

RETAIL BANKER INTERNATIONAL

June 2014 Issue 702

www.retailbankerinternational.com

The Digital Banking Club live debate: “The digital wallet industry is the banks’ to lose”

The latest Digital Banking Club live debate saw a panel of experts debate the benefits of mobile payments through banks’ existing mobile banking apps. Amid arguments over semantics and branding, the panel found some common ground. **Billy Bambrough** reports the highlights from the most exciting debate yet

Becoming a part of the furniture at The Digital Banking Club debates, Intelligent Environments head of strategy Simon Cadbury, immediately rubs Polymath Consulting CEO David Parker up the wrong way, as the two clash

over the definition of a mobile wallet.

Cadbury opens the debate in his usual polished style, first identifying the industry’s huge failures in the form of the \$300m Google Wallet and the now defunct Square Wallet before turning the spot light on the

darlings of the UK’s digital payments space, Paym and Zapp.

Cadbury tells the audience: “The mobile wallet can do so much more than the plastic and cash can and I think we will get to a point when we no longer have to carry around a traditional wallet. Obviously this isn’t going to happen overnight, but it is going to evolve gradually.”

Parker takes this opportunity to air his feelings on the term mobile wallet, declaring: “I hate the term mobile wallet.”

Parker explains: “Take out the word mobile for a second. If I accessed a wallet from a PC would I call that a PC wallet?”

If I pay using a smartwatch would I call that a watch wallet?”

According to Parker a “wallet” is just an account and a mobile is just a channel, a way of accessing the account. Much as Neteller and Paypal access your prepaid card. We should stop talking about mobile wallets because the first word there is nothing more than an access channel. A mobile is not required to use a digital wallet when out and about, it is just the current device of choice.

The wallet channel is going to change but the digital account will be accessible from any channel. Parker says: “There are very few true mobile wallets around but there are some digital wallets you can only access on your mobile, Tigo in Tanzania for instance.”

“A mobile enabled digital wallet should not be called a mobile wallet”

One of the things that mobile wallet providers continue to find from consumer research is that people want to be able to access the wallet on their PC as well as mobile. They want an omnichannel experience.

“Consumers may eventually start using a digital wallet for mobile payments through NFC or similar tech but if I go on to my mobile and pay for something over the internet, is that a mobile payment,” asks Parker, “Not in my view.”

With fellow panellists, Darren Foulds,

Panel bios

Douglas Blakey, group editor for consumer finance and TDBC chairman, Timetric
Douglas Blakey is Group Editor, Consumer Finance at Timetric, chief of judges for the annual Retail Banker International Awards and lead market advisor for Timetric’s retail banking research division.

Darren Foulds, director of mobile and Pingit, Barclays

Darren joined Barclays in 2001 and has worked across a number of roles within the retail and business banking division from strategy, design to programme management. Recently he has been leading the design development of the digital innovation including a number of mobile payment products for Barclays. As director of Pingit and mobile banking for Barclays, Darren has overseen the successful launch of both Pingit and Barclay’s mobile banking during 2012. In addition, Darren has overseen the launch and development of the successful mobile banking proposition from Barclays which was downloaded by 1.4m customers in its first five months.

Benjamin Ensor, Vice President, Research Director, Forrester

Benjamin serves eBusiness & Channel Strategy Professionals. His research focuses on how consumers perceive, adopt, and use new technologies and what that means for business executives at consumer companies, encompassing topics like customer segmentation, business models, and managing multiple distribution channels. His research explores how emerging technologies like the Internet and mobile phones affect consumers’ behaviour, what motivates their use of different channels for different tasks, and how new channels and technologies are changing consumers’ media consumption and their relationships with consumer firms like retailers and financial services companies.

David Parker, founder, director, CEO Polymath Consulting

David is the founder and CEO of Polymath Consulting who work on projects and advise organisations across the Cards & Payments industry. Polymath Consulting and David are particularly well known for their work on e-wallets/Mobile Payments and prepaid cards. He has worked across the complete value chain helping banks with their overall prepaid strategy right through to market entry analysis; as well as working with telcos, processors and programme managers on segment analysis, certification and membership applications. Other areas of support have included outsource partner review, RFP and partner selection right through to proposition development.

Simon Cadbury, head of strategy and innovation, Intelligent Environments

Simon joined in November 2013 as head of strategy & innovation. He came from Lloyds Banking Group (the UK’s largest retail bank with brands including Lloyds, Bank of Scotland & Halifax) where he was responsible for payment technology and also sat on the credit cards leadership team.



From left to right, panelists: David Parker; Ben Ensor; Douglas Blakey; Simon Cadbury, and Darren Foulds

director of mobile and Pingit at Barclays, and Ben Ensor, banking research director at Forrester, nodding along with him. Parker rounds off with: "If the payment is made with NFC or a QR code then that is a mobile payment but most of what mobile does these days is enable online payments, not true mobile payments."

Foulds echoes Parkers point, adding that banks have to remain in tune with the demands of the customer and making sure the service provides a demonstrable benefit to the consumer.

Referring to Barclay's lauded Pingit app Foulds tells attendees that payments have been core to Barclay's mobile banking strategy. Foulds says: "Mobile payments and mobile accounts will grow and it has already grown significantly over this year. Mobile is now part of how our customers engage with us."

The Digital Banking Club chairman and debate host Douglas Blakey puts Foulds on the spot about how Barclays measures customer engagement.

Foulds reveals that net promoter scores are a big source of interest as well as Barclays own version of the two-way customer to bank conversation platform, called Your Bank.

Recent research from Forrester has shown that tablet banking users are set to overtake mobile banking users by 2018. Blakey asks Ensor what he made of the research and what it meant for mobile payments.

Ensor is keen to draw on Parker's original point on the channel being no more than a digital wallet enabler, and not the defining feature of the wallet.

Ensor says: "The point is that it really

doesn't matter which digital channel customers are using, it's about the shift from traditional physical wallets to digital technologies. It's about thinking how to deliver value to customers through digital technology.

"While it's true that tablet banking will overtake mobile banking it doesn't fundamentally change what a bank needs to do strategically which is remaining focused on what the customer wants and how can we use digital technology."

Ensor reminds panellists and attendees that payments are only one component of digital wallets. Forrester defines a digital wallet as something that combines offers and coupons, multiple forms of payments and loyalty and rewards. The reason companies are interested in this and why the digital wallet is a key battle ground is because of the wealth of data that the wallet is able to collect, which is very valuable to advertisers.

Turning the conversation to the mobile wallet recent failures Blakey asks Cadbury why non-bank digital wallet providers have struggled.

Cadbury feels that the complexity of the market makes it difficult for new entrants to break through. "Banks are best placed because the payments ecosystem right now is complicated. There are four different parties that have to be moving at the same pace and end up just slowing everyone down. The customer has to possess the technology and feel comfortable using it," says Cadbury.

"The merchant has to see the benefit of investing in the infrastructure. You have to have the merchant's bank to support that and be able to process payments in that way. Finally you have to have the customer's bank on board with the technology."

Cadbury points to the slow take up that contactless cards have had in the UK, with many merchants unwilling to spend the money on overhauling their POS systems for what is seen as an incremental gain.

Due to the established mobile banking platform that traditional banks already have, with Barclay's customers logging on 27 times a month on average, customers have already demonstrated they are willing to use their mobile device for banking so the transition to payments should come easier.

For e-commerce, Cadbury believes, using your mobile to verify the transaction rather than a piece of plastic is likely to happen very soon and will focus on mobile above tablet due to customers always being in close proximity to their phone.

Parker chips in with the example of London Underground users "jam jarring" their Oyster cards to keep them separate, in order to minimise damage if either their wallet or their phone gets stolen.

Parker is adamant that people will not feel secure relying on one device which has all of their money and data on it as well as the problems that crop up when you travel and different places use entirely different systems.

For Parker banks are not going to win the digital wallet market due to their lack of emotional relationship with the customer.

Parker says: "Customers have an emotional relationship with a brand and a transactional relationship with their bank.

"There are certain target audiences that are better reached on an emotional brand level. The only bank which is close to this emotional brand positioning is Virgin."

Ensor disagrees, arguing that First Direct and Barclays have a strong brand identity

already and are working hard to develop it further.

Incentivising the customer to use a digital wallet will always be important to get the ball rolling. People are often unwilling to try something new if they do not see an immediate benefit.

Foulds says: "I think, to be perfectly honest, as an industry we need to do more around education around digital, because if we don't do that we won't be able to leverage our bases, we won't be able to leverage our data."

Barclays is consistently mentioned in regards to digital banking and innovation. The bank is in a good position but remaining at the top can be as hard as getting there.

On Barclay's upcoming work in digital, Foulds told the audience: "We're not complacent. A lot of the innovation that we generally do is part of sustaining, making the service slightly better. But if you really want to get to true innovation then you need to open yourself up and I think we have taken steps, we have recently opened our accelerator in Whitechapel where we are partnering with 11 companies."

Cadbury is concerned that the regulator is going to step in at some point because the industry has not done enough to move forward on its own. Cadbury says: "The regulator might break up card schemes like Visa and follow a similar model to BT where the divisions are separated and the network's opened up to new players, who could then bring that technology themselves."

"When is Google going to become a bank?" - the answer is never"

Ensor is wary of the regulations and adds: The regulator has to some extent protected the banks and the payments industry, but don't make the mistake of thinking regulation shields you. The other interesting thing is, when you look at a lot of the start-ups and new entrants, they don't really count - they avoid getting regulated.

"We sometimes get asked "When is Google going to become a bank?" - the answer is never. They're too clever to become a bank - why would you want to be regulated like a bank?" Asked by Blakey to give their opinions on where we will be in just three years the panel all see the digital wallet war playing out in very different ways.

For Parker, 2017 will not be far removed from today with people using a prepaid travel card, with maybe our quick spends on our phone. "I will still be carrying my credit card and a few other cards in my wallet because, do you know what? I like to know I've always got backups and my phone does go dead eventually."

Cadbury thinks phones will be far more ubiquitous in payments than they are today, with people widely using stickers on phones as a contactless card replacement. With Paym, Zapp, V.Me, and MasterPass Cadbury can see us paying plumbers, builders and babysitters regularly with our phones.

Foulds does not believe there will be a dramatic shift in just three years. He says: "We're going to see a continual evolution of the propositions that are on the market. I think actually there's a lot of investment we need to make in terms of how we engage with customers and how we get the confidence across the customer base to actually use this technology on the terms."

Ensor agrees, arguing that because of the

complexity of payments change will always take much longer than we expect. Though he thinks there will be advancements: "I think the functionalities of mobile banking will be far greater than they are today. I think we'll see more offers from our banks that come from retailers. I think we will see a partnership between PayPal and Apple that will scare the wits out of banks and the payments industry and cause a lot of other firms to start thinking."

Ensor ends the debate with the point that younger customers are beginning to say: I'm choosing my bank based on its mobile services. Opening up the panel to questions from the floor, Anthony Lloyd-Perks, head of sales for the UK and Ireland at Gemalto asks how the panel feels the move to HCE will affect the industry.

Parker fields the question, responding: "Telcos are still arguing that SIM based NFC has its advantages. The move to HCE is set to make the telcos much more competitive as it gives banks an option to cut them out of the process."

"The key thing HCE will do is allow a lot of new entrants into the market and force telcos to become a lot more flexible in how they work with other parties."

The final question, bringing the event to a close, is on beacon technology and BLE and how it will affect the industry. Parker sees beacons as promising due to the backing it has had from tech industry mover Apple.

Although he thinks that too many customers will simply shut off their Bluetooth and not be inclined to turn it on for individual transactions. Ensor gets the events last word arguing that the cost and speed of installation of beacons is what could set them apart from other mobile payments. ■

