Bridging the Last Mile for Mobile Payments

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Mobile payments[1] show great promise, but nearly a decade after being introduced, consumers have displayed very little adoption and merchants have realized little profitability. According to mobile research and advisory firm Yankee Group, nearly 70 percent of consumers are interested in adopting mobile payments, but less than 14 percent have actually completed a mobile transaction in the past six months. A key reason for this lag is the "chicken and egg" problem: consumers won't use mobile payments unless the stores at which they shop accept them, and merchants won't accept mobile payments unless consumers use them. As such, a critical mass of merchant acceptance will be required in order for consumers to become habituated to mobile payments.

With respect to small businesses (i.e., "Main Street"), a core problem that has slowed adoption is fragmentation at the local retail level. Small businesses in America account for 54 percent of all U.S. sales (Small Business Association, 2013). Walk down any Main Street in America, peek into the stores and you'll find a plethora of different POS systems, provided and supported by a large number of developers and service providers. This is all for good reason – local merchants have highly specialized needs, and as a result, the set of systems and solutions they use has become both vast and diverse. This complex landscape creates a challenging environment for the introduction of new payment technologies, and no single mobile payments solution has emerged victorious (Yankee…2013). Apparently, the "last mile" to Main Street is the hardest one.

Despite this obstacle, it is possible for emerging payment types to be accepted everywhere on Main Street. We call this phenomenon ubiquity. However, given the nature of the retail landscape, to overcome the fragmentation challenge, the only way for a new payment type to be adopted en masse is to offer solutions that plug seamlessly into merchants' existing technology (integrated into their POS systems) and business processes (working with dealers and existing merchant service relationships).

For ubiquity to be achieved, a team of experts including merchants, processors, POS developers, and resellers must collaborate with the digital wallet provider to enable the scalable adoption of the solution.

MERCHANTS Reaching ubiquity means that a mobile payment solution must be accepted wherever consumers shop – not just at the largest retailers. Consumers don't want to worry whether their mobile wallet will work at the store they are visiting. Additionally, merchants can use the power of smart devices and connectivity to create value for consumers well beyond the payment itself.

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PAYMENT PROCESSORS provide a simple, unified and affordable experience for merchants – merchants have one source for support, billing and statements. Pricing needs to be competitive with credit card transactions, and transactions must be at least as fast, reliable and secure as traditional payments.

DEVELOPERS take into account merchant systems and business requirements – no overhaul of existing technology is required. Instead, developers create simple integration of new capabilities that work within the technology and usability boundaries of the merchant experience. In addition, they use existing local reseller networks to bring products and capabilities to market.

RESELLERS build long-term connections with merchants – serving as trusted advisors in the adoption and scaling of new payment methods. Resellers can advise merchants regarding which emerging payment types fit their business, educate them on how to best utilize them, provide onsite service and support, and serve as a liaison between the merchant and other members of the value-chain.

Mercury helps bring together the team of industry experts. By enabling integration by its vast network of POS developers, Mercury can ensure that a new payment technology can be accepted on the largest number of merchant countertops. Working with thousands of local resellers and service providers, merchants can get the education and local service they need to feel comfortable adopting new payment solutions. And, by unifying mobile payments with the rest of the merchant's reports, support experience, and statements, Mercury is able to make the adoption seamless and simple.

While enabling merchant acceptance will be fundamental to gaining consumer adoption, it won't be sufficient. It will require a company or brand that consumers' trust and that has permission to change the payment landscape – both with small businesses and the largest retailers. PayPal is just that company. Mercury has collaborated with PayPal to deliver on the promise of mobile payments.

PayPal's digital wallet has always provided consumers unmatched security and convenience for e-commerce and m-commerce payments, and the same is now true in brick-and-mortar. PayPal's innovative and user-friendly mobile application puts a cutting-edge shopping experience in consumer's hands, gives users flexibility over how they want to pay, and ultimately saves them both time and money.

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"At PayPal, we believe that new payment methods that add convenience and ease to consumers' daily lives should be usable at merchants of all sizes, everywhere," said Josh Goines, Head of Retail Market Development at PayPal. "Our collaboration with Mercury is intended to help drive adoption of digital payments at the POS and will not only be broad, but will be a seamless step for these merchants to take. Collaborating with industry leaders is key and working with Mercury and their vast network of developers and resellers will play a key role in our offline payment strategy."

SOURCES

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