White Paper

Building on the Four Pillars of Mobile Payments

Building on the Four Pillars of Mobile Payments: A Blueprint for Success

The launch of Apple Pay in 2014 was heralded as a turning point for consumer adoption of mobile payments, an event met with both anticipation and anxiety among financial institutions. In the intervening years, while progress has been made, that groundswell of mobile-wallet wielding customers at the retail checkout has not materialized as expected. At the same time, broader adoption of mobile banking and fintech is skyrocketing, with consumers proving they're open to new ways to pay if there are tangible benefits. That leaves financial institutions with an important question: As mobile payments continue to mature, what strategy will position their organizations to grow and deliver on consumer expectations?

The lesson of current market trends points toward understanding how people engage in their finances, defining a mobile payments strategy around how consumers live and work, and making consistent updates that drive value today and lay the foundation for the future.

The Four Pillars of Mobile Payments

Framing how people use mobile channels to move money is useful for devising your own strategy. There are four fundamental ways that is happening.

Paying Other People

Making person-to-person (P2P) or person-to-group payments from a mobile device has captured consumers' attention and prompted an influx of competition. Paying friends, family and acquaintances is an intrinsically social activity that is enhanced when people can take action at the point of thought. Because of that, P2P is a cornerstone of a mobile payments strategy. Consumer awareness and adoption of P2P have been driven by mobile-first applications such as Venmo and Square Cash, payments vendors such as PayPal and financial institution mobile banking networks such as Popmoney.

Broader adoption appears imminent with the introduction of Zelle®, offering a common network and platform across many of the world's largest financial institutions. People want a frictionless, secure experience in P2P payments, and a shared network means fewer hassles when sending money and peace of mind that the service is available through their financial institution. The early success of Zelle in the market speaks to its long-term potential for broader adoption, underscored by the recent estimate from Zelle that an average of 65,000 consumers are enrolling in the service daily.

Other P2P options are emerging, notably through social media and messaging apps. In the U.S., major players such as Facebook (through Messenger), Snapchat (through Square Cash) and, more recently, Apple Pay Cash (through Messages) are emerging as players in social payments. It's an area to watch, although it hasn't yet achieved the scale of PayPal, Venmo or even Zelle. Look to China to see the potential: Messaging app WeChat has 938 million users, 600 million of whom use WeChat Pay for both merchant and P2P payments.

Paying Merchants/Retailers

People also are making mobile payments at the retail checkout, whether in person at the store or online through apps and mobile websites. Smartphone providers, retailers and financial institutions are tapping into that consumer tendency by offering a wide range of digital wallet options. Currently, digital wallets are synonymous with mobile wallets, meaning a way to store credit card, debit card, stored-value card, prepaid card or gift card information in digital form on a mobile device. They also can be used to store digital currency or add prepaid money to an app.

It's a growing, but not fully mature, force in the market, led in brand awareness by the major handset providers: Apple, Samsung and Google/Android. Each of the "Pays" has its own version, but, typically, they all are tied to the mobile ecosystem through near-field-communication chips embedded in smartphones.

Retailers also continue introducing mobile payment apps, usually enabled through QR codes and scanners at the retail terminal. Generally, the apps are tied to rewards and loyalty programs designed to keep customers coming back (and, for retailers, potentially reducing interchange fees by encouraging consumers to use retailer-preferred payment methods).

The strategy is generating positive results. Starbucks, in its July 2017 earnings statement, reported mobile payments increased to 30 percent of transactions in its U.S. stores. Walmart Pay also has a rapidly growing footprint, with the retailer, according to a November 2017 Bloomberg report, predicting it will surpass Apple Pay in active U.S. users by the end of 2018.

More recently, large financial institutions, such as Chase, are getting into the game, seeing their branded mobile wallets as a central hub for storing cards, tracking rewards points and sometimes paying at the retail checkout. Even when not directly transacting through smartphones, consumers have embraced financial institution-offered wallet apps, such as CardValet®, that enable users to monitor and manage their debit and credit cards through alerts, purchase controls and, should a card be lost or stolen, on/off capabilities.

Broader adoption of digital wallets overall remains low. But significant increases in availability, functionality and innovation are good signs and have sparked further consumer interest. Quarterly consumer research by Fiserv in the past year confirmed measured growth. The Expectations & Experiences: Consumer Payments survey showed digital wallet adoption rose from 8 percent in 2014 to 15 percent in 2016.

Those numbers might seem low, but they're also strikingly similar to the adoption curve during online banking's early years.

Paying Billers

Making payments to billers, either through their mobile apps or through financial institutions, is a mature function. The Expectations & Experiences research showed mobile bill pay is now used by 65 percent of mobile bankers.

What's at the heart of that popularity? It's a combination of consumers having the freedom to pay bills on the go and advances in technology that make the experience easier and more convenient.

The functionality keeps evolving. It now includes payment capabilities such as using a mobile device's camera to capture an image of a bill and automatically populate amount due, due date, account balance and payee information. Mobile bill capture also enables the user to modify or override the information, including how much to pay, and it provides important bill-due alerts.

There's also crossover with both retail- and financial institution-branded mobile wallets, which provide consumers an easy channel to pay bills affiliated with the card provider. As with mobile banking, the mobile wallets also provide bill-due alerts and reminders.

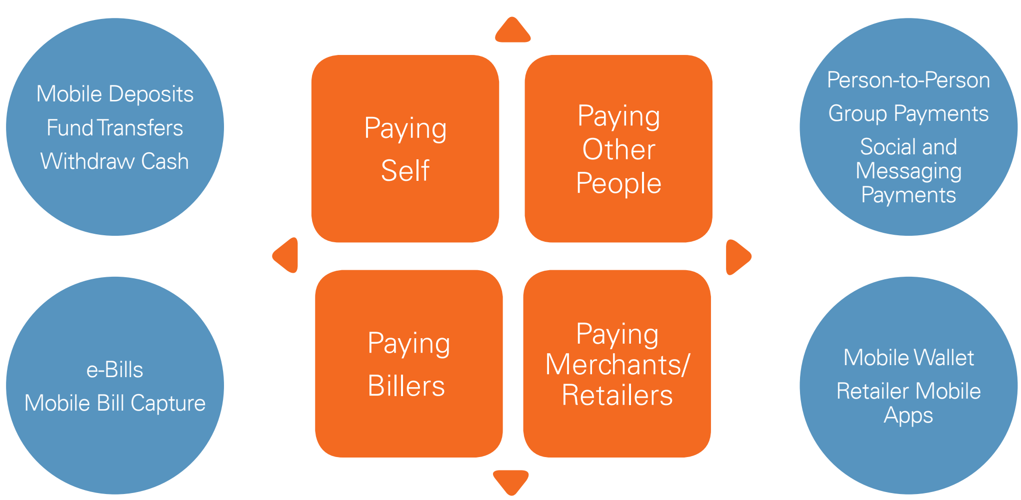
Paying Self

Of the four pillars, paying self might be the least obvious, but it's an area that can't be ignored. People need to manage their money, both physical and digital payments, and they're using their mobile devices to do it.

Using mobile, they transfer money from one account to another, withdraw cash and deposit checks. Mobile check deposit is a must-have at this point, with 39 percent of active mobile bankers saying they deposited a check using the camera in their device, according to the Expectations & Experiences: Consumer Payments research.

Now, consumers can access their cash through ATMs using their mobile devices. If a card has been lost, stolen or simply left at home, consumers still have an easy way to withdraw money. The mobile technology also enables accountholders to go straight from opening an account to getting cash at an ATM without a wait for their new cards.

The Four Pillars of Mobile Payments



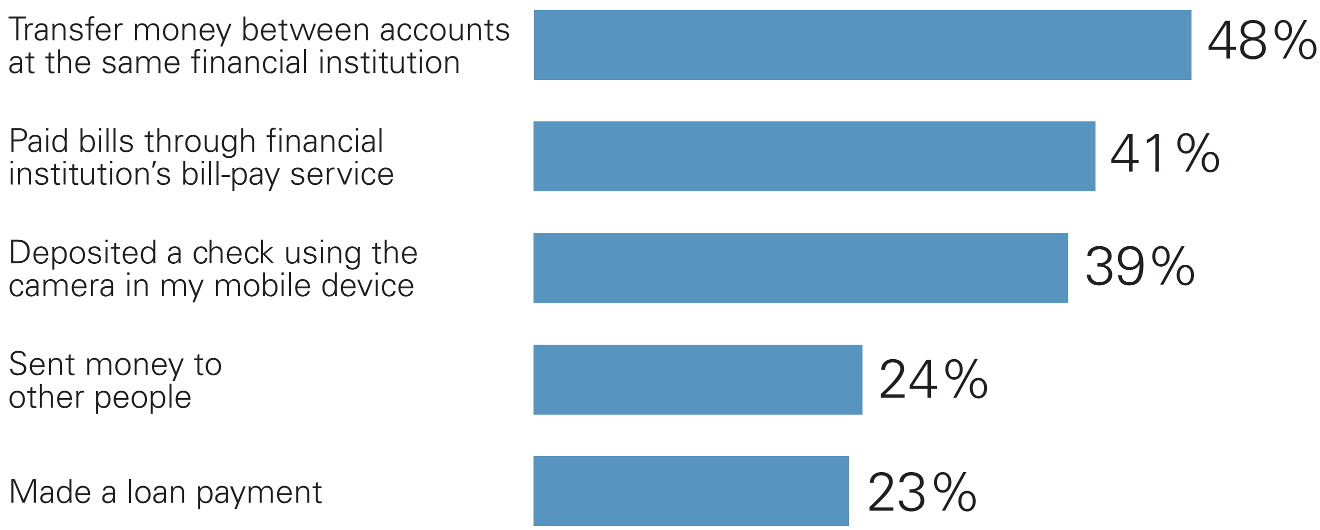
Separating Perception From Reality

Consumers are engaged in mobile payments. They are paying others, paying billers, paying themselves, and more frequently using mobile apps and mobile wallets to pay merchants and retailers. The simple reality is consumers will make mobile payments when and where it's more convenient than traditional payment methods. But there is as much perception in the mobile payments space as there is reality.

Mobile Payments Perception vs. Reality

Perception	Reality
You need to build or offer every innovation to keep consumers interested.	Consumers want useful features, and they want them to be easy and secure. Don't adopt technology for technology's sake.
All consumers are comfortable making mobile payments with nonbanks.	Consumers are more comfortable conducting financial transactions – such as bill pay, mobile deposit and P2P – through their financial institution's mobile channel.
To win over consumers, particularly millennials, you need to offer the cutting edge in P2P payments.	No. The P2P service needs to be what their friends are using. Users will use an offering, even if it's simple, as long as it's ubiquitous.

Features of Mobile Banking Used in the Past Month



Source: Expectations & Experiences: Consumer Payments, Fiserv, April 2017

Many misperceptions in the mobile payments space stem from a misplaced focus on competition. Certainly every organization, whether fintech or financial institution, wants to provide the strongest consumer experience. But that doesn't make it an arms race toward the shiniest objects in the cascade of new technologies.

Rather, it starts with taking what you have and making it better, more convenient and easier to use. Reduce friction for consumers in their everyday tasks – paying friends, buying a cup of coffee, withdrawing cash from an ATM – and they'll reward you with loyalty.

A mobile payments strategy crystallizes when it's considered from the perspective of the consumer rather than the provider. The Expectations & Experiences: Consumer Payments survey found that people keep it simple, and they rely on the pillars of mobile payments. According to the survey, the top four mobile payments activities among those who were active mobile bankers in the preceding month were: transferring money between accounts at their financial institution; paying bills through their institution's bill-pay service; depositing a check using the camera on their phone; and sending money to other people.

Consumers, in their actions every day, are signaling their expectations for mobile payments. Focusing on enhancing their experience presents an opportunity to assume a leadership position in the mobile payments space.

The Path to Building a Strong Mobile Payments Strategy

The four pillars offer the foundation for a mobile payments strategy. So what's next? How do you take the first steps toward implementing it? How do you provide the most meaningful experience, with reliable security, in an arena where consumers most want to use mobile payments?

No two strategies are the same, but the strongest share characteristics that set them apart. Here are four recommendations to keep in mind:

1) Invest now in the mobile payments options consumers are already using

Invest in tools that maximize the solutions you have. Look at the mobile banking app as a platform on which you can enhance the experience consumers have come to expect.

To accelerate returns on that investment, leverage and optimize offerings for the most prevalent mobile payment types. For example, that means: offering consumers the ability to make mobile deposits and mobile transfers to both internal and external accounts; providing the ability to make mobile person-to-person payments; offering mobile photo bill pay and actionable push notifications; and exploring ways to enable people to use their mobile devices to monitor and manage their debit and credit cards.

2) Focus on the overall mobile payments experience

Before investing in a new solution, think through how consumers want to use mobile payment services.

If you look at mobile payments from their perspective, the puzzle becomes easy to solve: Consumers are just thinking about what they want to do in a given moment and in a given place. Help them do it.

A strong strategy gives consumers ease and convenience at such an instinctive level that they don't give it a second thought. More often than not, they expect that frictionless experience with the solutions you already have, so make them faster, easier and more intuitive.

3) Emphasize security and educate consumers about it

People will turn to financial institutions as a trusted partner for mobile payment services if they believe those services are secure.

The keys are to emphasize the safety of their transactions and educate consumers about the benefits of authentication. The value of that approach is twofold: It encourages strong habits and promotes the financial institution as secure.

4) Contextualize the benefits and capabilities of the channel

Emphasize how mobile payments can make life easier for consumers and how capabilities such as notifications and alerts enable that. It might mean talking about how mobile can help people remember to pay bills on time or notify them about possible fraudulent transactions. Be contextually relevant to a user who is on the go.

Think beyond the payment itself into the context of the user's life. Mobile payments aren't replicas of the online desktop experience. The ability to be with consumers anywhere and everywhere and at all times is unique to the mobile payments channel.

Consumers Provide the Blueprint for Your Mobile Payments Strategy

Mobile payments have come a long way since the launch of Apple Pay in 2014, though perhaps not along the path the market predicted at the time. But one thing has remained the same: Consumers want an experience that anticipates their needs for convenience, security, ease and speed.

Taking a purposeful approach to meeting that expectation anywhere, in any way and at any time remains the starting point for any strategy. Despite the constantly evolving and complex nature of the mobile payments space, there's a rule of thumb that keeps everything simple: Always look at your mobile strategy through the eyes of your consumers.

Connect With Us

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