

Mobile Payments Standards Business Case Drivers

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Framing the Business Case for Collaboration and Standards in Mobile

- Mobile marketing efficiencies are worth 4-5 times payment fees (\$500+ billion)
- Mobile marketing commissions can be 10-20 times the value of payment fees (and up to 4x the normal 50% gross margin incentive to buyers)
- Collaborative use of risk management data can reduce fraud and chargebacks to 1/20 of cards
- \$2.4 bil. spent on mobile wallets to-date will grow 20-30x if no standards are put in-place soon

Collaboration Key to Mobile Largesse



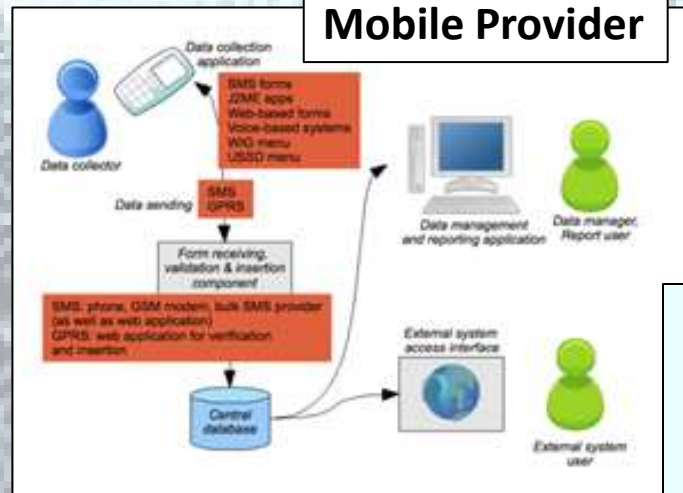
- Full information on buyer
- Full account history across multiple merchants
- Risk management history

Merchant



- Information on buyer at given merchant
- Account history with merchant payment type
- Buyer history with other bank payment types
- Risk management history
- Transaction session information

Mobile Provider



- Mobile device/network data
- Mobile usage and session information
- Mobile marketing experiences

New Players and Tie-ups

- Square (and others) extend merchant acceptance (at a price...) and harken to a new POS (but not really yet...)
- LevelUp throws over the interchange model for a new loyalty play, but questions abound
- PayPal/Discover could be very interesting, but will legacy participants let them play? (e.g., MC fees, FD block on BINs)
- PayPal/ADS brings mobile credit to the table?
- Bars and Restaurants are Ground-Zero for mobile transformation

NFC's Readiness for Primetime Suffers

1. Tethering to EMV complicates rather than simplifies adoption
 - Politics of payments has intervened....
2. Card-emulation mode makes life easier for issuers and acquirers, but murders the ROI for merchants—and puts the new payments system at risk
 - Why spend so much money on baby steps in security?
3. Ability to support two-way offers might be leap-frogged by cloud-based flexibility
 - Do marketing-based services need a Secure Element, when tokenization looms large?

EMV: A Giant Head-Fake to Get NFC?

- Poor security/efficiency makes \$8.6 billion projected investment cost a non-starter for most
- EMV isn't Durbin-compliant, so debit is 'off-the-grid' right now (opening door for pushing credit...)
- Merchants fear EMV is a 5-year diversion to get merchants to terminalize to NFC
- NFC enables proprietary plays on mobile marketing, and is easily enabled with EMV on new terminals
- Card-emulation mode looks like a bust, but its rejection is giving rise to tokenization solutions that mitigate PCI issues and might improve prospects for adoption of both EMV and NFC

Original Business Case for 2-way NFC

Relevant coupons: 1-to-1 targeting, real-time, refreshing, etc. can reduce billions of waste from \$400 billion annual spend on paper and broadcast media (where only 8% of consumers collect and just 1% redeem)

Location-based services (e.g., queries on nearest brand store or restaurant, where promotional offers can be returned with info)

Customer recognition (supplying data and receiving offers and updating rewards programs) upon entering stores; data can be harvested for banking products and joint bank/merchant promotions

Products can be pitched **inside the store**, while shopping—including **competitive offers**

Shopping items can be automatically scanned/read while shopping, **facilitating self-checkout** (where payment options can be pitched)

Loyalty programs can be **integrated** and instantly updated for real-time redemptions

All this data can be used (with sufficient consumer opt-in) to better address offers, promotions, financial services needed, targeting of ads, etc.

Cloud-based Services Emerge as Mantra

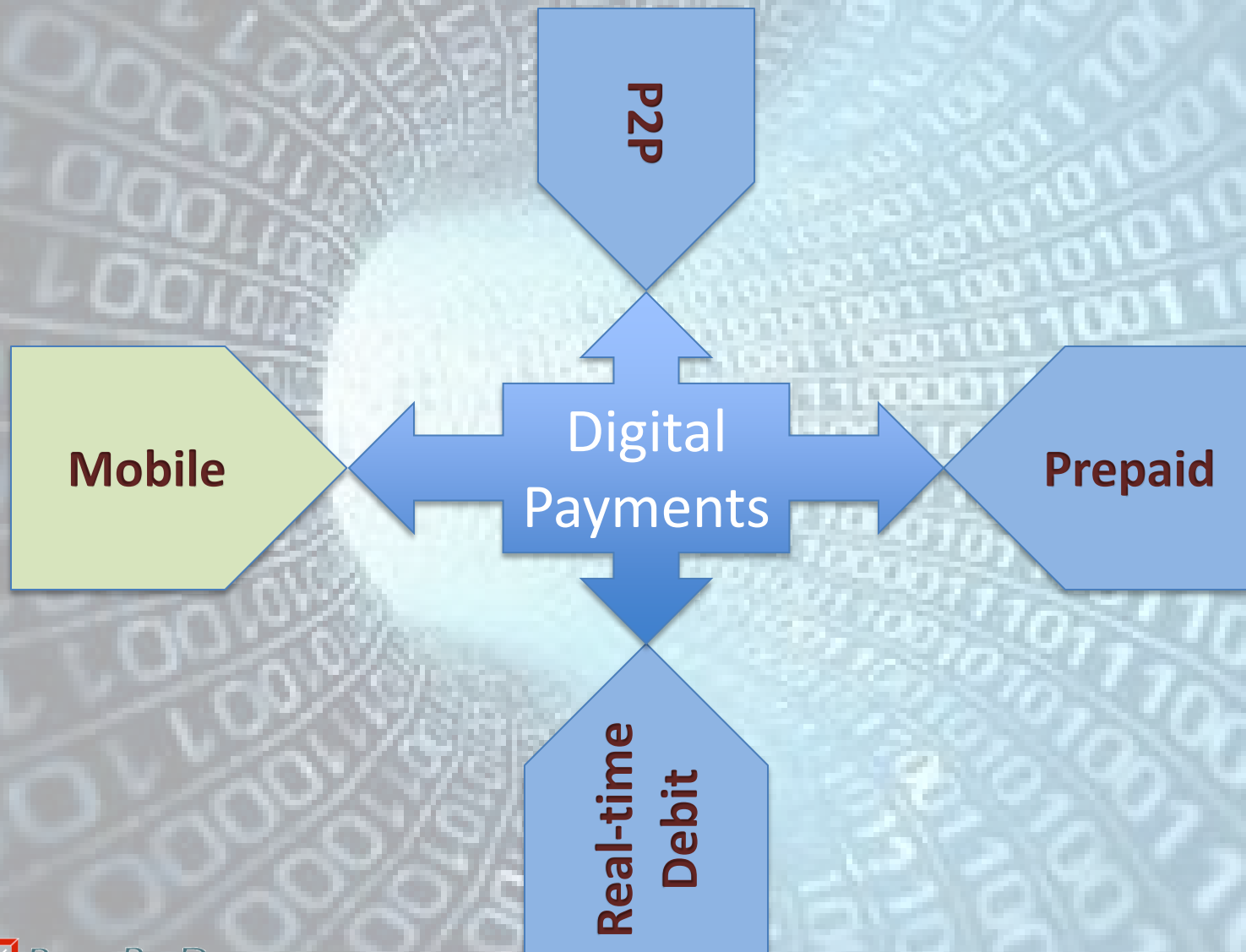
What's right about them

- Flexible
- Bypass POS constraints
- Driven by merchandising proposition, not payment fees
- Designed for buyer convenience
- Lend easily to specific merchant preferences
- Can reduce risk and costs
- Leverage mobile connectivity

What's a concern

- Need proven, critical-mass providers to survive build-out headaches and risk
- Need bank/merchant support for security and privacy
- Cloud security at scale is yet unproved
- Ability to scale is in question (without some wholesale system integrators)... Amazon

Digital Converges Payment Modes

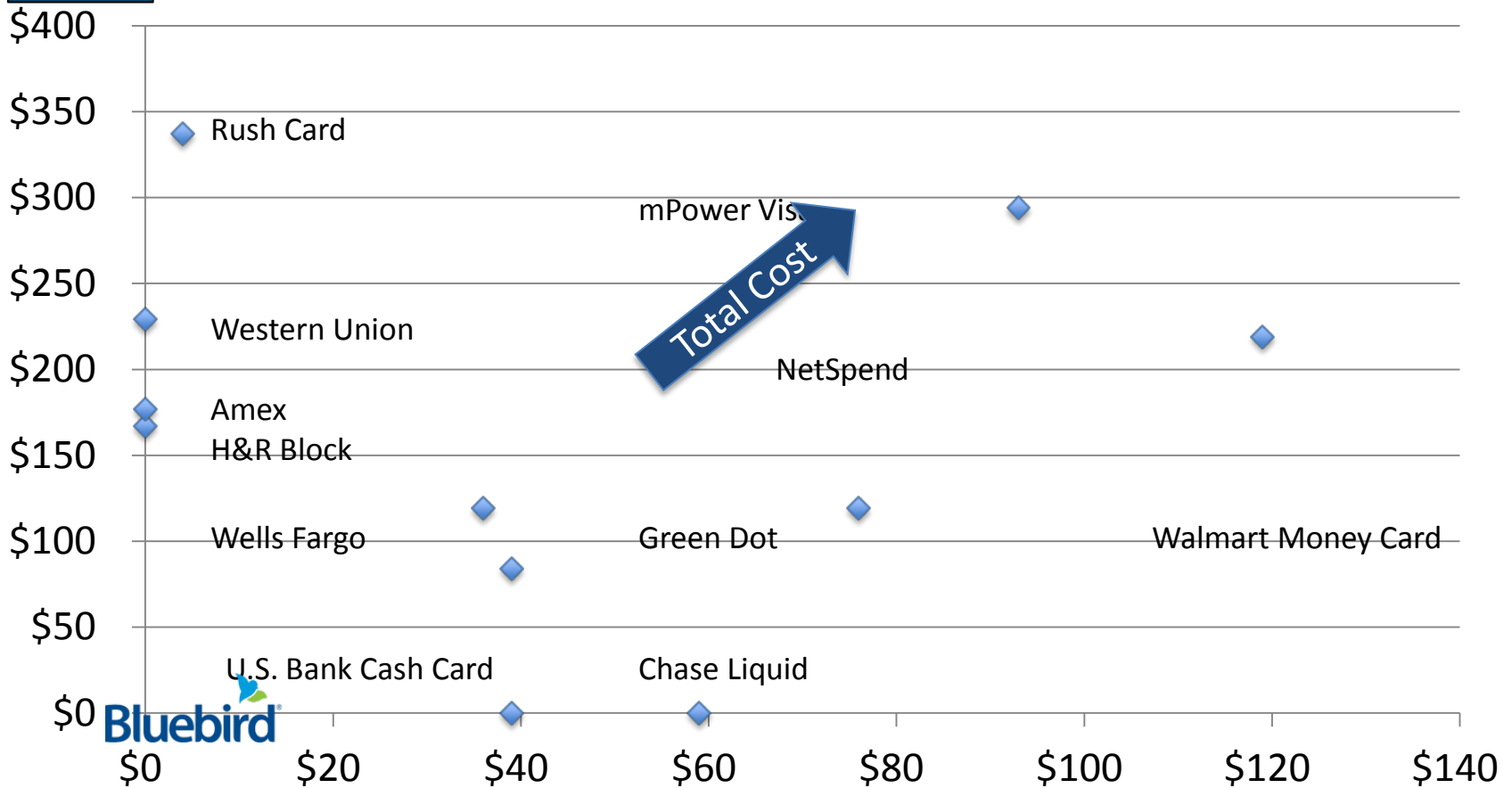




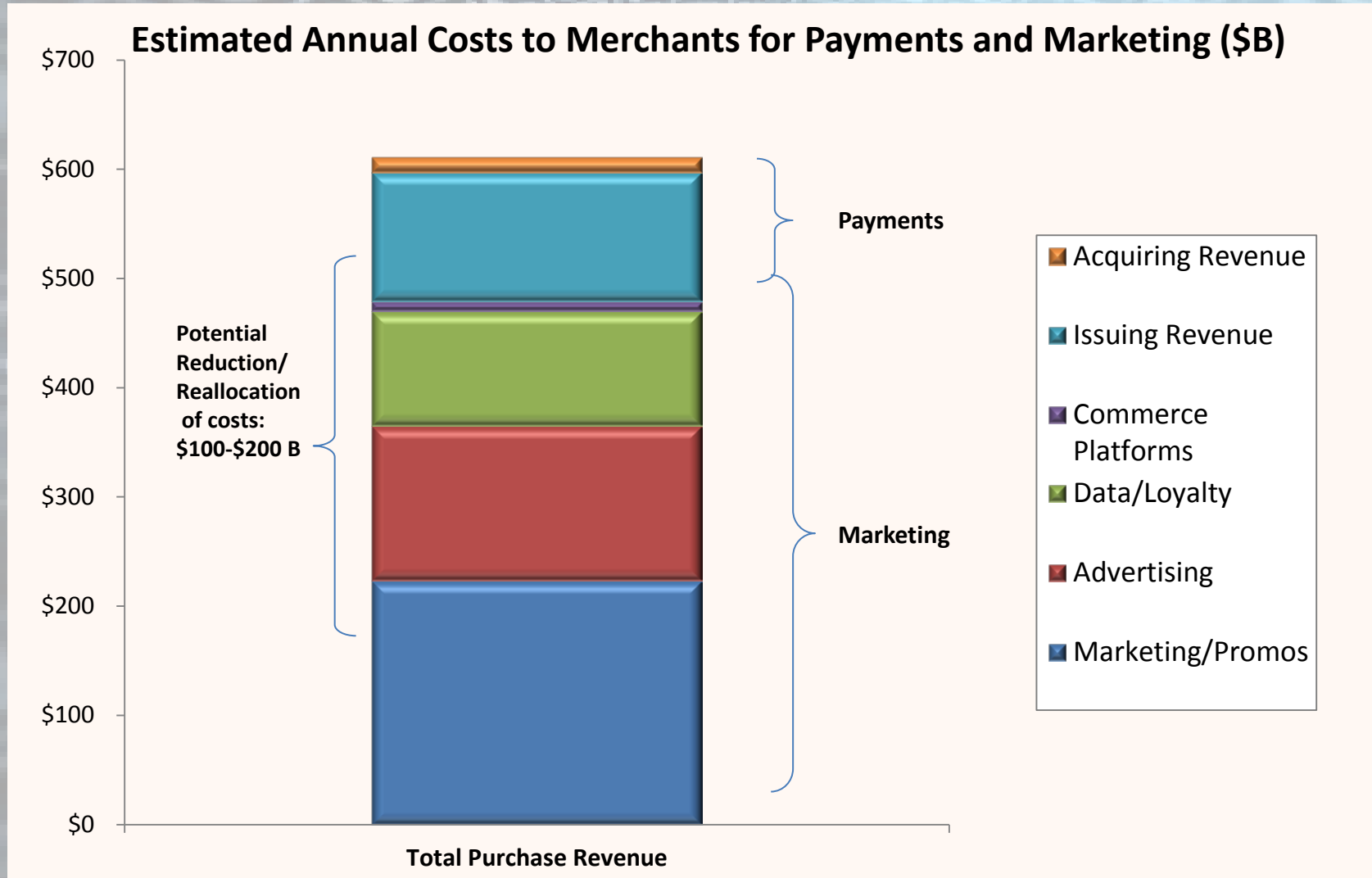
Amex Bluebird: Game Changer

Usage/
Reload
Fees

Popular Prepaid Cards-Account Fees vs. Reload/Usage



Business Case: Optimize Marketing Costs



Consumer Opt-in for Sharing SKUs a Must for Mobile/Digital Marketing to Take Hold for Merchants

LOCATION/AFFILIATION MARKETING

Handset provision of consumer data for promotions based on geodata/LBS; wallet composition— payment + loyalty + convenience; affinity re-selling

REFERRAL MARKETING

Product references and referrals via social media (with bounties and referral commissions); brand and experience testimonials

Real-time product promotions
Location-aware interactions
3rd party, 1-to-1 placement
Dynamic pricing

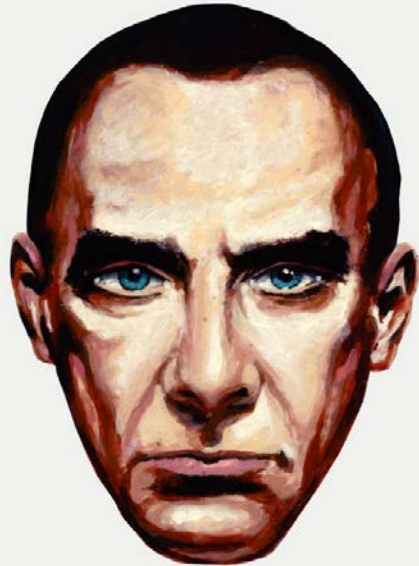
COUPON AND DISCOUNT OFFERS

Product and service coupons and discount offers (e.g., pre-, during, post-shop) competitive product promotions;

PARTNERSHIP MARKETING

Response to mobile marketing and advertising among product partners; selected channel placements and promotions

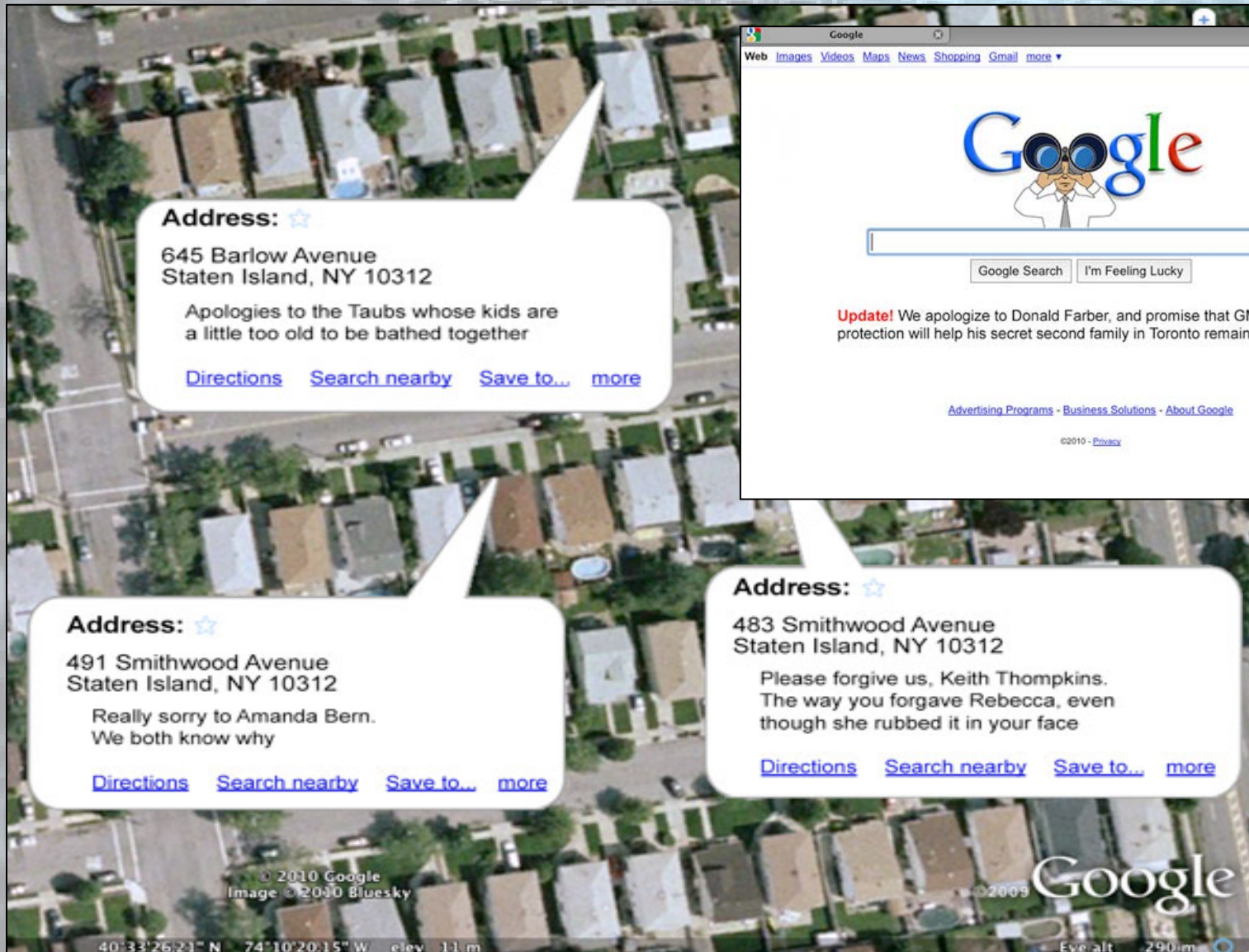
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Privacy: An Opportunity or Trap?



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Apologies to the Taubs whose kids are
a little too old to be bathed together

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Really sorry to Amanda Bern.
We both know why

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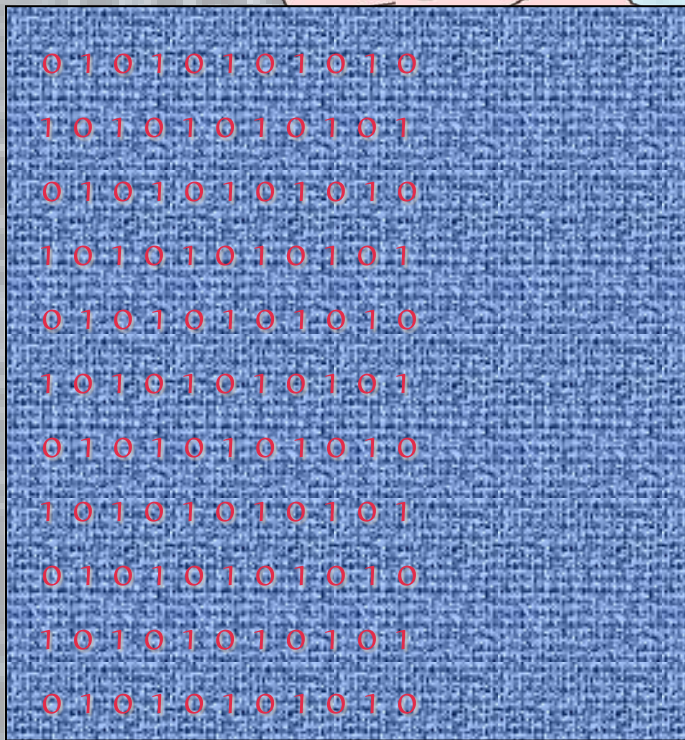
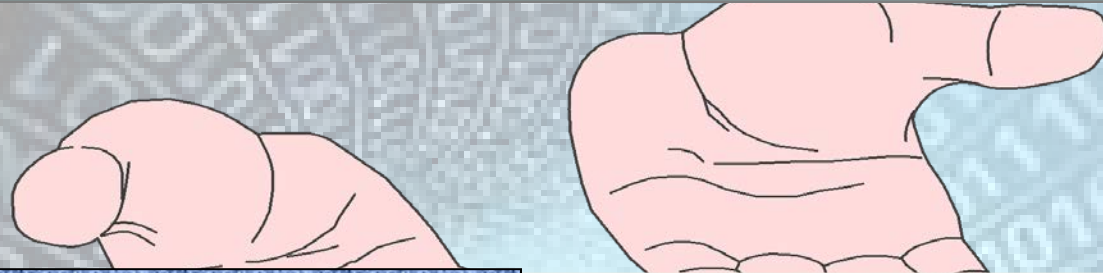
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Please forgive us, Keith Thompkins.
The way you forgave Rebecca, even
though she rubbed it in your face

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