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Shift to cashless commerce: Creating a digital payments roadmap

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"If I had asked people what they wanted, they would have said faster horses." Henry Ford

Ford Motor Co.'s Model T took 15 years to catch on, despite ready roads and a need for faster transportation. Why? It takes time for human behavior to catch up with rapid technological change.

Consumers can only "see" so far, which is why we rely on engineering, technology and design visionaries to show us the future and hence why, 50 years later, the CES show in January in Las Vegas remains the preeminent showcase of innovation.

Much like Ford's struggle to transition consumer mindset from horses to automobiles, the digital payments industry faces an eerily similar challenge.

United States commerce is more digital than ever.

According to Visa, nearly half (47 percent) of consumers will shop online this holiday season and 33 percent will use a mobile device to do so. But despite the fact that 56 percent of U.S. consumers know they can use their smartphone to transact, digital payments remain predominantly analogue. What is the hold up?

Adoption is inevitable

In fourth-quarter 2015, analysts predicted that mobile payments in the U.S. would triple in 2016. Anyone who has observed the haphazard attempt to modernize existing analogue point-of-sale systems would believe it.

Once you experience the painful process of inserting a chip card into an EMV terminal, tapping to pay makes a lot more sense. Yet, despite embracing ecommerce, consumers cling to cash and credit: 60 percent of consumers relying on cash and more than 50 percent on debit/credit cards as their primary means of payment.

Conversion cannot be blamed on infrastructure mobile wallets, Near-Field Communication (NFC) terminals and other digital payment options abound. This is more a matter of slow-changing consumer attitudes and behavior, as well as a lack of clarity as to what digital payments actually are and why they are superior to traditional methods.

Convenience and ubiquity will be catalysts

For digital payments to become the standard, consumers must see them as the best option.

But to date, digital payments have been quite fragmented with no single solution suitable for all purchase scenarios.

Sitting at the center of a fast-growing landscape of online and real world touch points, digital wallets are poised to change that with integration into point-of-sale (POS) systems, browsers and applications.



Smart money's on the digital wallet

High levels of encryption make fraud less prevalent, one-touch transactions make the process faster and integration with customer loyalty accounts make it easier to participate in rewards, coupons and incentives.

Additionally, NFC chips in mobile devices can support transactions across the full expanse of the Internet of Things.

While the shift to digital payments is inclusive of all platforms, it is extremely important to watch the way that consumers perceive and use mobile payments, in particular. These devices are where digital wallets will inevitably see the most significant uptake and any commerce activity conducted via mobile is an indicator of how quickly the shift is progressing.

Widespread adoption is simply a matter of time, as baby boomers and the older silent generation age out of the active consumer population and Gen Z moves in.

For these post-millennial consumers who have come of age in a mobile-first world, cash and credit will be a quaint notion. Which means that future-forward brands cannot afford to wait to invest and experiment.

Here are four things to keep in mind on the shift to cashless commerce:

1. Fast-track your strategy

Remember, the platforms relevant to your customers are the platforms relevant to you.

At a minimum, Apple Pay, Android Pay, Samsung Pay and PayPal should be integrated into digital points of purchase and physical points of sale.

Yes, this requires upgrades to POS terminals and scanners, as well as personnel retraining, but it is a critical investment for bricks-and-mortar merchants.

2. Keep an eye on messaging apps

While most are closed ecosystems, messaging apps are the next ecosystem to which human behavior of all kind is being exported, including shopping.

It is possible that some will aspire to the model set by WeChat in China, which doubles as a mobile wallet used for online and offline purchases of all kinds.

3. Prepare for ad-commerce

Mainstream mobile wallets are limited to executing purchases within brand-owned Web sites, apps and point-of-sale terminals, since the transaction must be linked to a brand's security and credit-card-processing certificates.

However, specialized mobile wallets are appearing that are dedicated to executing purchases directly from ad units. As consumer trust in digital payments grows, it is likely that in-ad commerce will become commonplace.

4. Develop an educated stance on cryptocurrencies

Cryptocurrencies are advantageous to both brands and consumers, but the decision whether or not to accept them is

a complex one.

There are multiple considerations that go beyond marketing and business benefits, from legal issues to tax compliance.

So, while there is no question that brands must carefully watch the cryptocurrency movement, the decision to embrace them or not must involve not just marketing but legal counsel and finance as well.

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