

Pay as you go

In a new monthly section on changes in how we live, play and do business, author and innovator Rachel Botsman explores the world of m-commerce

SMARTPHONES ALREADY double as cameras, music players, maps, personal organisers and gaming devices. Could they become so much more? Your e-wallet, for example, or how about a full-service bank? It's not a case of if this will happen, but when. That leather lump in your pocket or bag packed with credit, loyalty and debit cards, cash, old paper receipts and coupons will be as much a thing of the past as queueing up for a teller to give you your account balance.

The mass penetration of smartphones is driving a rapid wave of transformation around how we pay, bank, buy and sell things. Mobile commerce – m-commerce – is still in its infancy, yet the fuzzy term already covers everything from mobile payments to SMS billing to person-to-person money transfers. Put simply, it means conducting financial transactions using a mobile phone and covers three key areas:

- 1. Payments:** solutions that turn a mobile phone into a payment device;
- 2. Banking:** traditional functions such as deposits, account activity or transfers, conducted via mobile;
- 3. Commerce:** mobile phones become a platform for merchants to buy, sell and offer purchase information, discounts, coupons, loyalty points, etc.

A study by The Nielsen Company in March 2011 found that 68 per cent of Australians plan to use mobile devices for transactions and payments in the near future. Uptake is happening fast. In early 2010, only 1 per cent of PayPal transactions in Australia were conducted via mobile. That number has risen to more than 11 per cent over the past year – equivalent to more than 400,000 Australian users and a mobile payment volume exceeding

\$42 million. NAB reports that at its current rate of mobile banking growth, by 2014 there will be more logins for internet banking through mobile devices than via the desktop.

What's helping people make the switch? Ease, speed and choice. Customers want to decide how and when they interact with their personal finances instantly, from the palm of their hands. The flip side? "Security is the number one [reason] why people might not use their phone for payments," says Paul Buchanan, head of mobile at PayPal Australia. "The truth is, your phone is actually far more secure than your wallet." For one thing, if you lose your phone, GPS tracking can pinpoint where it is and you can remotely lock it down or wipe its data within seconds. (Note to self: most smartphones offer this security feature for free but you need to activate it.)

Australian financial providers, mobile operators and retailers cannot afford to make the same mistake they made with e-commerce and get left behind. M-commerce creates opportunities to engage with customers in new ways by offering easy-to-use and hyper-personalised solutions. As Chris Smith, general manager of Digital Banking at NAB, puts it: "Mobile is the new online."

M-commerce and the rapid spread of smartphones are changing the way we shop and bank.

10 HOT M-COMMERCE TRENDS

1. Real-time spending visualisation

How much money can you safely spend right now? Can you predict how much you will have left at the end of the month? The "Your Statement is Ready" email or text will soon be outdated, compared with on-the-fly data visualisations and highly personalised filtering functions. Platforms will aggregate data across accounts to show, say, all transactions to do with travel over the past six months.

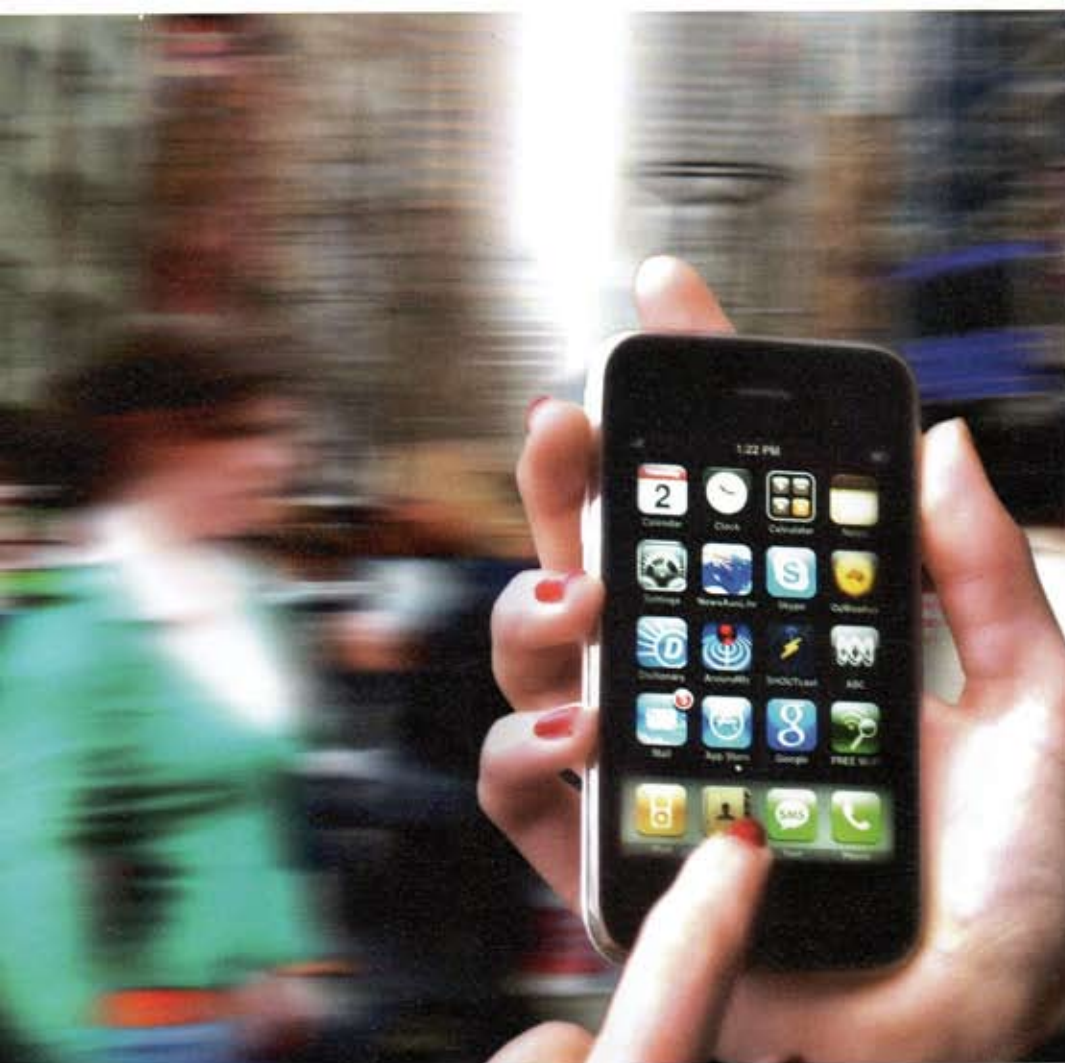
2. Wave and pay

We've seen a few of these about town, at cafes and the local hardware store: near-field communications (NFC) – also known as "touch and go", "contactless payments" or "wave and pay". The user simply waves an NFC-enabled phone at a store reader and the payment goes through, using short-range wireless technology. In Australia, Visa payWave and MasterCard PayPass are launching their systems at retailers. The Yankee Group estimates that the global transaction value for NFC will balloon up from \$27 million in 2010 to \$30 billion by 2012.

3. Bump payments

Splitting restaurant bills or asking for cash to settle debts with friends is rarely fun or easy.

THE TRUTH IS YOUR PHONE IS FAR MORE SECURE THAN YOUR WALLET. FOR ONE THING, IF YOU LOSE YOUR PHONE YOU CAN REMOTELY LOCK IT DOWN WITHIN SECONDS



START-UPS TO WATCH

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credit card terminals. They've typically relied on cash, cheques or direct deposits. But now, by plugging in a magnetic reader the size of a postage stamp, they can turn any smartphone, laptop or iPad into a credit card processor. A key advantage of this system is that it can provide detailed metrics on sales.

8. Mobile money

Say a bloke in Sydney wants to send \$500 to his mum in Nairobi but she doesn't have a bank account. Now he can send the money via text message to his mother's phone. It is then deposited into a virtual account. She can get the cash out with a verified PIN. No, this is not a variation on the Nigerian money scams. More than 5.5 billion people have access to mobile phones, yet there are about 2.5 billion people who don't have access to a bank account or credit card. Now, through the likes of M-Pesa (over 10 million users in Kenya alone), if you have access to a mobile phone, you can have access to real money.

9. Remote check deposit

Trips to the bank to fill out forms to deposit cheques are fading into the sunset due to remote deposit capture. Camera-equipped smartphones can double as scanners. The user simply initiates the mobile banking app, keys in the deposit amount, snaps photos of the front and back of the cheque and transmits them to the bank. The bank receives the deposit and sends a confirmation text. ING Direct will soon offer this service in Australia.

10. Location-aware commerce

Perhaps you have used an app that pinpoints the bank or ATMs closest to you. Or maybe you recently used something like the Event Cinemas app. When you want to book a movie, it automatically identifies the nearest cinemas with showtimes near you. The user can then pay for the tickets, select seats and, on arrival at the cinema, wave the bar code on the phone at the entry scanner, avoiding the queue. It's a simple example of context-aware technology that delivers customised shopping and payment experiences.

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But what if you could effortlessly figure out the amounts owed and instantly pay, simply by physically bumping phones? With a bump payment app, smartphone users can request to send or receive money. This technology is popular for contact-sharing applications – just tap phones and easily share photos, articles and music. “Bumping” money from one user to the other is next.

4. Mobile phone credit billing

What if you could pay for a pizza you buy online with just your phone number? Mobile billing has taken off for payments of “virtual goods”, particularly in gaming. When users want to purchase a virtual item – such as digital crop seeds on Farmville or avatar clothes in Second Life – they enter their mobile number. A text message is sent to the phone, the user confirms the payment and the charges show on the next phone bill. Outside of convenience, one advantage is being able to pay with unused credit from your monthly phone plan.

5. Person-to-person (P2P) payments

Do you owe a friend some money for theatre tickets? P2P payments refer to solutions that

enable us to transfer money using just an email address or mobile number in Australia. For example, with PayPal Mobile, you register a phone, create a PIN that PayPal verifies (the only requirement is that you have a PayPal account), text the amount and the recipient's phone number and, voila, payment sent.

6. Text payments

A similar technology called Text to Buy can be used for purchases. For example, if someone sees an ad for a pair of headphones, all they need do is text the item code to the store, which then debits the person's bank account and mails the purchased product. Paying bills will work the same way. Users will receive a text telling them how much they owe and they can just click “confirm” to pay it. In a 2010 study by the Australian Interactive Media Industry Association, 17 per cent of respondents used their mobile phone to make payments at least monthly, compared with 12 per cent the previous year.

7. Phones as credit card processors

From tutors to personal fitness assistants to local stores, there are heaps of merchants who don't want the hassles or cost of traditional