

# THE DIGITAL DOLLAR

Now that people are getting used to shopping with cellphones, web-based commerce is taking off dramatically.

**IT** HAS BEEN JUST three months since Dean Harris opened the Itsy Bitsy Ritzy (IBR) Shop, which sells furniture designed for small spaces, and it's already become a global business. "We've had sales from all

over the U.S., and we've had incredible interest from Mexico, Canada, and South Africa," he says. Harris, the company's co-founder, managed to create a multinational operation without opening a single store. How? By selling his wares virtually.

In today's on-the-go world, consumers have to be able to shop wherever and whenever they want, he says. Thus far, most shoppers have purchased IBR's furniture the traditional online way, by visiting the firm's website and entering their credit card information. Cellphone users have another way to buy: the Square Wallet mobile app. Clients download the app, head over to IBR's Square store, and click on the merchandise they want. The users' credit card numbers are already on the app, so a quick click is all it takes to buy a new bedroom set. The money is deposited into Harris's bank account the next day.

Allowing people to easily buy items with a

mobile device means that anyone can become an IBR customer. It also makes it easier for IBR to compete against more established furniture companies without opening a plethora of stores. "There's no doubt about it," says Harris. "By focusing on e-commerce and mobile commerce, we can outmaneuver the bigger brands."

## BIG BUCKS IN MOBILE

Harris isn't the only one who sees big things—and big bucks—in mobile commerce. Yankee Group, a Boston-based research firm, estimates that mobile payments will account for more than \$1 trillion worth of transactions in 2015, up from \$241 billion in 2011. That shift to mobile will have a major impact on business, says Andy Khawaja, CEO of Los Angeles-based Allied Wallet, as companies will be able to sell items to any cellphone user across the globe.

Khawaja's company has, in part, driven the move from physical shopping to online buying. Allied Wallet's core business is providing access to online stores and e-commerce solutions to companies that want to sell their goods on the web. The company can process more than 164 currencies, and it has clients in nearly 200 countries. It also



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Using an NFC reader, merchants get the information they need from a cellphone.

has an eWallet program that allows consumers to use stored credit card information to quickly purchase products from Allied Wallet's clients.

Although more than 45 million users of Allied Wallet's services are already in place, Khawaja is convinced the e-commerce revolution is only beginning. He's currently building an even faster way for people to purchase products—by simply placing their finger on their phone. “A fingerprint will verify the transaction and pull in credit card information that's stored online,” he says. Khawaja is also creating a mobile mall, where customers can upload a picture of something they'd like to buy and merchants who sell the item can respond with a price. “That item will be seen by hundreds and hundreds of shops,” he says. “You'll be able to purchase it within minutes.”

Stephen Gardiner, Toronto-based managing director of management consulting at Accenture, a global management consulting, technology services, and outsourcing company, says it won't be long before people stop thinking of mobile banking as its own commerce category. “This is not m-commerce or e-commerce,” he says. “It's just commerce.”

In time, every money-related interaction—whether it's taking cash out of an ATM or buying a T-shirt in a shop—will be done using a phone, Gardiner says. The shift will come when near

field communication (NFC) becomes more widespread. This technology allows people to swipe their phone, rather than a credit card, over an NFC reader. It allows merchants to recognize who's walking into their store, and it can send personalized coupons to customers' phones. It's also possible that there won't be such a thing as a checkout counter one day: People will just place their phone in front of what they want to buy and the purchase price will be instantly withdrawn from their bank account.

### MAKING NEW CONNECTIONS

Although it may still take years before the majority of consumers change habits and start tapping phones instead of plastic, electronic payment companies are preparing for the shift. Already, 700,000 merchant locations around the globe make use of MasterCard's PayPass contactless technology. Customers can quickly tap their credit card on a reader to pay for an item. If shoppers have an NFC-enabled phone, they simply tap it on the reader as well, eliminating the need to use a physical card. Customers who take advantage of contactless technology get through checkout lines 20% to 40% faster than those who don't. But contactless payments are only one small part of the story.

“There are so many more things we can do for consumers when you move from plastic to digital,” says Ed McLaughlin, MasterCard's chief emerging payments officer. Toward that end, MasterCard recently announced MasterPass, a digital service that allows consumers to go beyond plastic and discover enhanced and integrated digital shopping experiences across all of their devices—PC, smartphone, tablet, and TV. According to McLaughlin, all connected devices are becoming shopping devices, and MasterPass, which will be available in the spring of 2013, will give consumers the ability to make a payment from wherever they are—at home, online, or anywhere.

Harris, the co-founder of Itsy Bitsy Ritzy, can't wait to see what the future of mobile payments looks like. The easier it is for people to shop, either online or by phone, the better it is for business. “There was no way we would have been able to do this five years ago,” he says. “And now that people are used to buying things online, the percentage of web-based shoppers is only going to increase dramatically.” ●

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# SAFE AND SOUND

At Allied Wallet, security is the key that makes it all happen.

Allied Wallet is a leading global payments company. It's also a leader in fraud prevention and detection. When Andy Khawaja, the company's founder and CEO, started the business seven years ago, security was a basic part of the blueprint. Khawaja realized that if customer information wasn't secure and if merchants had any fears of being defrauded, no one would use Allied Wallet's services.

The company is PCI Level 1-compliant, which refers to a rigid set of standards for handling credit card data that merchants must follow. It means that Allied Wallet clients don't have to worry about being compliant themselves. Allied Wallet takes responsibility for keeping credit card data secure. It also offers clients information on how to protect themselves from fraud, and consumers are required to verify a purchase by e-mail if they use the Allied Wallet payment site.

“Security,” says Khawaja, “is what we do best. It's what we do all day long.” One measure that Khawaja is especially proud of is tokenization. During an initial purchase, the Allied Wallet system looks at credit card information and the IP address that's used to make a transaction, and it memorizes both numbers. When someone makes a second transaction with the same card, the system knows if it's coming from the same person. It can instantly rule out that the credit card has been stolen. “Businesses can be comfortable taking transactions from that person,” he says.

Allied Wallet has also put a transaction amount verification system into place. If a website doesn't sell anything for more than \$150 but there's a charge for a higher



Andy Khawaja  
Allied Wallet Founder & CEO

amount, it will ask the user to verify the purchase. It can also tell if there's been unusual activity on a card. If a shopper buys a pair of shoes and then minutes later the same card is used to buy an airline ticket, an Allied Wallet customer service representative will call the credit card owner to make sure it hasn't been stolen.

As mobile payments become more common, Allied Wallet will continue updating its security measures and introducing state-of-the-art innovations. Its fingerprint recognition software, which will make it possible for consumers to verify their identity using a finger, is launching in late 2013, and more protections will come as mobile technology advances.

The company prides itself on the fact that it doesn't outsource any of its security systems. It builds all programs in-house, and its own staff monitors payment activity. “Our system is able to communicate with the banks,” says Khawaja. “That makes it incred-

ibly secure. We'll never outsource security to anyone.” Although technology may change, Allied Wallet's commitment to security will never waver. “It's critical to make sure customers are protected,” says Khawaja. “That includes customer data and personal information. You cannot build a multibillion-dollar company and be exposed to a security breach.” ●

