

COLUMNS

Mobile's effect on the payments landscape

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By [Jeremy Gumbley](#)

There can be no doubt that innovations in mobile technology have had a profound impact on the payments landscape. In addition, the explosion of smartphone ownership in the United States Nielsen recently reported that ownership levels have reached nearly 65 percent nationwide has led many industry commentators to herald "the death of the card."

This prediction often brings skepticism as to the value of migration to the EMV chip card standard. However, hype around digital wallet usage and uptake belies the reality this is very much an emerging technology, which is not evolving at anywhere near the rate required to invalidate EMV.

Chips down

A recent comScore report revealed that there were one billion credit and debit cards in circulation in the U.S. in 2012 approximately three cards for every person.

A closer look at the figures clarifies the dominance of the card when it comes to payment. The U.S. Bureau of Labor Statistics showed that U.S. consumers spent \$10.7 trillion on shopping alone in 2011.

Meanwhile, according to a recent Gartner report, mobile payments accounted for just \$24 billion in transactions in 2012. Assuming that the figure for 2013 will be similar, this certainly puts mobile payment usage into context.

The crux of consumer attachment to cards lies in the fact that they are a trusted and familiar method of payment, and despite truncated adoption times for new technology, consumers are generally change-averse. This reluctance is compounded by the fragmented and confusing mobile payment landscape.

With underlying network operators, financial institutions, new-generation payment providers such as PayPal and now big players such as Apple all competing for a piece of the mobile payments pie, we are facing a huge ecosystem of divorced, incompatible, media-hyped technologies.

The benefits of NFC for the card issuers are clear reduced costs in both distributing physical cards, and customer support, particularly around lost or stolen issues due to the capacity for immediate revocation.

Solution chasing problem?

For the consumer, it is not so clear where the efficiencies and appeal lie over a conventional wallet or cards. As with many innovations, it could be argued that we are looking at a technology in search of a use case.

Retailers cannot afford to delay their migration to EMV for fear that the technology will be redundant in the face of mobile payment uptake.

The argument is that the SIM or Secure Element within the phone will bring equal security benefits to the EMV Chip in the physical card. Although this is true, the mobile wallet trend is in its extreme infancy.

Card usage is certainly changing, with the advent of mPOS (mobile-point-of sale) technology leading to card acceptance possible in a diverse range of new environments.

However, rather than being a battle between mobile and EMV, the likelihood is that we are moving towards a future where they will sit alongside each other.

Consumer choice is a powerful master, and will lead to the development of point-of-sale terminals that will accept contact and contactless EMV cards as well as NFC mobile payments.

INNOVATION IN payment depends on consumer trust, which in turn hinges on proven security.

As the U.S. continues its move to EMV, it is not only taking a crucial step towards reducing payment fraud, but laying the foundations for a new era in payment technology.

Jeremy Gumbley is chief technology officer of [CreditCall](#), New York. Reach him at jeremy.gumbley@creditcall.com.

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