

Mobile Payments' Time Has Come

Leveraging the cloud and mobile apps, c-store retailers can offer mobile payment options faster and easier than ever before as consumer adoption grows

By Tammy Mastroberte

For years, there has been a buzz in the retail industry about the game-changing mobile payment options on the horizon. Experts touted that it wasn't a question of if, but rather a question of when. And it is becoming clear that the answer is now.

In the United States, mobile payments are expected to triple by 2021, going from \$80.7 billion in 2015 to \$282.9 billion in 2021, according to a report by Forrester Research. This includes three types of mobile payments: mobile remote payment (in app), in-person payment, and person-to-person or peer-to-peer payment. Mobile in-person payment is expected to grow the fastest.

"The low adoption rate of mobile payments in the years past was majorly due to the data breaches and security concerns of consumers," Yogiata Sharma, research analyst at Allied Market Research, told *Convenience Store News*. "However, with technological developments aimed at improving security, such as EMV-enabled payments and the standardization of the same by the government authorities, it has aided the growth of contactless POS [point-of-sale] terminals."

Mobile money dominates the overall U.S. mobile-payment market, accounting for roughly 66 percent of market share in 2015. But from a growth perspective, the mobile wallet and bank card segment is estimated to register significant growth in the coming years, as Sharma explained.

Today's consumers, especially millennials, are more invested in mobile technology, including wearables like the Apple Watch and connected cars, noted Bryan Russell, U.S. program manager, mobile payment and loyalty, for ExxonMobil. The oil company's Speedpass+ app currently accepts Apple Pay and Samsung Pay as forms of payment, in addition to any major credit or debit card.

"They are migrating more to devices and are expecting to be able to do their transactions and interface

with brands using these platforms," Russell said. "Our capabilities as an industry, with the point-of-sale and cloud computing, enables us to serve those needs, and they continue to improve and enhance."

The target customer for mobile payments is between the ages of 19 and 32, showing a high utilization of mobile wallet payments. Customers are often more willing to use mobile payments if there are incentives or a special discount tied to it, according to Sharma.

"For instance, when Starbucks launched its mobile app in the U.S. in 2015, nearly 21 percent of Starbucks' U.S. transactions were being conducted through the mobile app within a time span of one year. Customers consistently use this app to order and pay to avoid waiting in the cashier line," she said.

EASIER THAN EVER

While near-field communications (NFC) and contactless payments where consumers tap their phone are still being used, there has been a shift away from that, allowing for easier entry into the mobile payment arena.

Many Big Oil brands and marketers are using apps for payment processing.

"Most retailers deployed contactless or NFC inside the store, but not a lot have it at the pump because it's expensive. Using a mobile app, the authorization happens above the site from the mobile payment providers and they just push authorization down to the site," said James Hervey, director of product marketing, Americas Petroleum Solutions, at Verifone Inc., explaining that an NFC reader is not needed for this



type of transaction. “This has opened up the petroleum and convenience sector to mobile payment adoption because you don’t need any new equipment. You just need a mobile payment provider.”

Additionally, thanks to the Connexus Mobile Payment Standard, adopted by the majority of POS providers, all a chain needs to do is make sure they are on the most up-to-date version of their POS software and download the mobile API from their vendor. It takes less than 15 minutes to have a site connected to accept mobile payments, according to Donald Frieden, CEO of P97 Networks, a mobile commerce solution provider.

“If you are a branded marketer, all the work has been done because oil companies have launched their apps so a merchant doesn’t even have to worry about that,” Frieden said. “But even for private branded marketers, we work with the headquarters to select the payment types they want to enable and can roll out several hundred sites in a week.”

At ExxonMobil, the company leverages both Apple Pay and Samsung Pay through its Speedpass+ app. When someone downloads the app, it automatically recognizes if the person has either of those payment options already on their phone and lets them know they can start using it via Speedpass+, Russell explained.

“We make it streamlined so customers can use payment cards and wallets they already have, giving them a more enriched experience through the app because it integrates our loyalty program, manages receipts, and much more — all from one mobile payment app,” he noted.

Rather than asking retailers to purchase new hardware and NFC or contactless readers for the pump, ExxonMobil chose to go the “above site” route and was able to launch and scale the program quickly. Last year, it launched at more than 6,000 participating Exxon and Mobil stations. In less than a year, it scaled to almost 10,000 sites.

“Apart from the standard POS software upgrades, most ExxonMobil branded sites don’t need to add anything else to participate,” Russell said.

Shell Oil Co. is another industry player offering mobile payment options to its customers via an app. The company signed a multi-year agreement with JPMorgan Chase & Co. to accept Chase Pay at its stations across the U.S. At participating locations, customers can pay using their mobile phones either through the Shell app or the Chase Pay app.

“Chase Pay will help Shell transform our customer experience by tying the Fuel Rewards program to



Consumers expect the ability to do transactions with a brand across multiple devices, according to ExxonMobil.

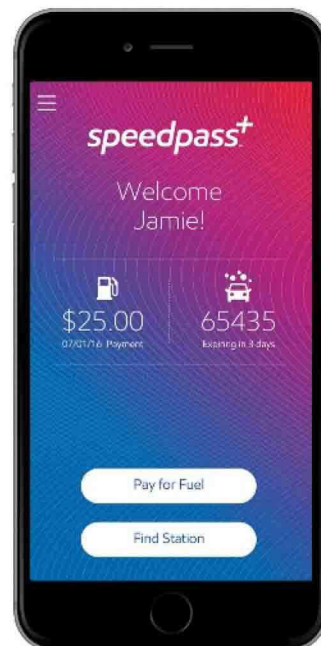
Chase Pay, giving millions of our shared customers a seamless, rewarding experience both at the pump and in our stores,” said Dan Little, head of North America marketing for Shell, based in Houston.

Phillips 66 is also partnering with Chase Pay to launch its new mobile commerce platform for the Phillips 66, Conoco and 76 fuel brands, driven by P97 Networks’ PetroZone solution. Using a mobile app, customers can locate stations, pay via the mobile payment wallet, and the company can deliver contextual commerce digital offers.

At a recent company event in Las Vegas, Phillips 66 previewed future mobile integrations with Synchrony Financial; a new branded mobile debit product; a loyalty program with Kickback Rewards Systems; and in-vehicle payment with Honda Developer Studio to allow consumers to purchase fuel from the infotainment unit of their car.

“There is still work to do before we see a big uptake of the connected car payment, but it will be game-changing and very transformational,” P97 Networks’ Frieden said. “By the end of the calendar year, we will see several automobile manufacturers that will be able to do some sort of mobile payment.”

In a recent announcement, ExxonMobil said its app now includes the ability for customers to pay with Ford SYNC 3, as well as with the Apple Watch, to purchase Synergy gasoline and car washes at 10,000 locations.



ExxonMobil’s Speedpass+ app currently accepts Apple Pay and Samsung Pay.

TECHNOLOGY

Enterprise + POS + Digital + Payment Systems + Business Intelligence

The Apple Watch functionality came through an update to the app, which also included the ability to pair with Ford cars.

“With Ford SYNC, it provides enhanced functionality and puts the app on the screen of the vehicle, enabling voice command to find the nearest store, select a pump, and pay for the fuel,” Russell explained. “We are also able to pull in the vehicle’s fuel gauge and put a virtual fuel gauge on the app.”

Since the rollout of mobile payment, ExxonMobil has seen mobile transactions increase seven-fold from one year prior, and the average customer who uses the Speedpass+ app is purchasing two times more than those using a third-party credit card.

“Also, when integrated with the Plenti loyalty program, we are seeing the purchases increase two and a half times more than our average customer,” Russell touted.

MULTIPLE BENEFITS

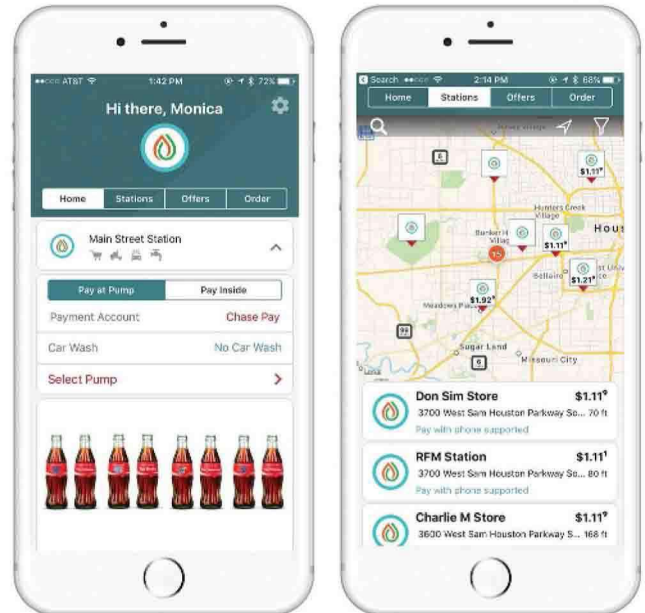
While offering mobile payment gives consumers more flexibility, a faster transaction, brand loyalty and more, convenience store chains are finding other rewards, too, as a result of adding the payment option to their stores.

“Everybody is realizing it’s not just about mobile payments, but how they can use digital marketing to transform their business,” Frieden said. “It gives them a platform to build relationships directly with the consumer, know what they are buying, and market to them to increase basket size.”

Mobile also provides basket details so retailers can see

what shoppers are buying and the frequency of their visits, and then incentivize them based on that activity. By leveraging the cloud, there is no dependency on systems either, so new marketing programs can be rolled out every week, Frieden pointed out.

“Benefits include inventory tracking and identifying customer traits, thereby analyzing their behavior,” Sharma of Allied Market Research explained. “[Retailers] can use the mobile payment records to understand bestselling products, identify times



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where demand for specific products is high, and other critical parameters.”

Offering mobile payment options, especially inside of a branded app, also helps with brand loyalty to drive more traffic to the app and to the store.

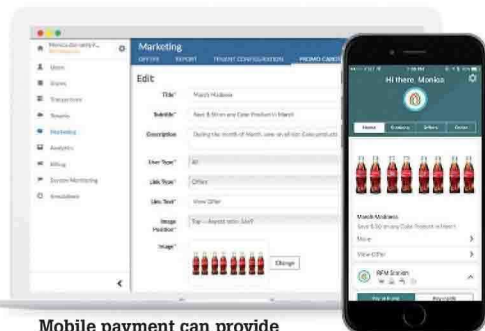
In addition to the improved speed, ease, value and security, Shell believes consumers are more likely to choose Shell as their brand of choice as a result. “This will drive more business to Shell sites, which will benefit from more loyalty, more volume and more convenience store sales,” Little noted.

As mobile payment continues to gain momentum, and new options like connected cars take hold, the future is likely to see mobile payments becoming more widely accepted and more widely expected by consumers.

“It is definitely going to play a role in the future and is here to stay,” said Verifone’s Hervey. “We will see more and more connected cars leverage the payment interface with wireless connectivity built in.”

Retailers that not only embrace mobile payment, but also the digital marketing opportunities that go along with it, will differentiate themselves in the markets where they operate and have a strategic advantage to drive more customer visits, said Frieden.

“I’m not sure mobile will move the needle for interchange reduction, but it will increase the gallons sold and the basket size in the store,” he said. “The future is millennials, and they do everything on their phone. If you don’t support mobile payments, you will be missing out on a potential market of consumers.” **CSN**



Mobile payment can provide retailers with market basket data.