



# Mobile DOES Matter to CNP. No, Really!

PRESENTED BY:

**NICK FREDRICK**

GM STRATEGIC BUSINESS SOLUTIONS  
W. CAPRA CONSULTING GROUP

**KATHY LEVIN**

SR. DIRECTOR PAYMENTS PRODUCT MANAGER  
NACHA

# Overview

1. What Is Mobile?
2. Current Metrics
3. Challenges to Adoption for CNP
4. Mobile Value Proposition
5. What Could CNP Merchants Be Doing?

# The Mobile Hype

## THIS IS THE YEAR OF MOBILE !!

...**2010**, “2010 IS The Year of Mobile” ([MarketingWatch](#), January 1, 2010)

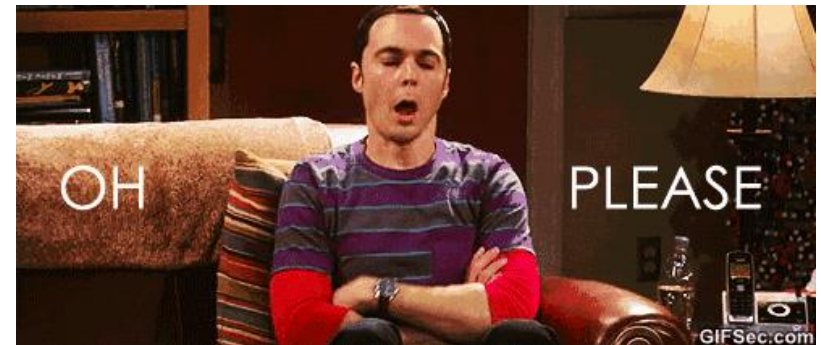
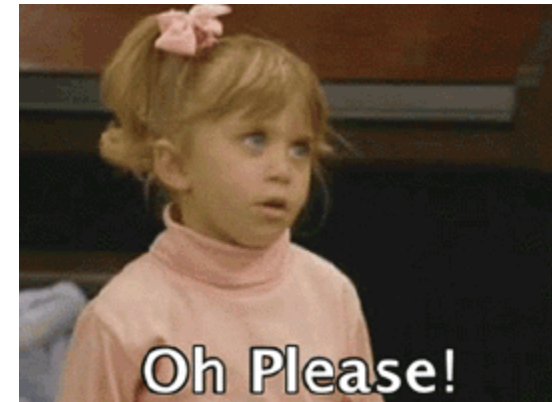
...**2011**, “2011 is the Year of Mobile (really!)” ([Sitepoint](#), January 7, 2011)

...**2012**, “2012: The year mobile grows up” ([Digiday](#), December 20, 2011)

...**2013**, “2013: The year of the snake and the year of mobile!” ([IBM](#), March, 2013) & “2013: The year we all went ‘mobile’” ([BBC News](#), December 20, 2013)

...**2014**, “2014: The Year of the Mobile Device takeover” ([Inc.](#), December 18, 2013) & “Is 2014 finally the Year of Mobile?” ([Forbes](#), February 6, 2014)

...**2015**, “2015 is the Year of Mobile” ([Top Spot Internet Marketing](#), n.d.), “3 reasons [2015] is a breakthrough year for mobile” ([Fortune](#), July 27, 2015)



*Millennial version*

# What Are Mobile Payments?

**Lots of ways to define it...**

Type	Explanation	Common Examples
Physical Point of Sale and Apps	A payment wallet in a standalone payment app, or added into bank branded mobile app or retailer branded app. Account credentials can be stored in the physical hardware of mobile device or in cloud and can utilize NFC or QR codes at a retail location or via in-app integrated purchase	ApplePay, AndroidPay, SamsungPay, Capital One, Wells Fargo, ChasePay, Starbucks, WalmartPay, etc.
M-Commerce through a browser and traditional E-Commerce	Payment made via a mobile web browser , directly into a native application, or via traditional desktop e-commerce. Payment info is entered manually or from Card On File or can utilize stored credentials in mobile wallet.	E-Bay, Walmart.com, Amazon, ApplePay, AndroidPay, etc.
Mobile Bill Pay	Use of a bank offered or other bill pay service via a mobile optimized site or native app, or short code sent via text message and payment charged to carrier account	Any online banking service, Donations
Person to Person (P2P)	Use of a bank offered or other service via mobile site or native app	ClearExchange, Venmo

# Current Mobile Metrics

## The US mobile market

- 87% of US adult population owns a cell phone
  - 71% of phones are smartphones
- 35% of cell phone owners use mobile payments
- 27% of cell phone owners have made a mobile purchase in the last month
  - Compared to 41% for Europe and the Middle East
    - 71% for Germany
    - 74% for Israel
- 61% of cell phone owners use online banking

## Peer to Peer mobile payments

- Venmo processed \$3.2B in Q1

*<http://internationalbanker.com/technology/dont-americans-use-mobile-payments/>  
<http://seekingalpha.com/article/3981439-paypals-venmo-winning-mobile-payments>  
<http://venturebeat.com/2016/06/09/the-telling-stats-behind-global-mobile-disruption/>*

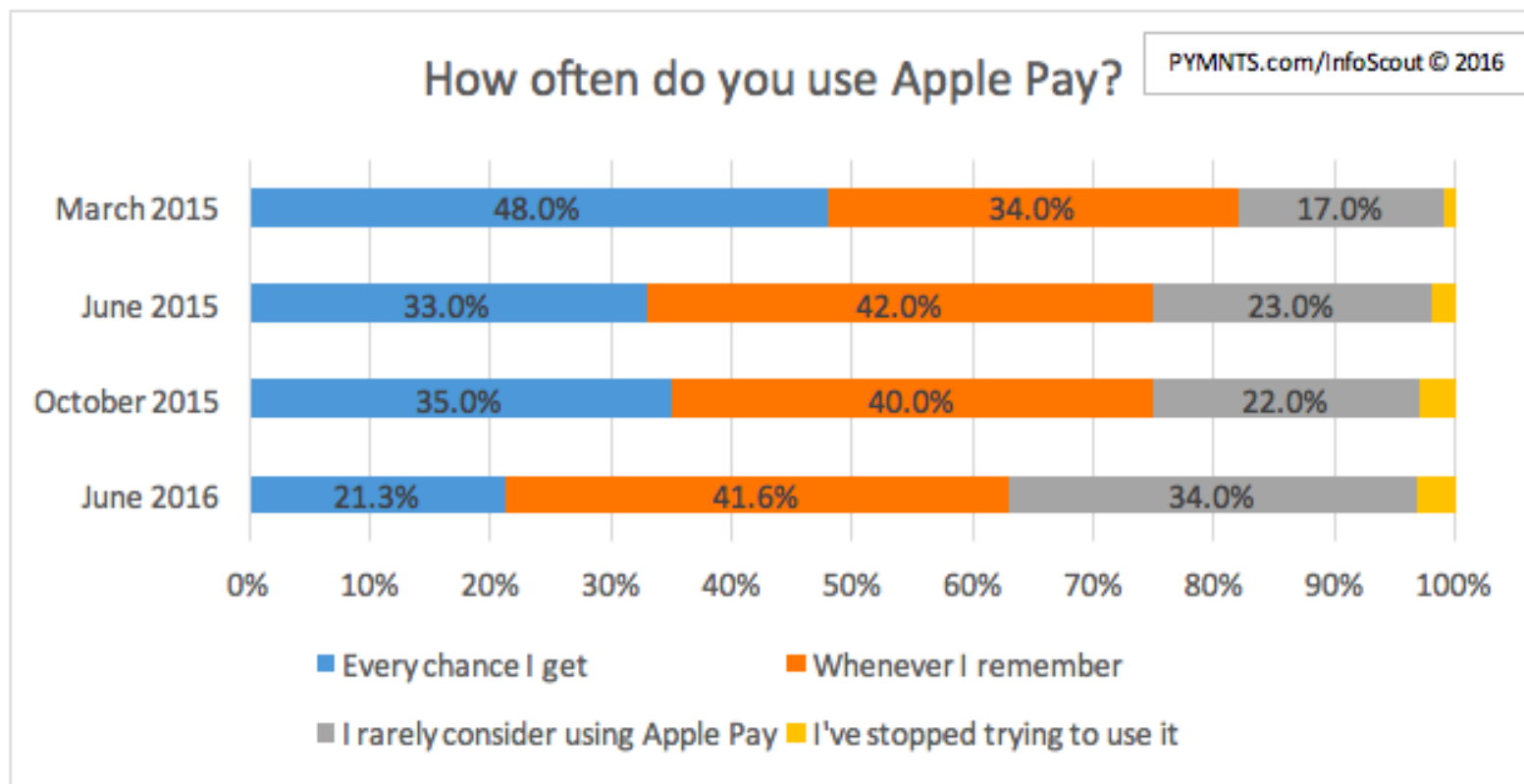
# Current Mobile Metrics

\$8.71 billion in mobile payments were made in 2015, expected to surpass \$27 billion this year.

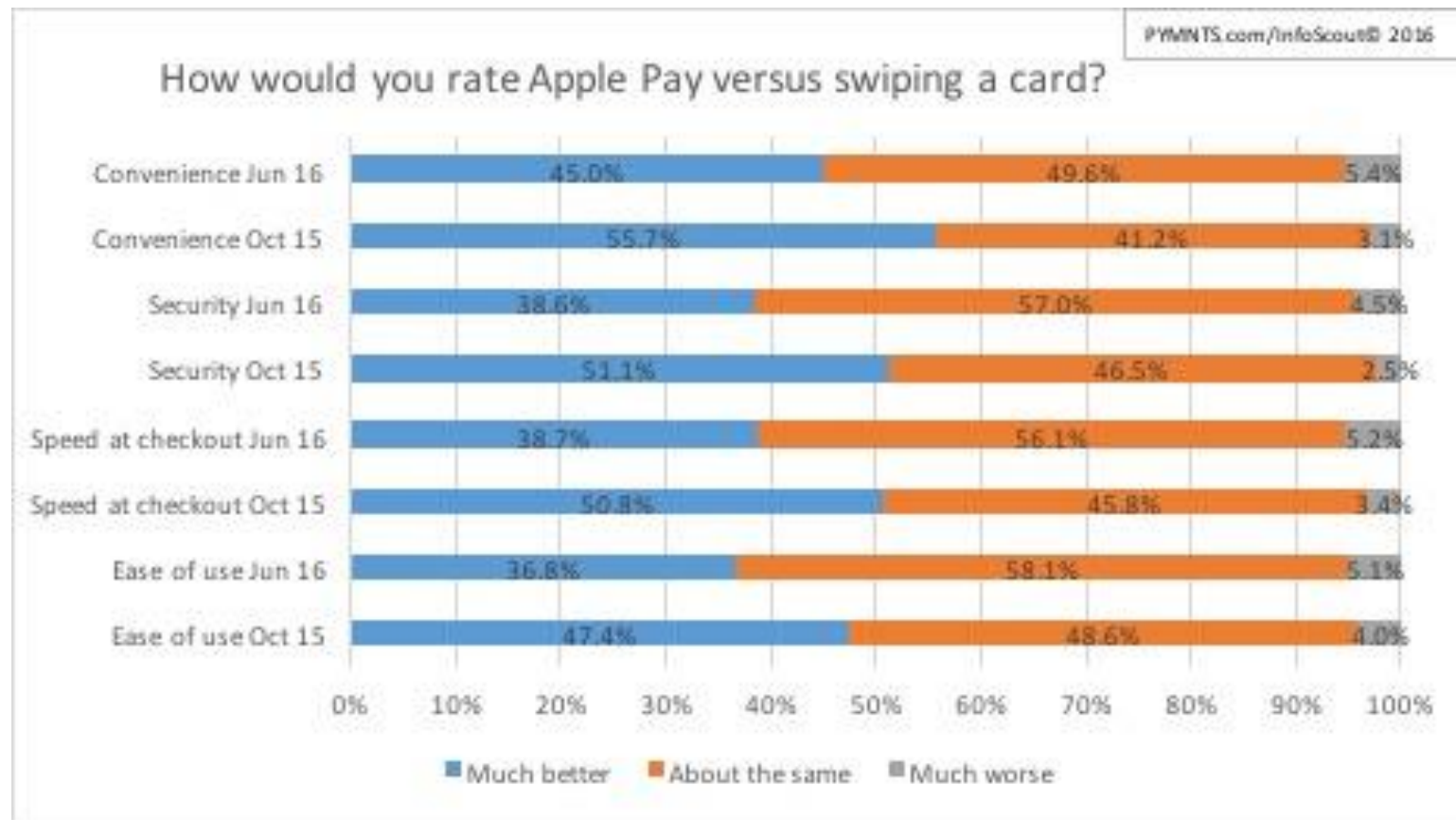
Millennials and higher-income households lead the pack, with 23% and 38% using contactless payments at least once a week, respectively.

Mobile payments in 2015 occurred across quick service restaurants (40 percent); supermarkets (39 percent); convenience stores (34 percent); full-service dining (33 percent), and large retailers (31 percent),.

# Current Mobile Metrics



# Current Mobile Metrics





# Challenges for CNP

- **No clear market leader or technology has emerged**
- **Consumer adoption of pure play payments applications has been limited (ApplePay, Samsung Pay, etc.)**
- **EMV has taken some focus away**
  - **(conversely a catalyst via hardware investment)**
- **Many are waiting on the sideline to see how this plays out**
- **Failures make ecosystem players even more hesitant**

# The Mobile Payments Value Prop

Channel	Example	Ticket Size	Payment Frequency	Alternatives / Switching Cost	Loyalty Program	Mobile Payment Value * (to merchant)
Retail POS	Coffee Shop	Low (< \$10)	High (1+/wk)	High	Likely	High
Unattended Retail	Vending Machine	Low (< \$10)	Medium/High (2+/mo)	Low	Unlikely	High
Retail POS/ Unattended	Fuel	Medium (\$10-\$100)	Medium (1+/mo)	High	Likely	Medium
Retail POS	Furniture	High (>\$100)	Low (1/yr)	Low	Unlikely	Low
E-Comm Retail	Clothing	Medium (\$10-\$100)	Medium/High (2+/mo)	High	Likely	Medium
E-Comm Recurring	Insurance/ Gaming	Any	Fixed	Low	Unlikely	Low

\* Value = ROI of investing time/resources into implementing a custom or unproven solution

# Engagement and Payments Merger

## Digital Engagement

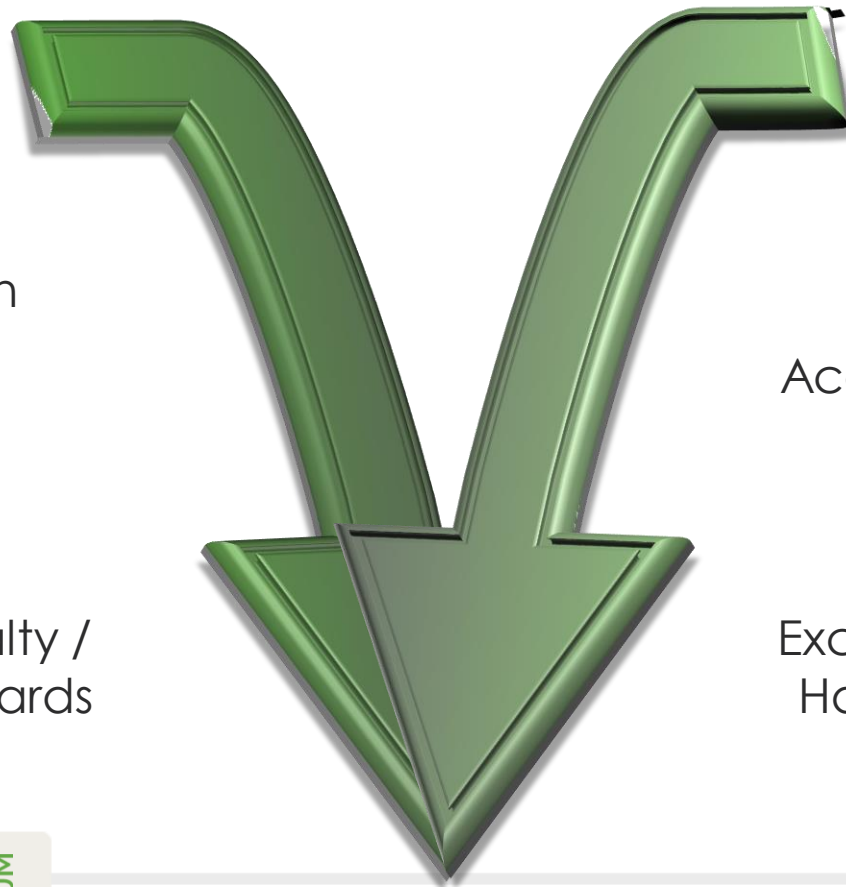
## Payment Operations

Acquisition Strategy

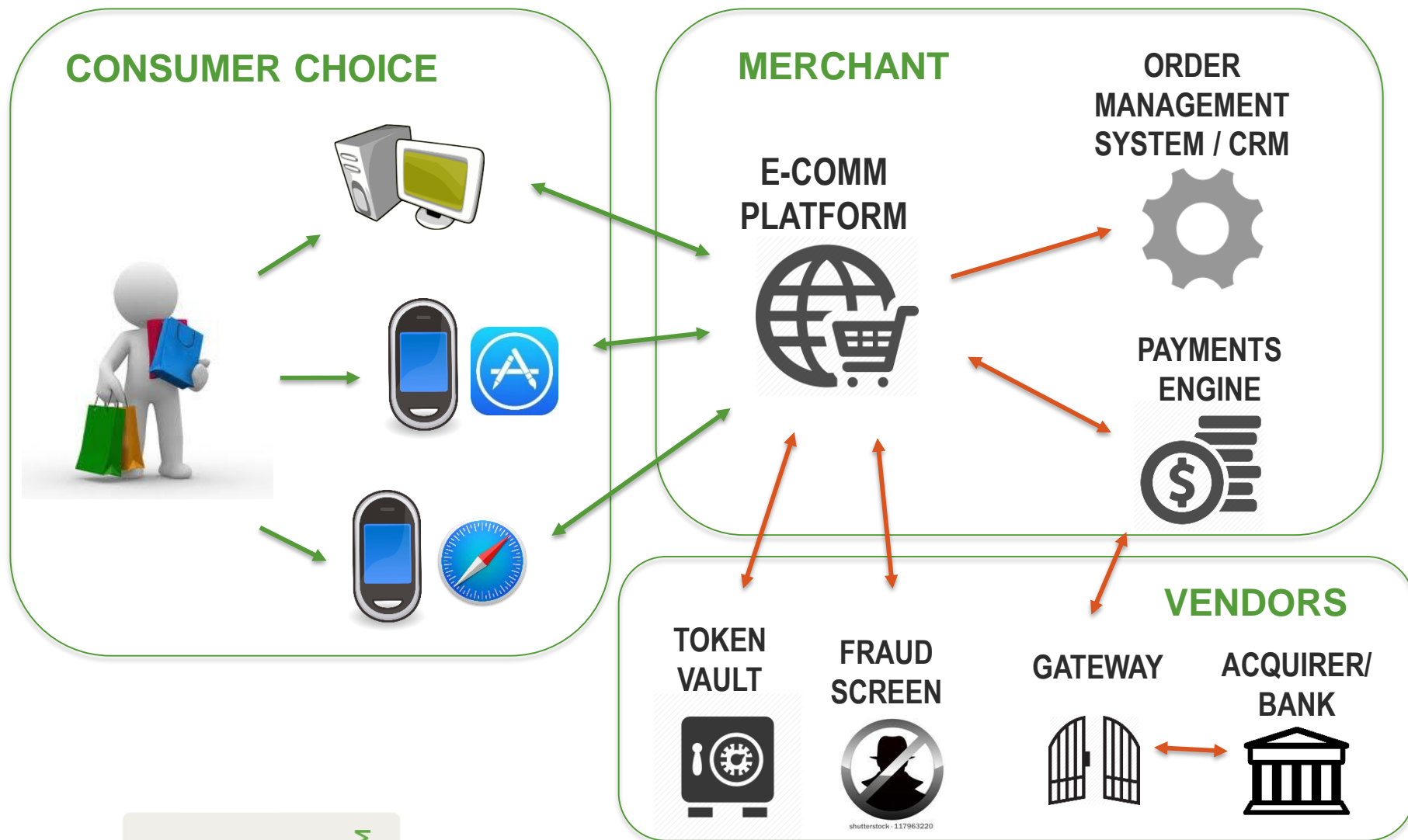
Payments Acceptance

Loyalty / Rewards

Exception Handling



# Sample Mobile/E-Comm Architecture



# What Should CNP Merchants Be Doing?

*Lots of good practices, few must haves*

## Customer Acquisition/ Conversion

- Mobile Enrollment Sites
- Direct Mail QR Codes
- Mobile Ordering

## Product Portal

- Upgrades/Downgrades
- Simple but Relevant User Experience

## Customer Service

- Address Updates
- Modify Card On File Credentials

## Customer Engagement

- Product Usage
- Offers/Coupons
- Push Notifications

## Payments

- Change/Add Tenders
- Dunning/Resolve Billing Issues

## Fraud/Security

- Balance fraud risk with friction
- Encryption and Tokenization

# QUESTIONS



**Kathy Levin**

**[klevin@nacha.org](mailto:klevin@nacha.org)**

**703-561-3929**



**Nick Fredrick**

**[nfredrick@wcapra.com](mailto:nfredrick@wcapra.com)**

**615-815-8327**

If you have any questions about the presentation, go to our LinkedIn Group (the [Payments Education Forum](#)) and request an invitation (this is a closed group specifically for the payments industry).