



Merchant Warehouse

# The Future of Payments

Converging payment types and customer programs are creating disruption for POS developers, agents and merchants.

**38** percent of smartphone users have used their cell phone to make a purchase – *Source: ComScore*

**12** percent of mobile phone owners made a mobile payment in 2011 – *Source: Federal Reserve*

**21.3** the percentage in 2012 that mobile payment usage is expected to spring to from 6.8 percent in 2009 – *Source: Deloitte 2011 'Cell Me the Money: Unlocking the Value in the Mobile Payment Ecosystem'*

**55** percent of consumers express an interest in mobile coupons but only 10 percent have actually received one from a merchant – *Source: Mercator Advisory Group, 2012*

## HERE THEY COME

Near field communication (NFC), EMV, QR and bar codes, and mobile wallets – just a few of the new payment types entering or expected to enter the marketplace in the coming year. Mobile payment is attracting a lot of attention from a wide variety of companies including PayPal, Google, ISIS, Sprint, and Apple, each realizing that they cannot afford to be left out of the mobile race.

Coupled with hundreds of potential new payment types is an onslaught of new mobile payment acceptance solutions including products from LevelUp, Square, PayAnywhere, Intuit and VeriFone. LevelUp is fueling change in mobile payments through the recent introduction of their zero percent processing fees, or interchange zero, and Square continues to attract small merchants with its convenient card reader that turns a mobile device into a mobile payment acceptance device. Early last year, Starbucks introduced a white label mobile payment application that is directly connected with its loyalty program. Recent reports state that 42 million transactions have been processed on the application in 15 months.

Mobile payment is the driving force behind the current paradigm shift in the industry. Gartner predicts that, "Worldwide mobile payment is expected to have 448 million users and \$617 billion in transaction value by 2016." In North America alone, Gartner is predicting mobile payment user growth of 177 percent from 32.7 million users in 2012 to over 90 million in 2016.\*

Customers' expectations in terms of value, mobility and personalized offers are also contributing to today's disruption. According to a recent research study from Mercury Advisory Group, 55 percent of consumers have expressed an interest in mobile coupons, but only 10 percent have actually received one from a merchant. And, insiders predict that context aware marketing, e-coupons and mobile ads will grow to a \$24 billion market by 2015. Merchants of all shapes and sizes are looking for solutions that meet today's consumer demands and drive incremental revenues to their business.

With the convergence of new payment types and consumer demand for enhanced engagement offers including loyalty rewards, e-coupons and more merchants, point-of-sale (POS) developers and agents must be prepared. They want it all, but where do they start?

\*Gartner, Inc., *Forecast: Mobile Payment, Worldwide, 2009-2016*, Sandy Shen, May 9, 2012.

**21** percent of consumers search for a coupon on their mobile device while in a store – *Source: Mobile Audience Insights Report from JiWire, Feb 2012*

**80** percent of mobile users prefer locally relevant advertising and 75 percent are more likely to take an action after seeing a location specific message – *Source: Mobile Audience Insights Report from JiWire, Feb 2012*

**85** percent of merchants say mobile commerce is a focus in 2012, up from 68 percent in 2011 – *Source: the etailing group, 2012*

## THE GUESSING GAME

While new payment types and customer engagement options entering the marketplace create opportunity for merchants, agents and partners to differentiate their businesses, these new offerings are also viewed as a disruption.

The confusion that exists in the payments industry today is presenting numerous challenges, even for the most experienced POS developers, agents and merchants. Regardless of the perspective, the most obvious questions for all of these groups are:

- Which of these new payment methods will reach critical mass with heavy customer adoption? How do I know which to integrate to or offer?
- What is the timing on adoption of these new payment and reward options? When will my customers expect these offerings? Which will yield the greatest growth return for my business?

Even though the questions are the same, getting to the answers and the potential impact on individual businesses varies for each group.

## POS DEVELOPERS

For POS developers' payment processing, gift cards, and loyalty rewards are just one component of what they offer to their customers. Their solutions also include inventory management, accounting integration, e-commerce and interactive selling, and customer relationship management (CRM). For payment processing, a vast majority of POS developers integrate with an existing, reliable and secure payment processor to create a single-solution for their customers.

Integrations of this nature require significant technical resources, and the developer has to ensure that the solution(s) they choose will provide their merchants with the highest-level of capability and support available. They don't want to invest resources in multiple integrations with no value-add for their merchants.

With the vast myriad of payment types and value-add solutions converging on the market, how will POS developers know which will reach critical mass? Making the wrong decision could cost a developer a great deal of expense in technical time, but also risk their reputation in the industry and with their merchants.

And, which will provide the highest level of security and PCI compliance? More payment and loyalty reward options increases the complexity around payment security. Therefore, new integrations must provide enhanced security or remove the POS developer from PA-DSS scope.

POS developers want and need maximum flexibility – a solution that accommodates the payment types and value-add offers of today, but is scalable to integrate those of the future. Simplicity in terms of both system integration and ongoing updates is critical; as is security, ongoing support and business value for their merchant customers.

## CHALLENGES AND PAIN POINTS

The convergence of new payment types, mobile wallets and consumer engagement programs is creating disruption and confusion in the payments industry. Challenges lie ahead for POS developers, merchants, and agents and each group is faced with major considerations and decisions.

### POS DEVELOPERS

- Merchant customer and VAR needs
- Which payment types
- Which mobile wallets
- Which gift, loyalty and reward programs
- Integration time and costs
- Flexibility and scalability
- Future-proof solutions
- Impact on their reputation
- Support of business plans and growth

### MERCHANTS

- Customer wants and needs
- Business growth and retention
- Which payment types
- Which mobile wallets
- Which gift, loyalty and reward programs
- Hardware costs
- Payment agnostic solution

### AGENTS

- Merchant needs and wants
- Which payment types
- Which mobile wallets
- Which gift, loyalty and reward programs
- Future-proof solutions
- Impact on their reputation
- Credible partner
- Financially rewarding programs
- Support, service and education

## MERCHANTS

According to a 2012 survey from the etailing group, 85 percent of merchants say mobile commerce is a focus in 2012, up from 68 percent in 2011. While the desire is there, merchants still have the daunting task of researching and analyzing the business value and impact for each new payment type and associated hardware (NFC, EMV, signature capture, QR readers, and PIN Debit), gift and loyalty programs, and new mobile wallet offerings (PayPal, ISIS, Google, Sprint and others).

Even with the best assessment and analysis, the final decision, if made today, will be a guess. Simply put, none of today's options have significant market share. Today's decisions also have immediate and long-term financial impact on merchants due to hardware exchanges, software updates and potential disruption to business through integrations.

And, let's not lose sight of the fact that, in order to meet the demands and needs of all existing and potential customers and grow their businesses, merchants need to offer multiple options from payment types and mobile wallets to gift and loyalty rewards.

## AGENTS

As new payment types and customer reward offerings continue to enter the market and mobile wallets gain traction, agents are, like many others in the payments space, looking for the solution. Faced with endless choices, detailed research and comparisons, agents are still faced with the challenge of selecting individual options or 'walled garden' bundled offerings when what they need is a unified, payment agnostic solution that provides flexibility, security, scalability and access for their merchant customers.

In addition, agents rely on the value of working with a payment solutions provider that has a long-standing reputation - selecting the provider that offers pricing transparency, competitive revenue share models, award-winning support for their merchants and helps build their reputation as a leading agent.





Merchant Warehouse's Genius™ Customer Engagement Platform™ is the only payment solution available today that has the ability to aggregate and integrate every conceivable transaction technology, payment type, and customer program – both present and future – into a single platform.

#### UNLIMITED CHOICE

- Payment agnostic platform
- Merchants offer options they want
- Add new options via web
- Multi-tender capability
- Chargeback management
- Reporting

#### UNIFIED SECURITY

- PCI compliant solution
- End-to-end encryption
- POS removed from PA-DSS scope
- Tokenization

#### OPEN ACCESS

- New payment types
- Loyalty, reward and gift programs
- Context aware marketing
- Cloud based updates
- Single POS integration

#### BUSINESS GROWTH

- Attract new customers
- Retain existing customers
- Extend value proposition
- Reduce compliance costs

## WHAT'S NEXT?

Merchants, regardless of size or scope of product or service offerings, are faced with mounting challenges in terms of payment options and customer engagement offerings. For brick-and-mortar businesses, there is an ongoing pressure to attract new customers and retain existing ones and the traditional business model no longer accomplishes those objectives.

Merchants today need and want to do it all. Accept any payment type or mobile wallet application. Engage new and existing customers through mobile gift, loyalty rewards, and e-couponing. Grow their business today and insulate against future disruptions.

Merchant Warehouse is the first company to introduce a payment-agnostic platform that delivers merchants with a single payment solution. Through Genius, merchants can do it all. The Genius Customer Engagement Device (CED) allows them to accept any payment type – credit, debit, NFC, EMV, signature capture, QR codes and PIN debit. And, Genius is also configurable to accept any customer reward, gift, loyalty or couponing offers.

A cloud-based software solution, Genius is easily integrated into a POS system or terminal device and seamlessly updated. And, for POS developers, Genius removes them from PA-DSS scope and provides a PCI compliant solution.

Learn more about Genius at [merchantwarehouse.com/genius](http://merchantwarehouse.com/genius)  
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