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How smartphones, netbooks will change the future of money

Companies have been developing mobile banking and e-payments options for a number of years, but the future is looking more complicated as higher bandwidth and more sophisticated devices such as netbooks and smartphones narrow the divide between fixed and mobile internet access.

Mobile banking and m-payments are on the increase and look set to become substantial markets - analyst house Juniper Research recently predicted 150 million people will be using mobile banking services globally by 2011.

Much of the hype around m-payments has so far centred on NFC-enabled 'wallet phones'. Earlier this month for example, mobile operator Orange and credit card company Barclaycard announced a strategic partnership to develop m-payments technology including mobile wallet handsets - which use near field communications (NFC) to make contactless payments.

But a wealth of other mobile payment options exist - and the smartphone-fuelled rise of full access to the mobile internet is increasingly blurring the boundaries between internet and mobile payments.

Gareth Lodge, regional research director for European payments at analyst house TowerGroup, told silicon.com: "There are hundreds of different [payment] solutions out there - both on the internet and on the mobile, so the challenge for the mobile operators is also working out which bet to place on which [payment] operators."

According to the analyst, payments markets are pretty incestuous already: "At the moment I can make a virtual credit card payment on my virtual PayPal credit card on my BlackBerry on a website - at the end of the day is that an e-payment, a mobile payment, a credit card payment?"

"Then at the back end, PayPal, all... it does is then aggregate it and either does an internal transfer or it puts it into a traditional payments network so in that case it will end up on the cards network."

The key challenge for the mobile industry will be converting customers to m-payments, according to Lodge, and settling on a technology to make that happen as simply as possible.

Charles Fränkl, CEO of online payments company Click and Buy, argues there is a growing opportunity for e-payments to become a preferred way of paying on the mobile internet, even though the big mobile operators already have their own billing systems in place - another potential channel for payments via the mobile.

"The vision that everything will go through the mobile bill in future is I think slightly exaggerated," he said. "I don't think that the mobile operators are very good at dealing with merchants - that's a completely new area for them."

Click and Buy, which was founded in 1999, has around 14,000 merchants on its books - including the likes of Apple iTunes, BT and EA, along with 12 million retail customers.

"Integrating a merchant is not a standard plug and play effort because everybody mucks around with its [payments] platform," said Fränkl. "And only very, very small merchants use standard tools and so there's a small bit of integration you need to do of getting the merchant hooked into your system and the complexity of that varies depending exactly what kind of business they're in. So I'm just not convinced that mobile operators are very well set up to do that."

TowerGroup's Lodge also believes mobile billing as a vehicle for payments is not without its problems - not least the problem posed by 'bill shock' for consumers. He added that shockingly large bills may also lead mobile users to reducing traditional mobile use, such as calling, to modify their spend - also bad news for operators.

But operators choosing the billing route would have to get to grips with more routine risk too - such as having to pay merchants before they have received monthly payment from their customers.

"That's a line of credit that you've got to extend as well," Lodge said. "And you've got all the risk not only of the credit but will people actually pay it. And then the refunds - if somebody then takes the goods back how does the refund period work? There's a whole series of rules and regulations that are built into the credit card process to handle this."

Asked whether e-payments companies might be an attractive acquisition target going forward, Lodge said: "I'd be surprised if some of the bigger organisations don't buy up some of these new innovative players."

"I'm not sure it's going to be the mobile operators who will necessarily buy - I think it's going to be your big technology vendors who will just look at the prices of some of these small companies at the moment and say it's going to be cheaper to invest in them and we'll be able to integrate it more closely to our existing technology stacks."

Lodge added: "There isn't a gold-plated standard that everybody can say this is the way [the mobile payments market is] going to go. Nobody's managed to do a PayPal on it, or create a Visa or MasterCard network because there's a huge amount to play for. If they get it right and you are the standard then you're onto a winner."