A Focus on Value across the Consumer Journey is Key to Mobile Payments Adoption
Major retailers around the world generate trillions of dollars in sales annually. Combine that with close to 7 billion mobile-cellular subscriptions\(^1\) around the world and mobile payments should be a natural follow-on. In order to get consumers and merchants to switch to mobile payments, however, there should be a focus on how digital commerce ecosystem providers can work together to generate greater value across the broader consumer purchase journey, and how a robust technology platform is vital to such collaboration.
Background

The mobile payments sector has been heating up in recent years, with an explosion in the number of mobile wallet solutions competing for merchants’ and consumers’ attention. There are many companies including financial services institutions, technology companies such as Google and Isis Wallet™, telecommunications companies and retailers, providing some type of mobile payments solution—all hoping for a chunk of the market that is expected to experience significant growth.

Gartner forecasts that the value of global mobile payment transactions will increase at a compound annual growth rate of 35 percent between 2012 and 2017—from more than $163 billion in 2012 to more than $721 billion in 2017.²

Leading the pack is PayPal, whose advantage lies in the company’s 140+ million active user base. In a Yankee Group survey, 15 percent of mobile phone owners said they used PayPal’s app in a store in the past month, by far the most of any wallet app.³

Some countries are also much more prepared to capitalize on mobile payments than others, especially in Asia Pacific. According to a study of 34 countries by MasterCard, Singapore is closest to what MasterCard called the “inflection point” at which widespread mobile payment is ripe for adoption. Behind Singapore are Canada and the United States, followed by Kenya, South Korea, and Japan.⁴
Providers must understand that mobile payments is not an end in itself but, rather, part of a broader series of actions that customers take when seeking out and buying a particular product or service. When these actions are supported and orchestrated by an integrated ecosystem of providers, more value is generated for everyone involved.

Indeed, mobile payment is only a small part of digital commerce. It comes at the end of a consumer’s journey to making a purchase—a journey that includes myriad types of data and multiple potential touch points (both online and in the real world) outside of the store environment (Figure 1).

Figure 1
Online and offline touch points and data across the consumer journey
By aggregating these touch points and the data consumers generate throughout their day-to-day lives, the orchestrator of the digital commerce ecosystem can both enhance the overall shopping experience for consumers and provide merchants with a more complete picture of consumers that can drive more accurate targeting and more effective routes to new and existing customers.

Here's a simple example: An ecosystem provider—in this case, a bank—can serve as a “matchmaker” between consumers looking for goods or services and companies providing them. A retailer in the ecosystem that is running a deal on televisions could enlist the help of the bank to look across the network of consumers in its database to find those who meet specific demographic and interest criteria that would predispose them toward buying what the retailer has on offer. Conversely, a customer of the bank could rely on the bank’s knowledge of his lifestyle and financial situation, as well as of those of many other consumers, to help him find a television that meets his criteria from the retailers within the ecosystem that offer such a product. In both cases, all three parties benefit (Figure 2).
Merchants achieve higher MROI through:

- Access to a sizable and qualified customer base.
- Increased basket size, frequency of visits, and cross-selling via highly targeted offers.
- Leveraging the ability to act on specific promotional levers, such as particular time, place (stores), and customer group.
- Understanding customer segments’ behavior in a holistic view as well as a clear understanding of results (transparency).
- Ease of participation and offer creation.

Consumers who are enrolled experience:

- Increase of monetary value in the form of discounts or cash back.
- Better service from their banks, which provide them with advice and recommendations on purchases.
- Introduction to trusted merchants that share the same values as the bank.
- Potential seamless integration of financial services during the transaction (e.g., credit and insurance).

Bank benefits from increased revenues while:

- Providing added value to its customer base.
- Creating potential for market differentiation.
- Having first-mover advantage.

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The real incentive for retailers to collaborate in such an ecosystem is the promise it holds to dramatically increase the insights generated for the retailer on what’s happening outside the walls of its own stores. By being able to complement the rich in-store data it already collects with other important data on the behaviors, attitudes and actions of its existing and prospective customers, a retailer is better positioned to create much more relevant, personalized—and, ultimately, much more effective—campaigns.

Of course, the nature of the digital ecosystem means the types of promotions and offers a retailer extends, and the dialogues it has with customers and prospects, will be different. For instance, in a traditional setting, a retailer might create a campaign promoting a six-week special offer on all white goods in the store, and promote that offer via flyers sent to consumers’ homes or inserted in the local newspaper. In digital channels, campaigns are much more targeted and generally short lived: Based on a consumer’s social media chatter and the fact he recently took out a mortgage with his bank for a new home, a retailer would surmise the consumer is in the market for a new washer and dryer and could send him a limited-time mobile offer or e-coupon for those items while he is within a few miles of one of the retailer’s stores. In other words, digital commerce is far more than simply delivering the same offer via mobile devices that used to be done in print.

To truly capitalize on mobile commerce, a retailer likely will require new analytics capabilities to effectively unlock the value of the data generated by always-on, always-connected mobile devices, as well as other specialized skills. For example, the algorithms and tools needed to answer the question “What is the Next Best Offer for a particular customer at this particular point in time?” are much more complex than deciding to put a promotion on top of a merchant’s catalogue. Furthermore, designing new types of offers requires much shorter lifecycles with finer campaign monitoring and management tools. And a company will need to be able to respond quickly to new triggers for the distribution of a campaign, such as social media, check-ins, beacons, and previous activity at other stores.
The key to a value-adding digital commerce ecosystem is a robust platform that underpins the ecosystem's operations, such as the one illustrated in the center of Figure 3.

At the heart of the platform are three key elements that support advanced analytics that help connect consumers and retailers. A merchant with multiple offers would use the recommendation engine to understand which offers it should extend to which potential customers, while a merchant with a specific offer would draw on the customer insights capability to match that offer to the customer segment for which the offer is most relevant.
In either case, the merchant then would use the mobile commerce functionality within the platform to distribute its offers to particular consumers via their location services-enabled mobile devices, as well as to execute the payment methods for the transactions in a way that best suits the various participants.

Feeding the preceding is a vital database containing valuable structured and unstructured data on millions of consumers drawn from myriad sources, including actual transactions with retailers, social media channels, and loyalty history. Importantly, the platform is cloud based to provide scalability, adaptability, and "anywhere, anytime" access, and it includes built-in APIs that make it easy to integrate the platform with ecosystem partners’ existing commerce infrastructures (i.e., physical and online stores) and enterprise systems.

The final key module of the platform helps turn the insights and recommendations generated into actual marketing campaigns to be executed across relevant channels.

Given the amount and type of information processed through the mobile commerce ecosystem, data security and privacy is obviously a major concern. That is why the platform must incorporate the highest level of protection and include explicit consent and opt-in of all participants, both consumers and merchants.
The platform just described is currently being used as the foundation of a new mobile wallet and commerce ecosystem for merchants and consumers in Belgium to enable seamless and secure shopping and payments via smartphones.

The ecosystem called Sixdots, is being jointly developed by Belgacom, the largest telecommunications company in Belgium, and BNP Paribas Fortis, one of the country’s leading banks, with help from Accenture. Sixdots is a reference to the security offered by the platform and represents a six-digit PIN code that will be used, in addition to other security measures, to make online and mobile payments in Belgium.

The main challenge Belgacom and BNP Paribas Fortis faced in building this new ecosystem was to identify a solution that could convince all market players to participate. In addition to the end consumer, these players included banks, telecom operators, advertisers, app developers, merchants and solution service providers. The solution had to not only be open to all market players to participate (even Belgacom and BNP Paribas Fortis competitors), but also had to have sufficient scale to become the standard for Belgium from day one.

Belgacom and BNP Paribas Fortis created Sixdots using the MasterPass™ digital payment wallet developed by MasterCard as the underlying payment solution and a technical platform developed by Accenture. The technical platform will essentially run all of Sixdots’ business transactions (payments, loyalty, tickets and coupons) as well as customer identification and security.
Sixdots operates as an open platform, accessible to all consumers and traders in Belgium. The use of Sixdots is free of charge for consumers, and the app will be available to all smartphone users with a bank card from any bank established in Belgium and a mobile data subscription from any Belgian telecom operator. It is designed to integrate directly with merchant mobile apps—creating an ecosystem for mobile commerce—and offers open accessibility to merchants and full integration and development-support for merchant apps.

"By bundling payment capabilities with value-added services such as ticketing, e-couponing and loyalty programs, our solution will bring huge benefits to Belgian merchants and consumers," noted Peter Vandekerckhove, managing director at BNP Paribas Fortis.5

Since the inception of Sixdots, other major Belgian banks and key mobile network operators have joined the initiative as co-investors or commercial partners. The program is scheduled to launch in mid-2014, and to be expanded later in the year to include virtual tickets, discount coupons, and loyalty programs.
Conclusion

The mobile payment marketplace is still in its infancy. Yet many believe that's likely to change, and when it does, mobile payments will take off fast.

Overall, significant growth will be aided through a concerted focus on the larger value equation inherent in the consumer journey. If the entire digital commerce ecosystem—supported by the right technology platform—can work together to make mobile commerce compelling, the future of mobile payments solutions should be very interesting to watch.
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References


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3 Yankee Group’s 2013 US Mobile Marketing and Commerce Survey


5 Accenture Helps Belgacom, BNP Paribas Fortis Create Belgium’s First Mobile Wallet

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