Today's Mobile Commerce Sweet Spot

Selling mobile acceptance products and services may be the key to ISO survival

By Todd Ablowitz

Almost everyone in the payments business agrees that mobile commerce—electronic transactions that in some way involve a mobile device—has arrived. It's not going away, and it's only going to grow. But for most ISOs, knowing that isn't very useful. Mobile commerce covers a lot of territory, from contactless, NFC-enabled, consumer-to-business transactions to social media in-app transactions, and everything between.

So what can an ISO sell today that's profitable, attracts new customers and, best of all, keeps them loyal as mobile commerce grows in importance? Here's a hint: Payment acceptance and processing will be just a part of the answer.

Changing the Retail Experience

When the idea of mobile payments first began to surface, the obvious scenario was a mobile phone acting as a substitute for a contactless credit card using near field communications (NFC) technology. That application really hasn't arrived yet, and it will be a year or more before Google Wallet and Isis (and the phones to support them) are widely available. But as the holiday shopping season began last month, PayPal reported that its mobile commerce traffic was up more than 500 percent, and other tracking showed mobile purchases rose from 2.3 percent to 6.6 percent of total consumer spending during the Thanksgiving weekend shopping kickoff. Clearly, consumers are not waiting for NFC.

Many consumers who have access to mobile devices (phones, tablets, etc.) are using them to transform their shopping experience by blurring the lines between in-store and online shopping. More importantly, mobile devices are changing consumers' expectations about the retailers they are patronizing. How? By allowing consumers to compare prices, check product features, read product reviews, look for special offers, watch video demos, and more. In short, consumers are bringing all the information available on the Internet into the store. In many cases, they're examining products in the store and ordering online for home delivery—and not necessarily from the retailer they're visiting.

Savvy companies already are taking advantage of this trend. Sears, Potbelly, Home Depot, Gap, and Nordstrom are equipping their sales associates with mobile devices, partly to extend the new retail experience to consumers without their own devices and partly to take control of that experience, even for mobile-equipped consumers. By deploying sophisticated apps, tailored to a specific vertical retail segment, retailers are able to supplement and go well beyond what consumers' devices can do—to check inventory, offer upsells, and much more. This also is a clever way for retailers to avoid losing the consumer to an online competitor. For quick service restaurants, it's the ability to speed order and checkout (known as line-busting); for sit-down restaurants, it's the ability to pay at the table.

According to one estimate, 2.7 million tablets (Apple iPads and similar devices) each year will be shipped for use in North American retail and hospitality by 2015, a 450 percent increase. Specialty retailers will deploy nearly half of all tablets shipped to retail, according to IHL Group, a Franklin, Tennessee, market-analysis firm. Tablets alone are poised to become a $5 billion product category by 2015. And they are just part of the picture: iPhones, many Android-based mobile phones, and increasingly, Blackberry phones all can serve the purpose.

Selling Mobile Acceptance

While the retail scenarios above are far more about supporting the total consumer experience, payments functionality often is a key part of the equation, and opens the door for ISOs to approach their merchant customers with full-blown mobile applications that go well beyond the mobile point of sale.

Most ISOs today can offer customers a simple, user-friendly mobile acceptance solution, and this is great for certain merchants (plumbers, roofers, etc.). It uses a small hardware reader and relatively simple software that turns the mobile device into the equivalent of a low-end card processing terminal.

But the opportunities of the near future

will likely be those that integrate the payment function with specialized software specific to a particular retail category; provide a closer connection between the consumer and the merchant; and add value at every step. And as technology companies deliver ever more sophisticated payments products to the market, traditional players must evolve to compete effectively or risk being left behind.

Selling a merchant on mobile won't be a slam dunk. You'll have to target the appropriate merchants, offer them the right product, educate prospects on the benefits of the technology, let them see the solution in action, and be able to provide the support they'll need.

Candidates for simple mobile acceptance are mainly those whose businesses already are mobile, such as plumbers, food delivery, home contractors, or photographers. Good targets for more sophisticated solutions include restaurants or retailers that have large peaks, either seasonally or perhaps at certain times of day. Retailers that do a lot of customer pre-sale support also are adopting mobile applications in a big way, because the devices that their salespeople carry can be used for inventory checks, product demo videos, and more.

Remember that mobile applications involve both hardware and software. Be sure to evaluate both for durability, functionality, and security. In the world of the connected retailer, the most important part is likely the functionality and utility of their cloud-based offering. Does it allow your merchant to easily manage inventory? What new features are possible? Does it save your merchant from having a costly integrated POS or cash register?

Knowing customers well also makes it much easier to educate them about the products you're selling and the benefits they can expect. You may have trouble convincing a business owner she needs to go mobile, but it's doubtful she'll be unreceptive to something that improves her customers' experience, shortens checkout lines, gets her paid more quickly, and—because it's a card present mag-stripe swipe—costs less to process. And to that end, nothing is more effective than a demonstration. Look for a sophisticated demo application that your sales force can carry on their smartphones and use as part of their sales presentations.

Finally, customer training and support is extremely important, especially in cases where a merchant has more than a few salespeople who will use the devices, or where seasonal employees are involved. That's especially true on the security side of things. It's a lot easier to steal a phone or tablet than a cash register, and a phone with a mag-stripe reader is a tempting target for a thief.

Because so many merchants are closely watching their bottom lines, a mobile retail application must solve a problem. Every merchant business owner wants to deliver a convenient, satisfying shopping experience to his or her customers. That builds loyalty and repeat business.

At the same time, with competition rising from companies who offer nontraditional products or bypass the traditional sales channel, having a solid mobile application that's more than simple card acceptance in your arsenal may be a matter of survival. Consumers will go where they have the best retail experience, and merchants, you can bet, will follow them. **TT**

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