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Mobile payment hurdles many, varied

There is no shortage of challenges in getting m-commerce off the ground in the United States. But maybe the most important factor is time.

That was the takeaway from yesterday's afternoon session on all facets of mobile commerce, from contactless payments to person-to-person money transfers to targeted, in-store mobile advertising. While many of the pieces have fallen into place in recent years, there's much work to be done before consumers can pick up their phones instead of their wallets. And even more work before they actually want to. "The good news is that the underlying (fundamentals) are already in the marketplace," said Pierre Barbeau, CEO of Moblico, a Kansas City-area mobile technology company. "Where we have a problem unfortunately, is with collaboration. That's what's really holding back the marketplace."

And while U.S. carriers have a well-earned reputation for an inability to play nice with each other, Barbeau was referring to a lack of cooperation between the mobile and financial industries. The only real traction in m-commerce thus far has been in using a phone to purchase ringtones and other content — which is a natural fit for the space, of course, and offers built-in margins for carriers. But carriers are looking to add a link in the value chain when it comes to using a phone to buy a bag of dog food at the corner store, and consumers are unlikely to pay a premium to use their mobile wallet instead of reaching for the old-fashioned kind.

"The business model has been a challenge for a lot of players here, and that will continue to be a problem," said Carol Realini, CEO of Obopay, an early entrant that has expanded beyond phone-to-phone money transfers into the broader world of mobile banking. "It does take longer than we all think (for the space to grow), but I think it will be bigger than we all think."

Where operators may deliver an added value, though, is in the distribution of purchasing tools in the form of mobile applications or phones with embedded NFC chips. Removing the physical piece from the equation would save banks and credit companies money and allow carriers entry to a ready-made market that could pay off in recurring revenues, said Michael Mullagh, CEO of Vivotech, a developer of software for Near Field Communications (NFC) payments, over-the-air promotions, payment cards and smart poster applications.

"We believe carriers could see \$40 to \$60 per NFC customer per year, which in today's declining-ARPU world is significant," Mullagh weighed in. "I think carriers have a

unique opportunity to capitalize on the investments being made” by financial institutions. “I think there’s opportunity for — I won’t say a free ride, but a lower-cost ride.”

Security is sure to be an issue as well, given all the buzz surrounding identity theft and the occasional loss of online financial data. The biggest hurdle, though, will be in convincing consumers to use their phones rather than a credit card or cash at the retail counter.

Which is why the real tipping point for m-commerce in the United States may be more than a decade away. Users aren’t likely to see any reason to wave their phone rather than a credit card just for the sake of novelty, but integrated offerings that combine couponing and location-specific ads with banking and financial applications may help move the needle. Such sophisticated tools are far off on the horizon, of course, but the industry may be making progress with the rise of GPS-enabled handsets and — finally — some real uptake of smartphone applications.

“If you look at the payment world, the credit-card world and the debit-card world, you’re looking at a 10-, 12-, 15-year gestation period,” Mullagh continued. “But we think there’s enough money here that its going to happen.”