

The following guest article has been written for InternetRetailing by Rupert Blackham, Innovation Consultant at Salmon. Salmon is a global digital commerce consultancy that defines and delivers market-changing solutions and customer journeys for the world's leading brands.

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The hidden challenges of the mobile wallet

Digital wallets offer a wealth of opportunities for retailers and drive value for customers, making in-store payments more efficient, convenient and secure. However, they also bring challenges of which retailers need to be aware. *Rupert Blackham*, Innovation Consultant at global commerce consultancy Salmon, explains.

AS WE rapidly advance in the golden age of digital, it has never been more important for retailers to keep up with consumer demand. A 'digital-first' world means consumers demand service to be better and faster, expecting to shop at the pace, time and location of their choosing. Mobile technology is swiftly evolving and with it new and more advanced payment options are being made available with the rise of digital wallets. These have impacted both retailers and consumers over the past year with the launch of Apple Pay and pending launch of Google's Android wallet and Samsung Pay taking centre stage.

The launch of such services emphasises the need for retailers to keep up with the changing customer journey. With approximately two thirds of UK adults now owning a smartphone, retailers must seamlessly integrate customer experiences across multiple channels to meet customer demand.

There is no doubt that digital wallets offer a wealth of opportunities for retailers and drive value for customers. Not only do they make in-store payments more

efficient and convenient, they are also more secure through the added protection of biometric authentication technology. From the practicalities surrounding underground travel with TfL, to in-app single click purchases, to buying morning coffees with the tap of a phone, retailers will be required to prepare for new customer expectations. For retailers however, the opportunity comes with concern for the preparedness of existing payment processes.

Harnessing invaluable customer insight and data: Firstly, data capture is not automatically possible through mobile payment systems such as ApplePay. With mobile wallets, customer details and data are not exposed. Consequently, retailers will need to look at other means to harness data that offers them the invaluable customer insight to drive personalisation. For example, retailers can use reward and loyalty programmes to track multichannel purchase behaviours using mobile devices to connect the steps. These reward and loyalty cards can be exposed through the digital wallet and acknowledge presence through NFC. This will help improve customer service and loyalty whilst giving brands invaluable data for shaping their future marketing strategies.

Rethinking returns and refunds: With the evolution of the mobile wallet retailers need to consider the returns and refund process as mobile payments utilise a unique device number instead of the sixteen digit card number. Retailers will need to review this process to accommodate the change in technology and educate their staff with regards to the new mobile wallet technology to ensure that they are equipped with the right skills to continue providing a high level of customer service.

Maximising purchases: Due to the change in consumer behaviour, we have seen a growing consumer shift to contactless payments and as a result a rising demand for mobile and contactless payment options. As of September this year, the limit for contactless and mobile payments was increased to £30 which reflects this changing consumer behaviour. However, this cap still limits the amount of return retailers can expect from mobile payments. Consequently, retailers will need to take into account that mobile payments are best fit for smaller transactions. Currently the average spend on a contactless/mobile payment is £6.98, highlighting that consumers are more likely to purchase smaller and lower cost



products rather than big ticket items. As a result retailers need to think about whether mobile payments are a viable option in terms of return on investment.

WILL MOBILE PAYMENTS SEE SUCCESS?

The launch of mobile payments such as Apple and Android Pay could indeed revolutionise the retail landscape and is another step forward for the mobile wallet and contactless agenda. However, how successful it becomes will depend on how retailers respond to the challenges that it poses.

Consumers respect and return to brands that deliver an outstanding level of service and make their busy lives easier, fitting in rather than adding on, which is where mobile payments can make for an even more seamless customer journey. Retailers who wish to succeed will ensure that they are aware

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of the challenges and develop new ways of working. It is expected that mobile payments will see traction with consumers, with implementation by the likes of TfL and new in-app purchases such as Starbucks helping to drive the adoption.

In order to see a smooth embrace of mobile payments with retailers however, businesses in the sector need to work with technology partners to ensure they utilise the benefits mobile payments bring, but are most importantly ready and prepared to do so. Retailers who fail to see the opportunity with the mobile wallet are at risk of placing a barrier at the point-of-sale for their customers. Inevitably, the more payment options retailers make available to customers, the more customers will be able to make transactions and as a result, retailers will see an increase in sales. 