

## NFC v QR Codes: Are Both Still Alive?

QR codes are not dead but they do face an uphill battle. **David Parker** examines the various companies choosing NFC, QR, and in some cases both and reviews the convenience of each. What will it take for both to survive in the ever competitive payments market and just how much impact will Apple Pay have?



June 2013, just over a year ago, and it was stated that NFC payments were dead. That was the conclusion of venture capitalist Matt Witheiler of Flybridge Capital Partners. "NFC pundits for years have claimed that an Apple entry into the market would herald the era of NFC. The belief was that Apple was the only phone vendor with enough market share and influence on retailers to actually pull NFC off.

And with 435m iTunes accounts worldwide, each with a funding mechanism of some sort, there was some truth in this." At this time Apple had no iPhone 6 announced and was, to put it mildly, being very reticent on any commitments re NFC.

So now Apple has thrown its full weight behind NFC, are we to assume the opposite is true and it can be heralded as the saviour of NFC? After all if we just look at the numbers- even before Apple's announcement- we find that contactless payment terminals are now live in 63 markets worldwide, including 34 countries in Europe.

MasterCard and Visa are continually trying to 'out PR' each other with MasterCard advising that their brands can be used at almost two million merchant locations worldwide, representing more than a 180% year-on-year increase.

Adding that the number of contactless transactions across Europe has more than tripled, and the volume spent on those transactions has increased four times year-on-year. Whilst Visa Europe has commented that European contactless transactions have nearly tripled and

terminals almost doubled. It also said that in 2013 the top five markets to embrace Visa contactless payments in Europe were:

- **Poland**  
158.7 million purchases
- **UK**  
94.3 million purchases
- **Czech Republic**  
30.6 million purchases
- **Slovakia**  
23.1 million purchases
- **Spain**  
17.5 million purchases

And even The UK Cards Association's head of policy, Richard Koch has stated that for the UK "there are 125 NFC transactions every minute, or about 70 million a year".

The schemes and financial institutions have thus put considerable effort, time and money into driving contactless, and would no doubt argue that the launch of Apple Pay, on the scheme rails and using NFC as its method of communication between mobile phones and retailers is the confirmation in this technology, if not the nail in the coffin for QR codes when it comes to payments.

The issue is that no-one told the challengers, those organisations looking to take on the big incumbent schemes, that QR was dead. In the US we have seen major retailers such as Walmart, CVS Health and Rite Aid state they are disabling Apple Pay. But in reality this is not about just disabling Apple Pay this is about disabling all

NFC transactions through those terminals.

Why? Well, these merchants are all part of MCX (see logos for all members) and represent 110,000 retail locations and process over \$1tn in payments annually. They have reportedly signed three-year mobile payment app exclusivity deals with MCX.

Retailers who signed up may have had a one-year grace period from the start of their exclusivity contract to exit out of the deal, but seeing as many may have signed up in 2012 this will have passed.

And thus, as it is 'exclusive' for mobile payments, they have turned off NFC even though this will affect cards with NFC on them as well – although card based NFC has yet to really launch in the US.

Likewise here in the UK when using Zapp, if you're in a shop, you will be able to pay using NFC, by scanning a QR code at the retailer or entering a PIN given by the retailer to confirm the transaction.

Whilst Zapp seems to be hedging its bets between QR codes, NFC and even a PIN solution, with the expectation that retailers will be able to choose the options that best suit, its terminal infrastructure, MCX and its CurrentC app is 100% QR code based.

However, in early November it was reported that CEO of MCX, Dekkers Davidson stated that while the design of the mobile payments system has been based on QR codes until now, it is not out of the realm of possibility that they will head in other directions, such as with NFC technology.

But again if we look international whilst NFC is rolling out strongly in the huge market of China WeChat, Alipay and Tencent have all started to experiment with QR-ready functions.

WeChat has added a new swipe function for its payment services. Cashiers will be able to scan the digital barcode produced by a customer's cell phone rather than swiping a bank card. Alipay launched a promotional activity along with convenience store chain FamilyMart in Shanghai in August. All transactions made before September 16 through Alipay Wallet received a 10% discount. Even the Postal Savings Bank of China started internal test runs of its QR Code payment service at the beginning of August.

Another global play around QR codes is that of PowaTag, which has had an investment of over \$100m. It is made up of several components; there's a QR code for printed ads that enables instant purchases.

This QR code can also be featured on price tags so that passing trade can buy products in the window when a store is closed, or have goods delivered when sizes are out of stock as well as enabling retail purchases.

With offices in 14 countries around the world and 240 retailers such as Reebok, Adidas, Universal Music, Carrefour and jeweller Theo Fennell signed up they have already started making headway into establishing a retail network presence.

So who will win, are QR codes dead? The main challenge is posed by the consumer. Certainly the current MCX customer journey seems somewhat clunky:

- The consumer unlocks their phone
- Opens the CurrentC app
- Opens the code scanner
- Scans the QR code shown on the cashier's screen (In some cases, the reverse may happen whereby the consumer's CurrentC app displays a payment code and the cashier scans it. If a QR code can't be generated, a manually entered numeric code may be offered.)

And if we compare this to the Apple Pay customer journey:

- Hold the phone by the terminal with the NFC symbol
- Phone will turn on/divert from whatever else it is doing
- It will show you a choice of cards if you have more than one loaded so you can select the card or leave as default
- Put your finger on the Touch ID sensor and it is sorted

I would contend the customer journey is much easier and less clunky with Apple, as one would expect, so what will make a consumer choose MCX? Maybe some great retail offers or discounts.

Likewise with Powa, there is likely to have to be some sort of retail incentive and loyalty to get consumers to switch over from their tried and tested cards. Furthermore, with the big money of banks and the schemes backing NFC, which now include Apple, while it may not be the death of QR codes, they certainly face an uphill battle. ■

## Sixdots

Customers of nine Belgium-based banks, representing 80% of the Belgian market, can now make use of Sixdots. Using a combination of QR codes and a six-digit PIN, users can make payments in-store, online and amongst friends.

Partners for the platform include the following banks:

- BNP Paribas Fortis
- KBC
- ING
- Belfius
- Fintro
- Record Bank
- Bpost Bank
- Hello Bank!
- CBC.

They are working in association with network operator Proximus and payment processor Bancontact/Mister Cash.

The app works by adding a bank card and choosing a six-digit PIN code to activate the service. The platform then

allows payments through scanning QR codes on a friend's telephone, computer screen or receipt, and entering your PIN code.

Security is apparently guaranteed as no data is stored on the user's phone. In addition, when using the app, card details are no longer stored in the seller's database when making online or in-app payments.

Sixdots sees even more potential for the app. New services planned for launch over the next year are the ability to add multiple cards, including credit cards, and introducing coupons and loyalty cards to the platform.

Further planned features include using Sixdots as a secure proof of identity and linking their Sixdots account to their own personal digital banking applications.

The service is available for use at all merchants which have activated the Bancontact/Mister Cash mobile service. Plans to integrate with Mastercard's MasterPass have been postponed to ensure its next steps are successful.