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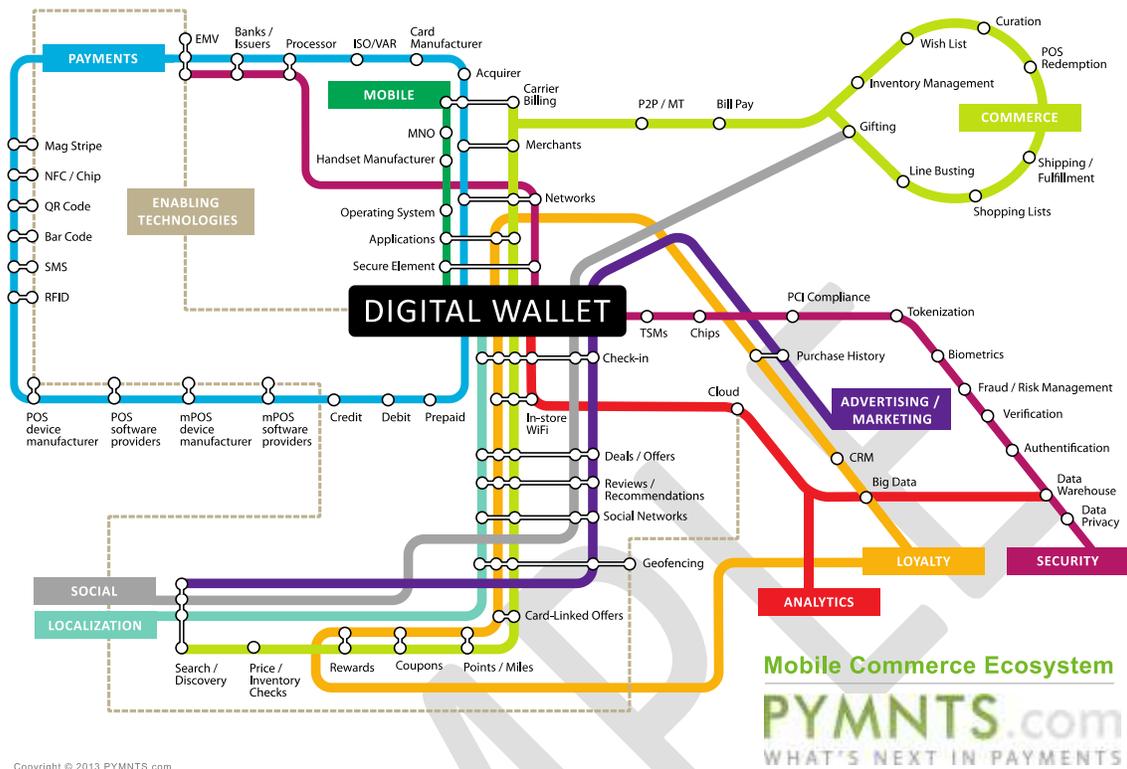
# Mobile Commerce

INSIDER SERIES

**Monthly Reports & Digital Discussions**

on everything at the intersection of **Mobile, Payments** and **Commerce**

November 2013 Edition



Mobile Commerce has become a term we use at PYMNTS.com to describe the reinvention taking place in payments, all thanks to the mash up of connected devices, the cloud, and the availability and use of data. The evidence of this transformation can be seen just about every day across just about every corner of the ecosystem, whether it is using mobile devices to distribute location based offers to using of mobile point of sale systems in stores to improve the merchant/customer experience, to using phones to pay at the register in physical storefronts to the efforts by various players to keep transaction data secure and to authenticate users to using “big data” to tailor relevant offers to consumers. But, one thing’s for sure: the possibilities for everyone in this broadly defined ecosystem are far greater than just swapping out a phone or a tablet or whatever connected device will follow for a plastic card. As a result, our “transit map” was developed to articulate the many ecosystems that will all come together to influence the ways in which this reinvention and transformation will ultimately happen for consumers and merchants.

We also believe that the “central hub” for all of these ecosystems is the digital wallet – a concept that will also evolve as these ecosystems mesh. Our point of view is that all of the payments options and applications designed to engage and influence consumers will need some organizing “container” that helps aggregate and prioritize and make useful all of the things that are important to consumers during their shopping and buying journey. What this ultimately looks like and who ‘owns’ it is yet to be determined, but is an increasingly important artifact in delivering and supporting the consumer and merchant experience in the future.

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## INTRODUCTION

Hello Insiders!

Welcome to our very first Mobile Insider's Report! It's hard to believe that it's been only 60 days or so since we all said our fond farewells at PYMNTS Summer School. So much has happened – and the activity level associated with mobile commerce has been steady, intense, and a really important barometer to assessing the future of mobile and commerce in the US. The aim of this report (and every one of our subsequent PYMNTS Mobile Commerce Insider Series Reports) is to curate and create context around the things that will impact mobile commerce – and the standing of the players across the mobile commerce ecosystem. This month's 20+ page report will give you all that you need to process and apply these activities to your business.



The theme of this month's report is **Mobile Commerce and the Three S's** – inspired, somewhat tangentially by Nathaniel Hawthorne's infamous novel, *House of the Seven Gables*, set in Salem, MA in the mid 1800's. As you know, I live in Boston, and Halloween is a big deal here and all over Massachusetts. In fact, in Salem it is like nothing else you've ever seen. The "Seven Gables," described an architectural feature of this iconic house in which the destiny of a very prominent family chronicled in the novel evolved. The house is actually a real house, about 18 miles north of Boston in Salem and operates as a museum today.

Now, all you students of Hawthorne's work will be relieved to know that one of the "S's" doesn't stand for "supernatural" which was a key theme in Hawthorne's book, nor are any of the "S's" quite as, shall we say, controversial as the one documented in Hawthorne's earlier tome, *The Scarlett Letter*. But, if mobile commerce is your interest, they are just as iconic.

So, here they are.

**S is for Standards.**

**S is for Shopping.**

**S is for Shifts**

**(Purchase the subscription to learn the details of each S!)**

So, with the "Three S's" as a backdrop, I hope you enjoy this issue of the PYMNTS Mobile Commerce Insider Series Report. If you find something particularly insightful and want to share, we'd love it if you sent shout outs to me on Twitter at [@karenmpd](https://twitter.com/karenmpd) #mobileinsiders.

**PAYMENTS**

**Brands make a token move**

Getting all the players able to communicate using the same protocols and standards for initiating and settling payments is becoming increasingly necessary in the digital age.

And the major card brands want those standards to focus on their legacy rails. American Express, MasterCard and Visa are proposing [a framework](#) for a new global standard to enhance the security of digital payments and to simplify the purchasing experience when shopping on a mobile phone, tablet, personal computer or other smart device. EMV chip card standards body EMVCo is coordinating the effort and is establishing a working group to bring others into the standard framework.

Aligned with these initiatives, the proposed standard would allow the traditional account number to be replaced with a digital payment “token” for online and mobile transactions.

**PayPal continues its hot streak**

PayPal has been busy building its emerging payments empire. It [acquired](#) online merchant processor Braintree for \$800 million and it announced a [partnership](#) with Blackhawk that will bring gift card services to the digital wallet. As a result of that deal, PayPal customers will have access to Blackhawk’s physical gift cards and eGifts.

Micros plans to [integrate](#) PayPal into its retail POS platform, while Mercury Payment System will offer customers PayPal [in stores](#).

PayPal also launched [Beacon](#), a triangle-shaped hardware device that plugs into any power source or PC and acts as an in-store location system using Bluetooth Low Energy (BLE). Merchants will be able to use Beacon to “check in” any customers who have entered their stores and have given them permission to access their location via Beacon.

**Has Isis finally collapsed?**

Capital One, which participated in the Isis pilots in Salt Lake City and Austin, says it is [dropping out](#) as Isis makes plans for its national roll out. But, BlackBerry may be coming to [Isis’ rescue](#). Isis is working on an app for the BlackBerry 10 operating system. Not sure if anyone thinks Blackberry will save the struggling mobile wallet, but we shall see.

**KEY TAKAWAY**

The market has spoken – NFC is being pushed further onto the back burner as innovators move away from hardware specific solutions and towards cloud-based software schemes.

**PLAYER OF THE MONTH**



For continuing to dominate the headlines with the acquisition of Braintree and the launch of Beacon

### Mobile-payments remain low

Mobile Payments Today's "2014 Mobile Payments State of the Industry Report" [reveals](#) that while 95 percent of study respondents now own smartphones, only 25 percent have paid with a mobile device in a physical store, and only 18 percent reported to scanning a QR code to make a payment.

### In other Payments news:

- The Federal Reserve Board has decided to [appeal](#) a ruling by US District Judge Richard Leon to toss out rules dictating how interchange rates.
- Heartland [invests](#) \$20 million in mobile POS provider Leaf.
- Former Citigroup payments executive Raja Rajamannar took over as the [new chief marketing officer](#) at MasterCard, effective Sept. 9.
- Jeffrey Sloan is [named](#) CEO of Global Payments.
- Clinkle [appoints](#) ex-Netflix CFO Barry McCarthy as chief operating officer.
- Experian will [pay](#) \$324 million to acquire 41<sup>st</sup> Parameter.
- CVC Capital Partners [purchased](#) 75% ownership of Skrill for \$798 million.
- Swipely [completes](#) \$12 million Series B round of financing.
- LevelUp [announces](#) \$7.5 million in new capital.
- Mobile payments and hospitality company TabbedOut [announces](#) \$7.75 million in Series B funding.
- CardFlight [reveals](#) \$1.6 million in new seed funding.
- Flint [announces](#) \$6 million in new Series B funding.

## Preview report does not contain all sections

### INSIDER INSIGHTS

If there was ever any doubt about the future of mobile commerce as one that lives in and will be driven by the cloud, that doubt should be forever laid to rest.

Just about every announcement discussed in this report is something that was enabled by software and the cloud. That means that the decisions made 6 months ago, or even earlier, by merchants to put resources and money behind those initiatives, for services providers to enable these initiatives and use cases, for VCs to fund cloud-based start-ups and for players to acquire them for some pretty high valuations, rejected what had come to be the prevailing wisdom of mobile commerce's future – hardware-based solutions wrapped around an NFC standard.

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Thankfully, we are now starting to see the promise of this powerful triumvirate take hold in the mobile commerce arena.

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Payment may be invisible in the future, but it is a critical proof point for validating the promise of mobile commerce.

Contact Pamela Bittner at [pbittner@pymnts.com](mailto:pbittner@pymnts.com) or Jacqueline Murphy at [jmurphy@pymnts.com](mailto:jmurphy@pymnts.com) to register for the PYMNTS.com Mobile Insiders Series

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