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Catching on to m-payments

With many high profile trials of NFC-enabled mobile phones on the back of the rapidly accelerating roll-out of contactless cards, Hugh Roberts, senior strategist at Logan Orviss International, offered MPW his insights on the future of the m-wallet.

The recent news that Visa and Nokia have launched a global system to turn mobile phones into wallets for millions of customers has raised a number of debates within the mobile payments industry.

Fortunately, there has been ample evidence from the Far East and elsewhere that mobile wallets can operate securely and efficiently as well as delivering an array of benefits. The systems in place are providing increased usage, increasing profitability and achieving high levels of customer satisfaction.

The fastest route to success for mobile wallets has been from the evolution of card-based systems, typically those introduced for transport systems - urban rail and/or parking, epitomized by the Octopus system in Hong Kong. Although achieving 95% penetration with 10m transactions daily, 50,000 card readers and an overall satisfaction rating of 97%, the rating for 'varieties of merchants' has been much lower at 80%. The opportunity presented by moving to mobile is to extend beyond distress and commodity purchasing into the realm of financial lifestyle management.

The Visa/Nokia system service brings together NFC chip technology and standards developed by the Mobile Payment Forum, and will also allow users to do much more than board a train or buy groceries, also having the capability to manage their accounts as well as make P2P payments.

While Premium SMS, SMS/WAP and barcode-based systems still have a role to play and aren't going to go away just yet, the opportunity for the profitable deployment of more robust payment architectures based on regional or global standards has never been better. SMS payment platforms are highly cost effective, but the revenue leakages that occur both in network delivery management systems and from third party inter-business settlement processes have not been taken as seriously as they should have been. They can't and won't achieve the accuracy and audit ability that the financial institutions require. Moreover, the speed of transaction using NFC - of particular interest to merchants who have queue management challenges - just can't be beaten.

These developments are significantly eroding the control that the mobile service providers have traditionally had over the handset manufacturers - third party payment and content providers have never had a better opportunity to leverage their branded assets more effectively.

In a number of countries, such as Austria, the Philippines and South Africa, telecoms operators have acquired (and branded) either a bank or a banking license to enable them to provide fulfilled payment services, and as a result customers are beginning to place their financial trust in these hybrid brands. However, it will be some time before they are able to compete on equal terms with the incumbent transaction processing organisations.

Mobile wallets represent more than just a convenient payment mechanism - when providing transaction validation and verification, they act as an extension of the user's financial persona. Customers will naturally seek out the brand that suits their lifestyle choices and assures their creditworthiness the best. Before long, we may even see a 'Visafone' that just happens to be connected to the local communications service provider, rather than a network phone service that happens to have Visa-enabled service capabilities.

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