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Increasing the value of mobile payments

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A recent survey by Adobe found that 62 percent of respondents had purchased physical goods on their mobile.

The survey indicated that online shoppers were starting to migrate to mobile shopping, which is backed up by Juniper Research's prediction that revenue generated from mobile purchases will reach $670 billion by 2015.

The introduction of Near Field Communications (NFC) into the high street will help get shoppers into the habit of using their phones to shop for more than just applications and ringtones. But, at the moment, consumers can only use NFC in limited situations.

Card issuers raised the single transaction limit from $15 (10) to $23 (15) in 2010 to increase the popularity of mobile NFC with retailers and consumers. But this means that consumers will not be relying on NFC when they hit the high street just yet.

Shoppers still need to take cards or cash with them for impulse purchases that take them over that spending limit.

Near field or left field?

Mobile NFC may make sense for coffee chains and convenience stores. However, when it comes to higher-value items, retailers and shoppers need to look elsewhere.

Retailers who have invested in an optimized mobile retail site have seen the benefits that it can bring.

The Marks & Spencer mobile retail site attracted more than 1.2 million unique users between May and December 2010 and saw consumers spend more than $4,700 (3000) on a single order.

Research shows that as more retailers, supermarkets and travel agencies introduce their own mobile retail sites, shoppers will make use of them.

For example, it is predicted that the number of consumers who will use a smartphone to buy white goods will increase by 187 percent in the next year.

The NFC mobile payment service Quick Tap was launched recently.

As mentioned, there is a set transaction limit on purchases, and other issues have been highlighted, such as having 30 seconds from typing your pin into the app and completing the purchase.

The terminal has a 30-second time limit as well, so timing is crucial if you want to make a successful purchase something which can fluster shoppers paying in a busy coffee shop.

Due to the payment limit, NFC is not currently a viable option for retailers that want to offer consumers the widest range of purchasing choices.

It is clear that the take up of smartphones and their use of the 3G and 4G networks are making mobile retail more feasible for consumers, but a $23 (15) limit just is not enough and that NFC is not the answer for retailers that want their customers to make high-value mobile purchases.

Mobile wallets come with their own set of issues. The shopper needs to register for an account before she can start buying, which rules out impulse purchases.

There is also the issue of how much money she keeps in the account will it be enough to cover large purchases?

Retailers adopting this method must factor in the transaction costs charged by the payment processor, and account for the fact that they may hold onto the money for up to 30 days before paying out.

To meet the massive growth predictions, retailers need to overcome the two stumbling blocks to large-scale mobile payment adoption by consumers: security and unfamiliarity.

Security concerns vary from smartphone malware stealing people's financial data, to eavesdropping on the signal as it goes from the NFC smartphone to the terminal. Why not simply use technology that people trust: online card payment?

Card sharp

A recent study has revealed that British consumers still prefer to use cards for larger transactions since they feel it offers them the most control over their finances.

The payment method that people are most familiar, and more comfortable with, is debit or credit card.

Retailers that accept card payments via their online shops will find that this is the natural choice for their mobile retail sites.

Indeed, it allows consumers to pay in a way that they are used to, experience the same kind of security that they do when shopping online, and giving them the ability to spend not only where and when the impulse strikes them. It places no limit on their spending other than their personal budget.

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