

Fostering Financial Inclusion for SMEs

These are without doubt very exciting times for those of us working in the mobile payments industry. The 'mobile wallet wars', as they call it, has been heating up like crazy since the three giants, Apple, Google and Samsung all announced the launch of their respective m-payment services. But what we are seeing is, in my view, really just part of a much larger story arc: the mobile revolution.

The mobile phone has revolutionized human interactions by making it possible for two people to communicate with each other regardless of time and place. We are no longer required to meet personally, instead we can just use a tiny device that fits in our pocket. And while landlines did start this transformation, they still required people to be present at the physically fixed endpoints of the infrastructure. Mobile payments are revolutionizing commerce in much the same way, transforming the way businesses and their customers interact: people can buy stuff anytime, anywhere, without having to physically go to a store. Or can they?

The Landline Phone Of Payments

Smartphones are the most rapidly adopted technology of all time¹. Not only are they portable communications devices that allow us to connect with each other, but also powerful computers that let us do things that were previously unimaginable. In fact, smartphones today are more powerful than the computers that helped put man on the Moon. Unfortunately, payments seem to be one area where we haven't yet taken full advantage of smartphones' capabilities. You see, when it comes to mobile payments, most experts in the West think of NFC.



Dr. János Kóka

Former Minister of
Economy of Hungary,
CEO of Cellum Global

But the truth is, NFC is far from being the totality of mobile payments. First of all, it is for proximity situations only. The problem is that when it comes to in-store payments, there is no real problem to be solved. People have well-established habits of using cash and/or cards. In order to change these habits, companies would need to present a strong case for NFC, and experience shows that yet another payment method in itself isn't convincing enough. Then there's also the fact that tapping your phone is not that much faster than swiping or tapping a plastic card, and waiting in line to tap still requires, well, waiting.

Instead, true value can be added by enabling merchants and customers to interact anytime, anywhere. The mobile revolution now allows us to do that. In this regard, NFC is the landline phone of payments. It is definitely a step in the right direction, but doesn't take us all the way to where we want to be. Smartphones allow us to deploy purchase & payment solutions that make it possible for people to do the shopping literally while they are walking in the street.

Companies like Cellum have been doing that for years. I believe strongly that this is where the future lies and that the industry should be focused on removing the traditional physical boundaries of transacting instead of just dressing them in a different robe.

¹ <http://blog.cellum.com/2013/08/16/is-smartphone-the-most-rapidly-adopted-consumer-technology-of-all-time/>

The Actual Problems To Solve

Here in the m-payments industry we are always thrilled to read about the insane numbers of digital transactions that market analysts publish year after year. But we need to take a moment to acknowledge the fact that over 90% of all retail purchases still happen in the physical world².

Humans are social beings. While it's very convenient to be able to call friends on the phone, it still doesn't compare to getting together in the weekend for a face-to-face chat. Likewise, despite our best efforts to provide convenient and compelling mobile commerce solutions, people will still often prefer to visit the store of their choice personally. Our task is to make sure that whatever the scenario, consumers can buy what they want and pay the way that best suits them. And here we have two actual problems to solve. First, we must let customers buy things anytime, anywhere by supporting both in-store and on-the-go transactions. Second, we must enable merchants to accept any payment method that customers wish to use. This is a strategy that we call **omni-channel payments**.

Providing More Choice Instead Of Less

We've come a long way since the days of card imprinters, with each evolutionary step in the process providing faster transactions and increased security. Unfortunately, along the way financial institutions and technology providers have by large been neglecting small and micro businesses³ (SMBs), due to the perceived or actual lack of scale. But we can change that.

SMBs make up a huge portion of our economies, yet many of them are not integrated with electronic financial infrastructure. I am yet to see a future where I can randomly buy street food and pay with my credit card or call the plumber and pay using my phone. The good news is, we at Cellum are working on making that future a reality.

For the past decade, the rise of mPOS devices – small card reading peripherals that connect to smartphones and tablets – have gradually appeared on the horizon, allowing SMBs to accept various payment methods and leapfrogging them into the 21st century of transactions.

EVOLUTION OF POS



IMPRINTER



STANDARD POS



HANDHELD POS



M-POS



MOBILE REMOTE TERMINAL

² <https://www.linkedin.com/pulse/whats-wrong-mobile-payments-georges-le-nigen>

³ <http://tsys.com/ngenuity-journal/in-payments-making-small-business-your-business.cfm>

Merchants using mobile devices at the point of sales have been reported to see an increase in sales up to 20-30%.⁴ On the other hand, the solution still requires merchants to purchase dedicated hardware, and they still have to handle sensitive card data. If you wonder why the latter might be a concern, just ask a certain major US department store. You know, the one whose name has become synonymous with **credit card breach**.

The omni-channel payment strategy means providing businesses more options that they can in turn offer to their customers. Smartphones allow us to bring together the best of both worlds: an ideal solution would allow the merchant to accept plastic cards and NFC payments via an mPOS peripheral, and – perhaps even more importantly – payments from secure mobile wallets that can save the merchant the trouble of handling card data. Obviously such solutions need to be extremely customer-friendly.

Cellum has been working on such an omni-channel payment solution that combines an mPOS peripheral with a 'merchant terminal' app that allows merchants to initiate transactions to customers' mobile wallets, instead of expecting customers to scan codes and/or initiate payments manually. We believe this is where the future lies. Other companies also seem to be finally understanding that in order for m-payments to take off, we need to bring together, not exclude, various payment methods and ecosystems in a way that presents a compelling value proposition to both customers and merchants.

By trying to decide for customers how they can pay, you are simply going to alienate them and hurt yourself. Because you cannot make that choice for them. Each payment method has different benefits for the customer, and it is the customer who should be making the choice. We need to make sure that for merchants, that is not a choice between sales and no sales.



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⁴ <http://www.mobilepaymentstoday.com/whitepapers/infographic-mobile-shopping-in-2015-where-does-the-store-fit-in/>