

COLUMNS

Should retailers have a mobile payments strategy?

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By **David Eads**

The hype around mobile payments has been swirling for about a decade now with little real traction.

Carriers, banks and others have tried repeatedly to jumpstart the industry, with few breakthroughs. Some technology is hyped as the catalyst to unlock the mobile payments arms race. Then nothing happens.

Should retailers have a mobile payments strategy? Should anyone?

The answer is yes.

Pays off

First, the clock is ticking.

On Oct. 1, 2015 Visa shifts fraud liability to United States merchants (2017 for Automatic Fuel Dispensers) unless they implement EMV technology. MasterCard has implemented similar rules. This means merchants must upgrade their point-of-sale (POS) terminals.

When merchants upgrade, their new equipment will almost certainly support both chip-and-pin and contactless near-field communication (NFC) technology. Many phone handset manufacturers such as Google, Nokia and Research In Motion have announced NFC support in many phones.

So, there is a clear path to having a mobile payment infrastructure in place in just three years. And while the process to get there is sure to be expensive and bumpy, this infrastructure will reduce transaction costs due to fraud and chargebacks and potentially provide an improved customer experience.

Secondly, while bankers and wireless carriers at industry conferences have been discussing the opportunities for them to make money with mobile payments, retailers are the key to mobile payments.

In fact, consumers shopping with retailers are the key to mobile payments.

Consumers will not bother to pay using their NFC-enabled mobile phone if there is no benefit for them. Swiping a card is easy and familiar.

Check it out

Mobile payments must transform the shopping experience to add value to both consumers and merchants.

Innovative retailers can take this opportunity to profoundly change the shopping experience in every channel.

Mobile is already unifying once-siloed online and bricks-and-mortar channels. Mobile payments can accelerate this trend by further blurring the difference between mobile, online and in-store shopping.

For example, NFC mobile payments can streamline offer redemption by mobile-enabling sending the coupon, managing coupons and using the coupon at the checkout.

Retailers can even remind shoppers than an offer is expiring. This means that retailers can significantly improve response rates to offers translating to more store traffic, increased sales and improved customer satisfaction.

Mobile payments can also accelerate the trend toward line busting and self checkout. This lets store associates spend more time helping customers on the sales floor instead of being stuck behind the cash register. Again, mobile payments translate to increased store sales and enhancing customer satisfaction.

In some cases, mobile payment technology may help reduce the cost of online purchases.

It is theoretically possible for NFC chips in phones to communicate with online shopping sites to enable lower cost card-present credit card transaction fees rather than more expensive card-not-present rates online retailers pay today. More work is required to get here, but we have the technology.

MOBILE PAYMENTS, in all its forms, present opportunities and challenges to retailers.

Savvy retailers will use the coming disruption as a way to improve the shopping experience and their margins. Many innovators will look for outside assistance from those with experience in both the mobile and the payments industries who have seen it before.

Retailers need a strategy for how they will navigate the transition to mobile payments, or they risk losing sales to the competition.

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