

Kurt Salmon ✨

Mobile Payments 2.0

What's Next?



As consumers increasingly look to manage all aspects of their life with their mobile devices, mobile payments have grown at a staggering rate.

A Kurt Salmon and Prosper Corp. survey of 8,000 consumers revealed that 15% planned to use their mobile devices to make a purchase during the 2011 holiday season—and that's despite limited availability of mobile payment functionality.

Clearly, as mobile payment adoption grows, purchases via mobile devices will climb—up to \$670 billion by 2016, according to a Jupiter Research study.

Successful mobile payments programs can improve competitive differentiation and operational efficiency by providing superior convenience for customers and a low-cost interaction channel for retailers.

Kurt Salmon analyzed 30 retailers across a variety of segments and found that 72% currently offer a mobile application, but beyond the basics, capabilities vary significantly. For example, of those retailers with mobile apps, only 79% of the apps give directions to the closest store, only 35% push coupons to customers, only 25% are linked to the retailer's loyalty program and only 3% allow the user to make an in-store purchase from his or her phone.

But as consumers start to expect it, providing secure mobile payment functionality will rapidly become a strategic imperative.

And for good reason. Successful mobile payments programs can improve competitive differentiation and operational efficiency by providing superior convenience for customers and a low-cost interaction channel for retailers.

But what exactly does “mobile payments” include? Beyond providing just a payment option, mobile payments offer the opportunity to make all aspects of payment easier, providing one convenient platform for loyalty programs, gift cards, store credits and coupons.

More importantly, mobile payments are the linchpin of a successful mobile commerce strategy, which should center on seamlessly delivering an integrated, omnichannel experience through the one device more and more consumers can't seem to live without.

But faced with aging technology, short-term performance goals and an increasingly savvy consumer, it's easy for retailers to get distracted from the promise of an integrated experience. However, a long-range vision of the brand's experience—and how mobile payments fit within that experience—is essential.

Kurt Salmon recommends retailers start with three fundamental questions:

1. How do customers want to interact with my brand from a mobile standpoint?
2. How do I enable mobile payments specifically? What systems, tools and hardware need to be in place? Which payment form do I prioritize?
3. How do I integrate these distinct payment interactions across different technologies under the umbrella of one consistent experience and brand?

The key—today and in the future—is to create integrated interactions, not just transactions, with customers. As such, the most successful mobile initiatives encompass all parts of the purchasing cycle:

» **Enticing consumers into the store with location-based offers**

Consumers are becoming more receptive to these types of offers because they are coming to see them as less of an intrusion and more of a perk. As a result, mobile coupon redemption is expected to skyrocket, from \$5.4 billion in 2011 to \$43 billion in 2016, according to Juniper Research.

*Many retailers already have key mobile elements in place, and **deciding what to implement next is a combination of strategy and triage**, with an eye to what's most valuable to the consumer.*

» **Providing a curated experience across channels**

Consumers crave customization and increasingly expect a tailored experience from their preferred retailers, regardless of channel. Sears is piloting a program in which consumers who check in on their mobile phones when entering the store are quickly greeted by a Sears employee, who spots them via GPS. The employee then guides the consumer to the same merchandise they've been perusing online, combining sales associate interaction, the tactile product experience and the ease of online shopping.

» **Helping customers find information**

Not every customer prowling the aisles, smart phone in hand, is comparison shopping. In fact, many are searching for product availability and reviews and sharing content via social media. Retailers who integrate their mobile applications with their social media pages will help facilitate this invaluable word-of-mouth advocacy. QR codes can help provide information as well; Kurt Salmon analysis found that 54% of retail mobile apps today have QR code-reading capability.

» **Integrating loyalty programs and gift cards**

Consumers should be able to automatically rack up loyalty points and redeem gift cards when they make purchases from their phones.

» **Creating a feedback loop to mine for further insights**

Mobile apps don't just deliver perks to customers—they will also quickly become a marketer's best friend. Besides being a low-cost, fast-interaction channel, they also generate a treasure trove of data that retailers can use to generate additional customer insights.

Of course, once the vision is set, the question becomes how to make it a reality.

Many retailers already have key mobile elements in place, and deciding what to implement next is a combination of strategy and triage, with an eye to what's most valuable to the consumer. For example, current cash and credit card payment options are hardly broken.

On the other hand, many loyalty programs, gift cards and coupons leave much to be desired from a convenience standpoint. A mobile app that could hold loyalty cards, gift cards and coupons would be a powerful first step.

Of course, mobile payments are just another step in a rapidly accelerating technological evolution, and retailers unable to take this next step will only find the climb steeper in the future. Ultimately, however, long-term success will hinge on a retailer's ability to establish a strategic customer experience vision now and invest in a robust, but flexible platform—both technologically and operationally—to support that vision into the future. ❖

AUTHORS

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The logo for Kurt Salmon, featuring the name "Kurt Salmon" in a black, handwritten-style script font.