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## The Great Monetary Experiment

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*Despite policies such as Quantitative Easing and historically low interest rates, many economies around the globe continue to struggle*



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‘MNCs  
WORRIED OVER  
**BREXIT**  
TALK’

SPECIAL FOCUS:  
PAYMENT SYSTEMS



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‘Faster payments eliminate chargebacks, so is very attractive  
**to merchants**’



# QUESTION MARK ON THE WALLET

*The usability gap mobile payment providers are trying to exploit is very thin, but that has not hampered their growth*

{ Suparna Goswami Bhattacharya }

**F**ive years ago, a question on mobile wallets would have generated little response from people or companies. One could count the number of organisations involved in this space on their fingers. But today, the mobile phone is posing a threat to the traditional wallet. Is the world ready to discard the good old wallet?

For most of us, the pain points are not particularly sour. Hence, the usability gap that mobile payment providers are trying to exploit is very thin. Most of offers are designed for clients that are financially well served in geographies that are characterised by solid and reliable communication infrastructures. More interestingly, innovations are almost universally targeted at clients that already have electronic means of payment in their pockets.

Matteo Snidero, Head of IT, Finance in Motion, says, "On one side, we have mobile payment technologies that are now out of their infancy, allowing multiple players to take part in the payment game. On the other side, we have a somehow slim business case for m-payments and plenty of good alternatives just there in the wallet." And if there is any

hint of chaos in the market, users will simply go back to good old card, he remarks.

However, a section, though small, feels the market is big enough to accommodate every player and talk of it being crowded does not hold much ground.

"I do not think having too many mobile wallets will confuse users. They will choose the most reliable and trustworthy of them all," says Andy Khawaja, CEO, Allied Wallet, a California-based online payment processing service. "They (newcomers) will have a hard time earning trust once a few companies have majority of the market

share, as customers would want to depend on companies who have been in this business for at least four-five years."

There is a good chance that each country or region will have three or four dominant players. "Most probably it will be Apple, Google as OS players are at a vantage point. I expect some startups in some regions to do well and scale, and perhaps banks/FIs/carriers in highly regulated countries," says Amit Goel, co-founder, Letstalkpayments, an information resource for the payments industry.

Having said that, one must admit that the situation will differ with each country depending on the maturity of payment systems. "If I am standing in a queue at a grocery store in Rome or London,

I will certainly pay with card faster than going through the mental process of choosing



*I do not think having too many mobile wallets will confuse users. They will choose the most reliable and trustworthy of them all*

**Andy Khawaja,**  
CEO, Allied Wallet





the mobile payment scheme appropriate for this merchant,” remarks Snidero.

In any case, such a scenario does look unlikely as mergers and acquisitions have already started taking place with big players aiming at being accepted by majority merchant stores. Google has acquired Softcard, Samsung acquired LoopPay while PayPal acquired Paydiant and Vemno.

“The intense competition has definitely led to acquisitions and new investments by incumbent players. The value proposition from all players is evolving but the ensuing battle will be won by companies that offer seamless integration with banking systems and credit/ debit cards, convenience in terms of usage, low transaction fee, increased privacy,” says Ashwin Vellody, partner, KPMG in India. Such mergers and acquisitions are an indicator of a vibrant and fast evolving market. This is expected to continue, especially in the more fragmented market.

It is too early to predict the winner. “The war has just begun. The industry is still at an experimenting stage where consumers are willing to try out various products. The winner

will be someone who offers a wallet which has capabilities such as coupons, loyalty and ticketing functionalities. One should be able to use it for transportation, parking at eateries and even to pay for government services. Then it will truly replace the wallet, just the way mobile has replaced the camera and calculator,” says Goel. **IFM**

 [editor@ifinancemag.com](mailto:editor@ifinancemag.com)



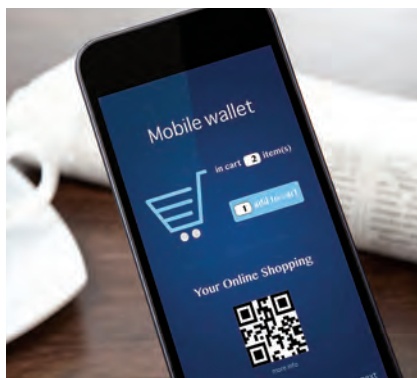
*The winner will be someone who offers a wallet which has capabilities such as coupons, loyalty and ticketing functionalities*

**Amit Goel,**  
co-founder,  
Letstalkpayments

## INDUSTRIES INFLUENCING THE SPACE

- **Financial Institutions:** Bank of Beijing, ICICI Bank, Reserve Bank of Zimbabwe
- **Retailers and Services:** Starbucks, Amazon, eBay
- **Wireless (network providers):** Vodafone, China Mobile, Deutsche Telecom
- **Payment Services (mobile):** PayPal, Square, Venmo
- **Payment Services (traditional):** Master Card, Visa

(Source: Appinions, 'Digital Mobile Payments. An Industry Influence Study. March 2014)



## What is mobile payment?

Using a mobile phone, or an internet-connected device, to facilitate a transaction that might otherwise have taken place using a credit or debit card, or cash.



### Value proposition for customers

Convenience  
Leave wallet at home  
More organised



### Value proposition for retailers

Increased customer data  
Increased customer engagement

# Payment enabling technologies



## Near Field Communication (NFC)

**What it is:** In its most common avatar, it is a tap & pay solution that can be used for retail offline payments

### Companies involved

IBM, Google, ISIS, Apple, Samsung, Disney



## QR and Bar Code

**What it is:** A Quick Response (QR) code is basically a 2D readable bar code. With smartphones and QR codes, customers can store their bank account details in their phones, go to a store, pick up an item, scan the bar code and checkout.

### Companies involved

Nokia, Levelup, Paydiant



## Bluetooth Low Energy

**What it is:** It is a wireless computer network technology which allows connected devices to communicate with each other while keeping the energy consumption by the devices at a very low level.

### Companies involved

Paypal, Apple, Shopkick



## Mobile Card Reader

**What it is:** Basically include chip and pin card readers that insert into the audio jack of a phone

### Companies involved

PayPal, Intuit, Square



## Email/Chat/Phone

**What it is:** You can transfer money through email (PayPal, Google), chat (WeChat) or phone (Dwolla and others)

### Companies involved

Google, Dwolla, PayPal, Square

(Source: Letstalkpayments and Knowledgefaber)

# The players

PayPal, Google Wallet, Apple Pay, Square, ISIS, Alipay and Starbucks are among the early birds who are making hay while the sun shines. However, every now and then we hear of new entrants into this already crowded space.

According to Letstalkpayments, there are more than 90 mobile wallets in the US and each has their own set of merchants. "This fragmented approach is an inhibitor to the overall adoption of mobile payments along with other inhibitors to growth, such as no compelling proposition and compatible devices," says Amit Goel, co-founder, Letstalkpayments.

To think of a world with one mobile payment app per company would be unfeasible and inconvenient for consumers.

At the same time, it is highly unlikely that Apple, Google, Samsung, Alibaba and others will tolerate a payment ecosystem in which every major company processes its own transactions.