

# Small Businesses Hold the Key to Mobile Payment Adoption

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white paper

Smart phones are the biggest opportunity on Main Street because they are emblematic of a new era. Just as the cash era became the card era, the card era is evolving to the smart device era. Consumers are beginning to use devices for making payments in place of cash or cards.

The way consumers shop is driving this change. According to eMarketer, in 2012, U.S. consumer spending via mobile devices nearly doubled over 2011 levels. Shoppers used their smart phones and tablets to make \$25 billion in purchases in 2012, an increase of 81 percent over the previous year (Musil, 2013). eMarketer expects consumers to make nearly \$87 billion in mobile purchases by 2016, more than 27 percent of all ecommerce transactions (Musil, 2013). As consumers become more mobile, so do merchants. This time, consumers and merchants—not banks, issuers nor processors—are driving the evolution to mobile payments.

## POS Developer – Opportunity is Now

This is the developer opportunity. The smart phone is the emblem of a new era, which is poised to fundamentally change the POS and payments industry. Merchants are facing increased choices in payment options, complexity with payment acceptance systems, and risk for their POS and options for value-added services. Developers have the answers for merchants as they play a critical role in integrating the entire payment network to facilitate merchants' acceptance of traditional (credit and debit) and alternative payments (gift and loyalty) – on either cards or mobile devices.

Developers can guide and help merchants to become enabled to accept payments from mobile devices. Though the consumer may have and desire to use their mobile device to make payments, only when the merchant is enabled to accept mobile payments can usage and adoption occur.

The role developers play in next generation POS and point of purchase systems include helping merchants to:

- Identify the need and timing to support mobile payments in their POS or payment acceptance solution offering.
- Explain the benefits of accepting mobile payments.

The question is how can developers stay-ahead of the pace of change and the power of big technology and payment brands that promise bright futures? The answer lies in developers using their knowledge to create an innovative solution for merchants to accept mobile payments. This opens up the POS system to become the gateway to social marketing, targeted offers, and alternative payment options to mobile consumers, ultimately helping the merchant grow their business.

## The Challenge

One challenge developers regularly face is realizing the demand and interest of consumers is different than their use and adoption. Consumer behavior consultant Phillip Graves recommends ignoring what customers *say* and instead focus on what they *do* because behavior is mostly driven by unconscious processes, which occurs as much as 90% of the time (Graves, 2013).

In the absence of supporting a mobile wallet solution and testing it to assess consumer behavior, an opportunity exists for developers to expand their revenue source by presenting themselves as an enabler of a holistic personalized shopping experience. Driving by consumer desire requirements are a way to strengthen customer loyalty and visits while reaching a wider audience perhaps more often with lower costs. Here's what developers need to be aware of while entering into the mobile era:

1. **The opportunity is bigger, but so is the complexity.** Merchants have more POS options, more choices of providers and more complex transactions. Along with increasing complexity, developers have more partnership opportunities and requirements, but more opportunities to work with VARs to meet merchant needs.
2. **Upgrade or wait?** While smartphones and the mobile era create new buying triggers for merchants, developers are embracing the added complexity and need to ensure the buying process is not stalled or redirected to other channels.
3. **It takes a value chain.** Given the growing complexity at the POS and the rapidly shifting industry, it's hard to stay ahead or even current with the latest technology when working alone. Partnerships, such as with the local reseller or dealer, are critical for success since it takes a true-value chain to make these innovations and new services work.
4. **No silver bullet.** The news and promises are frothy. Merchants are being activated and in many cases becoming anxious. This is the right time to step in with solid technological solutions that evolve merchants to tablets, mobile POS and ultimately mobile and alternative payments, which quell their fears, while satisfying their desires. Local merchant support through VARs is required for any new technology roll-out.
5. **Reoccurring revenues.** Developers may already work on mobile payments; however, in the future, they will need to better package, price and support these offerings in concert with their processing partners.

The payments and technology industries will decry that the existing world is obsolete, but the truth is far from that because it's about the point of purchase experience and not about widgets or payment technologies. This has always been true and is even more likely to be true going forward. This evolution will gradually happen because merchants increasingly want and need to sell online, at the register, in the aisle and on the consumer's smart phone. The POS is not going away; it continues to be the center of a business. Developers are using the POS as the catalyst to begin the mobile payments revolution.

## Sources

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