



# Factors Driving Customer Adoption of Mobile Payments

PayCLT

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## Objective for Today

Turn off your focus on the payments business and think about your expectations for interacting with merchants and what needs to be done to deliver a personal experience

- Roundtable Discussion Topics
  - What are your expectations for a personalized experience?
  - What kind of information do you need to make a decision?
  - What is a reasonable expectation on completing that transaction?
- Create a scenario customer experience (Sample):
  - Create a shopping list
  - Research products
  - Order online – pickup in store
  - Shipping and fulfillment information
  - Payment alternatives
  - Returns
  - Loyalty and offers
  - Privacy and security
- Explore merchant impact
  - Where is the information that is needed to meet a customer experience
  - Types of information that needs to be accessed to meet customer expectations



## Introduction to the Payment Placemat

Intention for developing the Payments Placemat is to visualize the complexity of challenges affecting merchants to meet compliance and customer expectations

- Purpose: to create a holistic view about the market and customer forces emerging as a result of emerging payment alternatives
- Objective: establish an understanding of the complexity facing merchants as a result and engage the merchant to understand where their challenges are
- Key Elements:
  - The front center graphic illustrates the customer and industry forces challenging merchants to deliver on customer experience resulting in a fragmented rather than strategic approach
  - Consumers are confused by the options and the limits each offers, the industry is not consistent about the different experiences
  - There have been 6 new mobile payment app introductions and 6 new e-wallets introduced in the past 12 months
  - On the back of the placemat are Operational, Technology and Security, Risk and Compliance Impacts

# NAVIGATING THE OPPORTUNITIES AND CHALLENGES OF ALTERNATIVE PAYMENT OPTIONS

## A WEALTH OF OPTIONS

The use of traditional payment methods – cash, checks and credit cards – are on the decline. Card payment market share (including credit and debit) is projected to decline from 57% in 2012 to 41% in 2017. Alternative payment methods, like e-wallets and CurrentC along with mobile payment options like Walmart Pay and TargetPay, are capturing this market share, but not at the same exponential rate they are being introduced.

- Introduction of six new e-wallets in the last 12 months
- More than six new mobile payment apps in the past 12 months

Adoption is trailing not due to limited customer awareness but because of inconsistent and fragmented acceptance and use.

Merchants are contributing to the confusion by racing to be first with a shiny new object to capture consumers attention.

WorldPay's "Your Global Guide to Alternative Payments (Second Edition)"

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## THE IMPACT OF DIVERSE PAYMENT OPTIONS

Consumers are looking for an easy, personalized, informative, and convenient experience. They demand support, service, security and an appreciation for their loyalty. Delivering on those demands has wide-spread enterprise implications across sales, services, fulfillment and customer service.

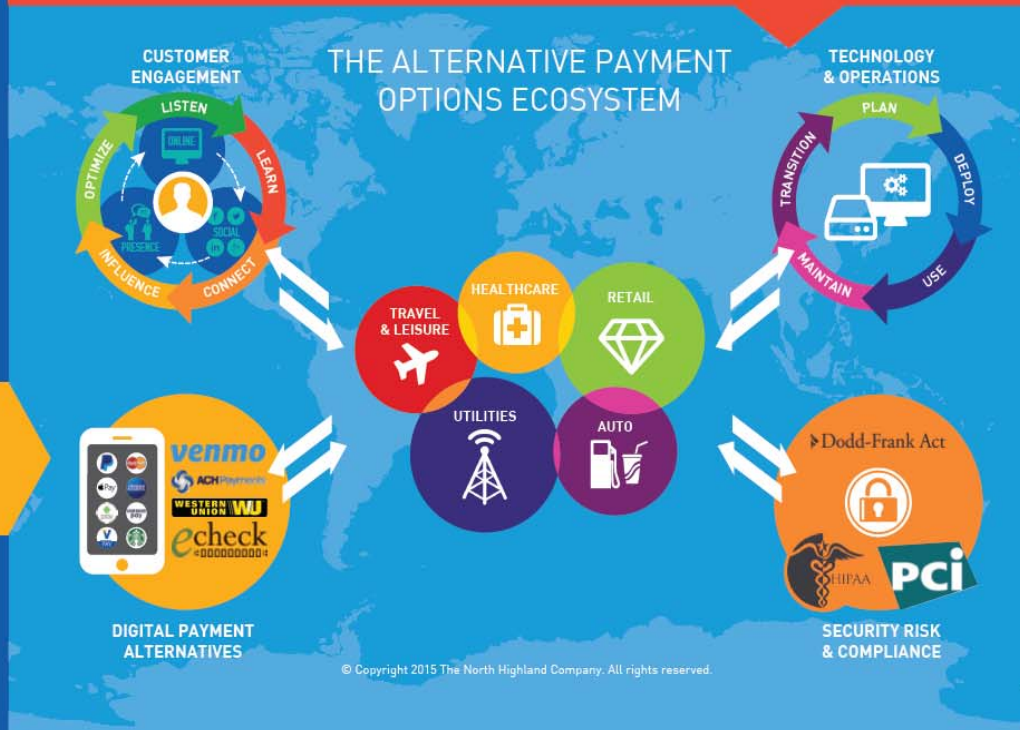
Finalizing payment must become an extension of customer experience, providing customers with accurate, easy to understand information that allows them to make informed decisions.

This level of strategic integration requires payment options aligned with technology changes taking place in architectures and applications, operational business processes and customer service capabilities. And it requires merchants to rethink operational practices and technology beyond creating one-off capabilities.

## OPTIMIZED TO CAPITALIZE

The rapid growth of new payment alternatives versus adoption is challenging merchants in the prioritization of initiatives. Customers are interested in and aware of alternative payment options, but merchants aren't optimized to capitalize on them. To do that, merchants must move from reactionary to strategic to balance internal and external forces to deliver the desired consumer engagement and capture revenue.

North Highland consultants understand the complexity of blending the brand and customer experience through transparent payment methods that reinforce customer impressions of an efficient and easy transaction. Continuous introduction of new payment methods are disruptive, time consuming and costly when addressed individually. Developing a blended customer and payments experience strategy will deliver a competitive and consistent advantage.



### U.S. Mobile Payment Transactions, 2014-2019\*



\*Figures for 2016 through 2019 are projections. LA Times, January 18, 2016

# 59%

By 2017 alternate payments will account for 59% of all transaction methods.\*



\*WorldPay Alternative Payments report, 2nd Edition, Aug. 22, 2014



## OPERATIONAL IMPACTS

New payment alternatives require careful incorporation to address the customer interaction and service needs, along with internal operational processes for customer service, fulfillment, accounting and auditing.

The scope of operational concerns include:

- Customer Service process and procedure learning
- Timely, accurate and clear invoice/billing information
- Integration with fulfillment systems and processes
- Fraud and loss prevention awareness
- Sales audit and accounting procedures
- Integration with promotional capabilities
- Chargeback and dispute resolution

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## TECHNOLOGY IMPACTS

Engaging customer experiences are enabled by technology that provides accurate information readily presented when needed in an easily consumable manner. Merchants need to begin adopting technology solutions that allow for the exchange of data between systems through a services layer.

Payment systems will need the ability to exchange information with customer, order, billing and fulfillment systems, providing data when needed to best inform the consumer and transparently consummate commerce transactions.

Technology must also address the encryption or tokenization of data to reduce the risk of payment information persistence beyond the transaction.

Systems must be able to continuously monitor, predict and prevent fraudulent transactions through effective analytics.

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## SECURITY, RISK AND COMPLIANCE IMPACTS

Payment systems require a risk management process that identifies, measures, monitors, and limits risks aligned with compliance requirements and standards.

### Payment Card Industry Express (PCE) compliance and card data security

- Card data processing flows and storage
- Payment Card Industry (PCI) scope
- Encryption and Tokenization
- Accessibility and Governance

### Risk

- Settlement risk as it relates to completion of the transaction
- Cyber risk regarding electronic transactions
- Prevention of financial crimes and fraud
- System integrity, risk triggers and controls based on organizationally defined tolerance levels
- Ability to produce performance and efficiency in technology systems (IT)

### EMV

- Use of **Chip and Signature** versus **Chip and Pin**
- Changes to fraud methods challenging controls for investigating and resolving disputes and chargebacks
- New fraud behavior of organized theft targeting non-compliant merchants
- Shifting commerce fraud to other channels
- Inability to trace, quantify and predict fraud



# 4 Roundtables

## Travel & Leisure



## Restaurant & Dining



## Healthcare & Medical



## Auto & Transportation





Present roundtable results for key themes driving Customer Experience





## Closing: Key themes from a consumer viewpoint

Consumers are receiving a variety of experiences based on the type of need they have across all of their touchpoints

- How many “apps” do I need on my mobile device to accomplish the scenarios we have discussed?
- How many different experiences am I willing to tolerate?
- How many times do I have to create an “account” to establish a relationship?
- How well does the merchant know me?
- What has the merchant done for me lately?
- What types of loyalty and promotions am I entitled?
- How many places will my personal information be distributed?
- What will all of this information sharing be used and / or shared?
- What does it really mean to have a mobile wallet?
- How do all of these options make my life better and simpler?





## Closing: Key themes from a merchant viewpoint

Merchants are impacted across the enterprise to fulfill a variety of experiences consumers expect across all of their touchpoints

- How do I get my organization to think “Customer First”
- How many “apps” do I need to create that will deliver the scenarios we have discussed?
- How can I improve my brand awareness?
- How can I engage my customer better?
- What is the next channel consumers will expect me to incorporate?
- How can I monetize innovation?
- What are the security challenges to be managed to protect consumer data?
- Will the consumer trust me with all of this personal information?
- What is the risk to sharing consumer data with aggregators and competitors?
- What are the impacts to brand awareness and loyalty?
- What technology system changes will be needed to deliver the expected experience?
- What are the operational impacts to staffing and training?
- Am I making the consumers life better and simpler?



## **Chuck Winter**

North Highland Worldwide Consulting  
200 S. Tryon Street  
Suite 1100  
Charlotte, NC 28202  
[chuck.winter@northhighland.com](mailto:chuck.winter@northhighland.com)  
+1 (216) 536-1119

## **Facilitators:**

Eileen Perrin – First Command Financial Services  
Crystal Allen – Extended Stay America  
Kirstin Wallace – BB&T  
Stuart Lowry - Allegiance Merchant Services