

**NEW
REPORT**

MOBILE PAYMENTS

ResearchFARM

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Retail Analysts



MOBILE PAYMENTS 2015

driving the uberisation of the economy

The launch of Apple Pay, Samsung Pay and Android Pay

July 2015

INSIDE:

Key questions
answered +
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INTRODUCTION

Uberization means applying the Uber business model in different sectors from healthcare to real estate and food delivery, as well as financial and legal services.

It means meshing smartphones, dynamic pricing and dynamic supply to create a disruptive and delightful user experience.

We believe that the mobile payment revolution will further drive the uberisation of the economy and society towards an on-demand culture.

There is a massive opportunity for the retail sector to combine mobiles, loyalty schemes and the right payment solution – with personalized pricing only one aspect.



COMPANIES COVERED

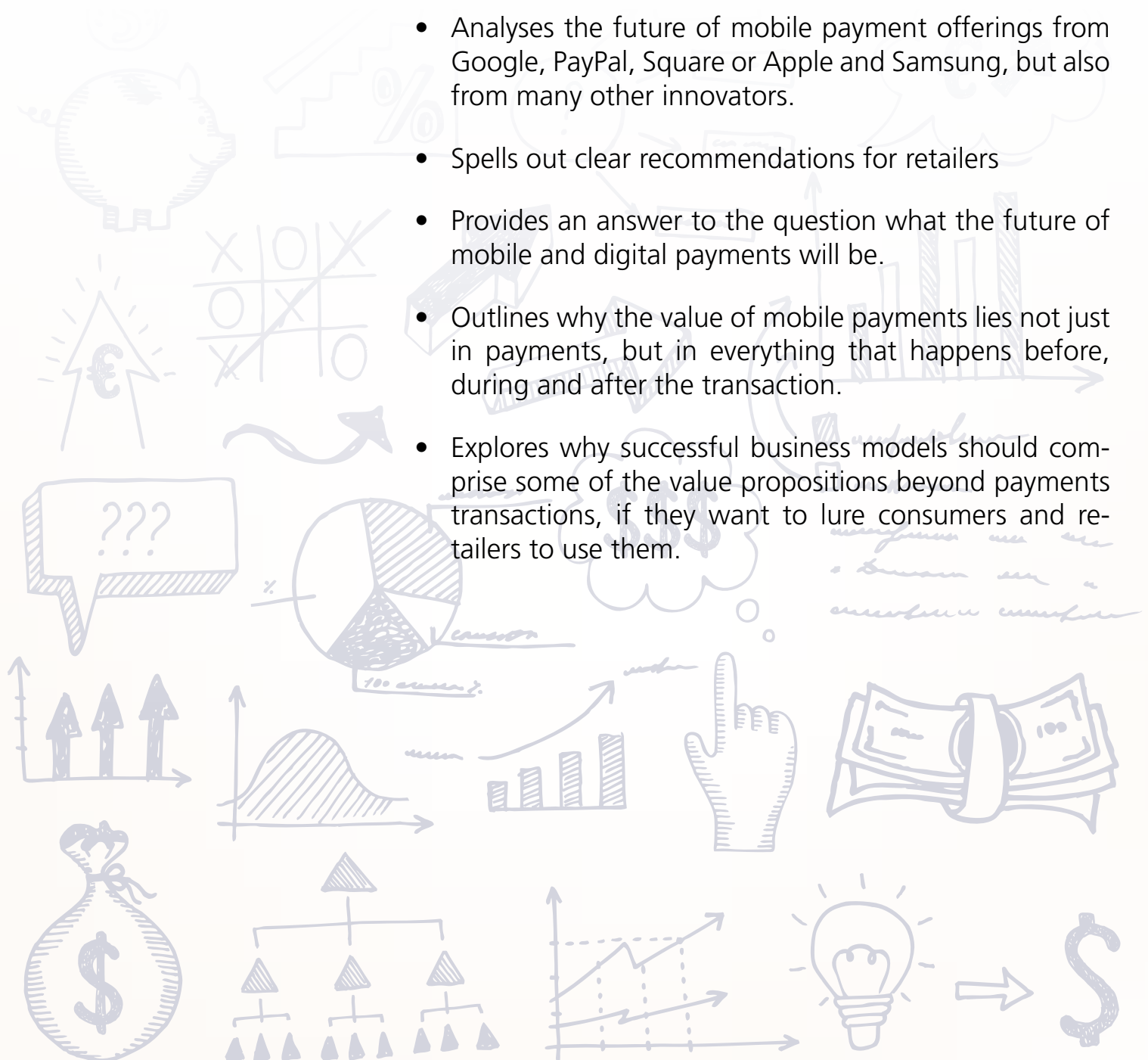
Airbnb, Albertsons, Alibaba, **Amazon**, American Express, Amway Center, **Apple**, Asda, AT&T, Auchan, Bank of America, Bank of Montreal, Bank of Nova Scotia, Barclays, Bathstore, Best Buy, BJ's Wholesale Club, Braintree, Burger King, Burton, Canadian Imperial Bank of Commerce, Capital One Bank, Chase, Citi, Citi Retail Services, Commerce Bank, Costco, CVS, CyberSource, **Danske Bank**, Deliveroo, Deutsche Bank, Diner's Club, Discovery, Disney, Dorothy Perkins, Douglas, Dunkin Donuts, Dwolla, **eBay**, Ecwid, **Facebook**, Gap, GoDaddy, **Google**, Groupon, Guardian, Halifax, House of Fraser, HSBC, Iceland, Ipagoo, JC Penney, JetBlue, JP Morgan, KakaoTalk, Kohl's, La Caixa, **Line**, Lloyds, LoopPay, Lyft, M&S, Maestro, **MasterCard**, McDonalds, Megvii, Metro bank, Microsoft, Miss Selfridge, **Mobile Pay**, Moneto, National Bank of Canada, Nationwide, NatWest, Naver, Newegg, Orange, Otto, Panera, Papa Johns, Paydiant, **Paym**, **PayPal**, Pizza Express, PowaTag, Rakuten, RBS, Rewe, Rite Aid, Royal Bank of Canada, Ryanair, Sainsbury's, **Samsung**, Santander, Shell, Shop Direct, **Snapchat**, Softcard, Spar, SportCheck, **Starbucks**, **Square**, Staples, **Stripe**, Subway, Sun Trust, Synchrony Financial, TD Bank North America, T-Mobile USA, Telefonica, Tencent, Tesco, Topshop, Toronto-Dominion Bank, Toys "R" Us, Uber, Ulster Bank, USAA, **Venmo**, **Verifone**, Verizon, **Visa**, VocaLink, Waitrose, Walgreens, Wallis, Walmart, WebPay, **WeChat**, Wegman's, Whole Foods, Winn-Dixie, **Yapital**, Youtube, **Zapp**

**Profiled companies are in bold*



FEATURES

- Spells out the advantage and benefits for retailers to embrace the mobile revolution, engage shoppers with a consistent mobile strategy in which payments can become an integral part.
- Highlights in-depth cases examples of successes in the mobile and digital payments space around the globe
- Analyses the future of mobile payment offerings from Google, PayPal, Square or Apple and Samsung, but also from many other innovators.
- Spells out clear recommendations for retailers
- Provides an answer to the question what the future of mobile and digital payments will be.
- Outlines why the value of mobile payments lies not just in payments, but in everything that happens before, during and after the transaction.
- Explores why successful business models should comprise some of the value propositions beyond payments transactions, if they want to lure consumers and retailers to use them.



KEY BENEFITS

- Get an in-depth understanding of an ever-changing and complex industry.
- Think and act ahead of competitors and develop a successful mobile payments strategy.
- Learn about why mobile and digital payments can help retailers to offer a consistent omni-channel shopping experience.
- Consider the impact mobile and digital payments should have on your business and the best practises to implement it.
- Invest in winning digital payment solutions.
- Identify key trends and successful practices around the world in the
- Understand the buzz surrounding mobile payments but appreciate that it has a long way to go



KEY QUESTIONS ANSWERED (1/2)

For Retailers

- What is the business case for mobile payments?
- How can retailers drive down merchant service fees (interchange fees)?
- How can m-payments enable retailers to get a better understanding of their customers' needs?
- What role will retailers' mobile apps play in mobile payments?
- Why do leading retailers plan to launch their own digital wallet offering?
- What is the future for Point-of-sale terminals? Are traditional check-outs and tills on their way out?

Companies

- Will PayPal succeed in the bricks and mortar space? How is PayPal positioning itself in the mobile payments space? What is Venmo and how will it help PayPal moving forward as an independent company?
- What are Google's plans for Android Pay? What will Google's Android Pay offer customers? What role will the service play in Google's overall digital wallet product?
- What are Apple's secret plans in the mobile payments space? What are the key difference between Apple Pay and Samsung Pay? What are each of their advantages and disadvantages?
- How has Starbucks set the standards for mobile payments in terms of retailers? What can other retailers learn from the coffee chain?
- Why are companies using QR codes like CurrentC and Yapital already at a disadvantage?
- Who are the major Asian players? What can Western firms learn from them?
- How are social media companies Snapchat and Facebook approaching mobile payments?
- What are startups Square and Stripe working on?

KEY QUESTIONS ANSWERED (2/2)

Financial stakeholders

- Will mobile carriers play any role in m-payments?
- Which are the key value propositions that m-payments need to fulfil to attract consumers and retailers?
- Which are the most exciting companies in the mobile payment space?
- What impact will mobile have on the card operators Visa and MasterCard?
- What do banks need to do to combat the threat of mobile payment services that bypass them altogether? What can Paym and Zapp offer in this regard?

Future outlook

- Will mobile payments fundamentally change the payments industry?
- Will financial cards still dominate m-payments in future?
- Are there any alternative payment instruments beyond cards that are ready for the digital era? Are they ready now?
- Which solution will emerge as the clear winner in m-payments?
- What are the barriers and opportunities facing mobile payment providers
- Which country could become the first cashless society?



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SAMPLE PAGES

Technologies: Near Field Communication, Complex Ecosystem Of Stakeholders



Near Field Communication (NFC) is a set of standards for mobile devices that allows them to communicate with each other by bringing them into close proximity to each other.

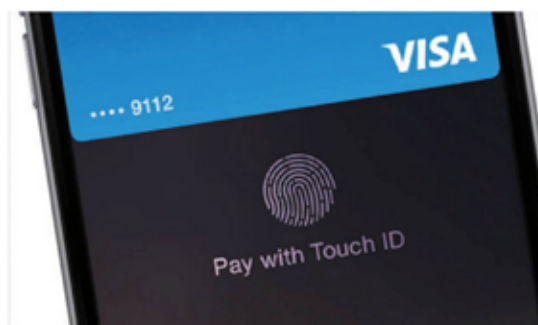
Of all mobile payments' technologies Near Field Communications (NFC) has currently the most momentum behind it. Many of the payments and mobile industry players expect that NFC will become the transformational technology that will eventually deliver digital wallets to shoppers around the globe and allow consumers to carry out most of their payments by waving their phones at the point-of-sale terminal. Carriers and some handset operators, and to a lesser extent card operators, are enthusiastic about the prospects of NFC. But the complex ecosystem of stakeholders, technology standards and NFC business models could jeopardize NFC's position as the

dominant payment technology. Sluggish go-to-market strategies for NFC might propel other technologies.

Most card operators and carriers are pushing forward mobile wallets and proximity payments using NFC. To an extent NFC adoption on payments is already happening, but adoption is arguably far too slow still. Merchant adoption for NFC contactless cards is extremely low in Europe, meanwhile consumers have yet to be convinced of the benefits from shifting from plastic cards.

Not only have few retailers NFC technology in-store, but most mobile handsets aren't yet NFC-enabled either, which surely poses a big problem even if retailers adopt the technology.

Apple Pay: the most likely company to get mobile wallets to gain traction



According to industry consensus Apple is the most likely company to get mobile wallets to gain traction with consumers due to its sheer brand power (as long as users have the latest iPhone/iPad models). With Apple Pay, credit card numbers are not stored on the device or on Apple servers. A unique device account number is assigned and each transaction is authorized with a one-time unique security code.

Apple Pay launched last year and is currently only available in the US with a global roll out expected in 2015. It enables users to make payments both for digital and physical retail transactions with the Passbook app, preinstalled on iOS. In store, users hover their iPhone over a NFC reader and then put their fingerprint over the Touch ID (Apple Pay has the thumb reading Touch ID security system that was launched with

the iPhone 5S). For online payments, users simply choose the Apple Pay option and then scan their fingerprints.

A key advantage Apple will have over Samsung Pay is that it is easier to use. Apple Pay users tap a POS terminal and scan their fingerprints even with the phone locked, whilst Samsung users have to choose their payment card, scan their fingerprint and then tap the POS terminal.

Apple are already looking to enhance Apple Pay and will reveal a rewards program to be incorporated into the payments service. Loyalty programs could be the main draw to attract customers to switch to mobile payments, so we expect to see the major players to offer some form of loyalty scheme as a compelling reason to join.

PayPal: the jewel in the crown, moving to offline payments

Net TPV:
\$179.6bn

Net Revenue:
\$6.62bn

Active accounts:
143.0m

ebay bought PayPal in 2002, after PayPal established itself as a safe way to transfer money between people who didn't know each other (thus facilitating ebay purchases).

In 2013 PayPal's Net total payment volume (TPV) was \$179.6bn of which merchant services contributed \$125.2bn and ebay \$54.3bn. With only around a third of payments coming from the marketplace, the reasoning behind a split become more evident. Last year, PayPal generated \$6.6bn in revenue, implying a take rate of around 3.7% PayPal's Gross Profit was \$3.9bn with costs representing 40% of net revenue. PayPal has 143.0m regular users which just exceeds ebay's active users (125m).

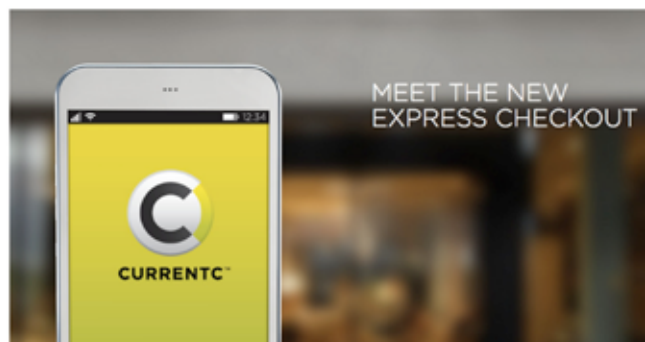
In the US, ebay has a related consumer credit business called

Bill Me Later. With global operations in nearly 200 markets and 26 currencies available, PayPal facilitates the potential sticky issue of cross-border trade. In 2013, around 48% of net total payments volume was international with 25% cross-border.

For the last years, ebay has regarded digital payments through mobile devices as having the potential to change everything — to become "Money 3.0." Whilst sometimes criticized for innovating rather slowly (unfairly in our opinion) PayPal has also launched new products for in store purchases: PayPal is heavily involved in the current bluetooth Beacons roll out and the company has also launched a device similar to a card reader that also collects email addresses, this is very important for linking up the on and offline shopper.

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CurrentC: retailers trying to collaborate and do the right thing



CurrentC is an app and POS solution created by a syndication of more than 50 companies, the Merchant Customer Exchange or MCX, including Walmart, Best Buy and Gap.

One of CurrentC's aims is to remove debit and credit card transaction fees, saving retailers around 1.5% in transaction costs and therefore protecting their margins. The CurrentC mobile wallet app will connect directly to customers' bank accounts or store-specific credit card. It won't be available until 2015.

CurrentC would also give retailers the ability to track shopping habits across the MCX stores, a data set that has traditionally been held by credit card companies. If retailers had access to

this data, it could be used to deliver relevant deals and loyalty points to consumers. That could also amount to in-store experiences centered on the smartphone.

Doing away with card fees does come with a caveat — CurrentC operates using QR codes, which is not the most frictionless way of making payments. The QR code system means customers scan their smartphones over a screen at the cash till. The codes are programmed so as to include automatic discounts from offers, loyalty schemes and of course the charge of the transaction, but importantly without giving away sensitive customer information.

Testimonials - Our Clients Say It Best



«Research Farm publishes great reports every year, and each report brings a unique perspective compared to any other information available elsewhere: the analyses go deep, they are supported with data, but what I most value is that each report is built around a 'clear story', contains proprietary insights and even sometimes innovative projections into the future which help us to think out of the box.»

Global Channel Category sales
Nestle waters

«For us the ResearchFarm reports are so useful. The information provided give us the opportunity to increase our knowledge about the retail industry and its key trends.»

Rafael Florez - CEO GS1 Columbia

«The discounters reports were and still are very helpful as we got lots of detailed information and figures we haven't found anywhere else. This has helped us to progress with our plans of expansion in the US and convince people internally of the market potential.»

Marketing Manager - Bonifaz-Kohler

«On DLF's (Danish Association of Fast Moving Consumer Goods Manufacturers) New Years Conference we had the great pleasure to hear ResearchFarm speak about future trends in on-line grocery retailing. The feed back from the conference participants was very positive as they gave ResearchFarm's presentation the highest score of all speakers, finding the analysis about the key success factors of chosen EU and US online retailers both very interesting and inspiring. We can therefore give ResearchFarm our best recommendation.»

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