case with a lot of shoppers, but the one thing that I always question is how long it takes the customer to be trained? Because if we take self-scan tills, and I know it is different here, but it has taken a good number of years for people to be convinced they work and there are still a whole load of people who have had bad experiences. Whereas some people have had a good experience, whether it be with a customer assistant interaction where they have shown them what to do, they are convinced. I think with something like mobile payments, if you have a bad experience, how do you then change that customer back to getting confident again? As a retailer you can demonstrate the value add of the service you provide. And each retailer will be quite different in how they approach that. But for us as consumers, if you can see there is value to doing that, to having that particular service, or using that particular technology, then I think you will.

WC: The interactive poster is an interesting idea, where a shopper can scan it with their phone and find out about offers or what's in stock etc. Would retailers use that medium for customer feedback, in terms of what the customer experience was and what they would want more of and is that how you would plan to use technology like that?

TS: It is different market sectors where that type of thing might work and if you look at the cinemas and other places where they are using NFC technology, they are using it through posters. So a cinema would have a poster up for the latest film that is coming out and they have a little NFC symbol down at the bottom of it. You tap your phone on the NFC symbol and then it communicates with your phone and it might give you all of the details of what that film is, when it is playing in the cinema. So it is actually passing information related to that particular poster. It might even be able to show you a little snippet of the film, the trailer. So that is where the consumer has seen something, didn't have time to actually spend any time

with it and just went 'tap' and can look at the information as they are on the move. It will work for train timetables, bus timetables, etc. Commuters can download the bus timetable or the train timetable to their phones. It is that type of interaction.

LW: You could do that really well with your M&S and Burberry fashion and clothing lines, because you could give customers the opportunity to download images, advertising or even videos from catwalk shows. You could do lots of different things to interact with consumers.

TS: It could just be a simple poster that says today's promotions are, and then 'tap here'. And you tap there and bang, they all come up on your phone and you are asked if you want to place the vouchers in your wallet. You say yes, and then that is it, you are fully loaded.

CM: Or digital signage so when a store is closed, you can download something so that you get all your information about a particular item that is being shown in their windows.

TS: Yes it would be nice if you had that, I was just thinking it would be nice if you had that technology for these particular dresses and you tap against it and it tells you what sizes they have got in stock.

LW: I think as retailers you should be more vocal about what your needs are from NFC. Because often when I go to NFC and m-commerce events I see people like VeriFone, your handset manufacturers, your telcos, but there are very few retailers. You have to be interested in it to drive it forward. So I would definitely recommend getting more involved in shaping the NFC landscape, because that is something I think is missing.

MD: You are right because clear standards and stability and consistency of those standards is critical. The pain we go through with various situations, with PCI DSS and things like that, and that shifting standard, shifting of rules and accreditation is what really hurts. So I think if we are being slightly more vocal, that is the kind of thing that really matters to us; getting standards and sticking to it.

WC: So what drivers and constraints will impart the market as NFC becomes a more widely used technology?

TS: Apple are keeping it close to their chest at the moment but they certainly have invested in NFC. They have hired NFC experts and have got patents out on NFC technology. So we fully expect to see Apple devices with NFC capability coming along. When you walk into any High Street mobile phone



store, handset managers, mobile network operators like Vodafone and Orange; all these guys will have NFC capable phones coming out. Shoppers will see that a phone says NFC- capable or mobile wallet capable, and they will start to wonder what it is.

SP: If they are just bringing out, or are soon to bring out the NFC make of mobiles; it is going to take a good number of months to get them into the market place? So when we talk about constraints, then that is obviously going to be a constraint in the ability. It is a bit like contactless in that it is still only a percentage of people with debit cards that have got contactless on them and it kind of jumped up and it feels like it has died down a wee bit, I don't think I have one actually. But that is definitely going to be a huge factor as to what we as retailers will do – how many people have mobile wallets.

CM: When banks started to send out the first contactless cards it was about a year before the contactless PoS started to appear in stores. When chip and PIN was introduced it was the same, and then it took about two years to phase out the old cards.

MD: But the interesting thing about those kinds of tipping points is that they really start to make things work. You have got to wait on the availability of the hardware. The applications are going to be critical as well, in terms of how widespread and easy to use and fully functional those applications are. There are several kinds of tipping points we are clearly yet to reach.

TS: If you look at the UK point of sale market today, there are probably about 1.1 million point of sale devices across the UK market. In terms of devices supporting contactless, I would say it is probably less than 10 per cent.

MD: And paradoxically it seems to be more present in the smaller tier 4 and 5 retailers. We see it a lot in corner shops where they have got brand new terminals with swanky new contactless, but you at most bricks and mortar retailers and it isn't available yet.

TS: There is a concerted effort by Barclaycard to actually get contactless enabled devices deployed. Now, that would cost them too much money to do their full estate. So they will just, through attrition, swap out and put in the latest devices that will support contactless. At VeriFone every device, every one of our new VX Evolution devices are supporting contactless and NFC. So our position is pretty much the same as Barclays view point, we will put contactless enabled devices into the marketplace as a matter of fact.

CM: I thought there was a huge drive to achieve a much greater penetration by next year for the Olympics, because of this vision that people have for 2012. I think they were talking about allowing people to spend up to £30 on contactless cards throughout the Olympic site at restaurants and shops. This will also drive up the number of cards and devices. I believe Visa is pushing it through.

TS: But the Olympics are, if you look at the UK, in a relatively small geographical area. So we could get complete saturation in that geographical area, but if you look across the whole of the UK, we won't see that level of use of contactless cards. And even in that; are high fashion retail going to make that investment just to support contactless? You might, if you wanted, if it was full blown NFC and mobile wallet and everything. But if it is just pure contactless and the ticket value of it, the floor limit is still a million miles away from what your customers would normally spend.

SP: I always likened it to going into a hotel, you can charge everything to your room. As long as you have got the security code or the PIN or whatever you want behind it. But it is great that you don't have to carry your wallet around and you can literally just tap and go.

WC: That is a question I was going to ask. Is there going to be a constraint that when people start getting their monthly contract bills, that they are going to go; 'oh my God all this extra stuff actually costs something'. Because I am assuming it ain't going to be free.

TS: It wouldn't be free, I would expect the mobile wallet guys are going to charge for using the mobile wallet. But then again they may not because they might get their revenue from the companies who want to use it, the coupon companies that actually sit on the wallet. That is where their revenue stream might be, so Google Wallet, no I don't think they are going to charge the consumers. They are going to make their money from advertising revenue. If it cost money every time I opened my Google wallet, that wouldn't appeal to me as a consumer.



"There will have to be a mobile wallet tipping point."