

Making the Case for Mobile Payments

Selling customers on new payment applications requires more consultative partnerships

By Julie Ritzer Ross

Whether already mature or just emerging, mobile payments bring transactions closer to consumers and allow merchants to provide enhanced service, fostering lasting customer relationships and bolstering the bottom line. But mobile payments also alter the way ISOs deal with their end-user customers.

“The current mobile payment landscape is entirely different than it was a short time ago,” says Barry McCarthy, president of mobile commerce solutions for First Data Corp. “ISOs that truly want to differentiate themselves will need to step up the service they provide to merchants, in terms of programs and training alike.”

Among established mobile payment applications are three main categories, including “transportable” applications, which allow for payments in environments without telephone access (such as kiosks in shopping malls); “mobile merchant” applications (paying by credit or debit card for taxi rides, items purchased at home parties, or services provided by electricians, plumbers, and the like); and “pay-at-the-table” applications (restaurants).

When selling these applications, ISOs must be ready to invest a significant amount of time in merchant education. “You can’t expect to simply drop in the terminals and go. For the majority of merchants, the mobile territory is entirely

new,” explains George Peabody, director of emerging technology advisory services at Mercator Advisory Group. Instead, the ISO should partner with suppliers to learn best practices and how to operate mobile payment terminals, and then pass that knowledge along to merchants in hands-on training.

“The change in merchant-ISO relationships in the mobile payment arena revolves very tightly around education,” agrees Paul Rasori, vice president of global product marketing for VeriFone. On the pay-at-the-table front, VeriFone has released an interactive training tool designed to teach merchant-level sales representatives the technical details and benefits of mobile payment devices in restaurants. The tool also demonstrates to ISOs how a merchant can fully leverage the enhanced reporting components incorporated into VeriFone’s pay-at-the-table technology.

To fully service merchants implementing mobile applications, ISOs must help them with the transition as well. For example, restaurateurs will look to ISOs for support in helping servers migrate to mobile payment devices from traditional transaction processing methods, Rasori observes.

Similarly, customers adopting transportable payment and mobile merchant applications may be entirely unfamiliar with accepting any form of electronic payment and will need assistance with everything from interacting with the public to handling administrative duties, says Peabody.

Laying the Groundwork

ISOs delving into contactless payments—cell phones, smartphones, and PDAs for payments—must adopt a similar approach to their merchant relationships. “If I were an ISO planning to delve into mobile payment, I wouldn’t sell another terminal that didn’t include contactless payment acceptance capability, because contactless and the services around it are the segue into mobile,” says McCarthy.

Mobile Payment: It’s Not Just Your Phone

Over the past few years, the industry has seen significant head-scratching regarding the definition of the term “mobile payment.” Many assume—and correctly so—that a mobile payment is one that is initiated through a wireless mobile device, such as a cellular telephone, smartphone, or personal desk assistant (PDA). However, a wide variety of other payment scenarios fall under the mobile payment umbrella. A mobile payment can be defined more broadly

to include those in which the POS device is mobile or connected to the processing network wirelessly. Those devices may be magnetic stripe reader/bar code scanner combinations used to process transactions anywhere in a store; or hand-held devices employed to accept payments from diners at restaurant tables or from spectators at stadium events. POS terminals installed in taxis or devices carried to consumers’

homes by delivery or service personnel belong in this category, as do those made using countertop POS systems at kiosks. The broader the definition applied by ISOs in conquering the mobile payment market, the greater the opportunities for them moving forward.





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While it may take some time before widespread contactless adoption occurs—only about 200,000 contactless terminals are currently in use, compared with more than 6 million standard POS terminals in the U.S.—ISOs can't wait for contactless to catch on. You have to be prepared when the time is right.

Fortunately, the card associations have laid much of the groundwork for emerging mobile payments, primarily because contactless terminals will be merchants' vehicle for processing transactions completed remotely via all hand-held devices, says James Anderson, vice president of product development for MasterCard's Mobile Centre of Excellence.

A significant portion of the work that was done to enable contactless payments through MasterCard PayPass and Visa PayWave also makes mobile payments from cell phones and smartphones "possible from a technology standpoint," Anderson notes. While additional steps must be taken to render contactless terminals entirely interoperable with hand-held devices, responsibility for the job rests on the shoulders of card associations and handset manufacturers, rather than on any other channel, including the ISO community, he adds.

MasterCard has amassed a team of experts to educate ISOs on contactless and provide them with additional information via its PayPass Web site. Visa has similar resources in place, as do VeriFone, Hypercom, Ingenico, and a number of other manufacturers.

ISOs will need to amass the knowledge and expertise to sell merchants on migrating to a contactless platform. Tapping into manufacturer and card association resources to master the basics of contactless technology and near field communications (NFC) is a good first step. NFC allows consumers to store credit card, debit card, loyalty card, or preloaded card account information in their mobile devices and then select a preferred method of payment at the time of the transaction.

The ability to thoroughly explain contactless and mobile payment to merchants will be critical. As with more established mobile payment applications,

"merchants aren't going to buy into any payment platform if they don't understand how it works," says Peabody.

Selling Merchants on Solutions

Essentially, ISOs must assume a consultative approach with customers to achieve success in mobile payments and contactless.

"Sit down with customers and tell them that although they may have five ISOs coming to them with a better price on terminals—or even free terminals—your deal is better because you will fill them in on the new applications coming down the pike," McCarthy recommends. "It's ISOs' obligation to say to merchants, 'this is what's happening now with contactless and by extension, here's what's going to happen with mobile payments and hand-held devices; here's why your customers are going to want those payment options; and here's what it's going to do for you in terms of moving customers through the checkout line, cutting down on the amount of manpower needed at the point of sale, inducing customers to spend more, and increasing the frequency of individual customer visits.'"

Bundling traditional services, such as terminal deployment, with a loyalty program component that captures customer information via some form of chip technology may make sense for some. And in some cases, messages pertaining to rewards or immediate rewards themselves may be conveyed to customers on mobile devices in a "chip-to-chip" fashion.

Reward programs will almost certainly be the tipping point for converting merchants to the latest mobile payment applications, based on the potential of such programs to bolster customer traffic, retention, and spending.

Mobile payment is here to stay. ISOs that plan now for growth and approach existing and prospective customers armed with knowledge are well positioned to prosper now and down the road.

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