Innovation: Are we getting ahead of ourselves?

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Is it time to ask ourselves if “we should” just because “we could” implement new technologies for mobile or online retailing and payment? Yes, we should ask, and for a number of reasons.

Payment will always be an expense for merchants and the more technologies that need to be supported, the greater the impact on the bottom line. And that is true not just of merchants. Issuers and acquirers also have costs related to payment, so business cases might continue to be hard to build as we move forward. What factors need to be considered in the early stages? How do you balance risk and reward?

Consumers
Let’s start by looking at consumers. You’ll always have innovators and early adopters who eagerly anticipate new technology, but traditionally they account for only 16% of the market. The next 34% are the early majority. With the speed that technology is evolving, by the time you get the remaining 50% of the market using your technology or application, several new ones are either possible, in the planning stages or already deployed.

When you are launching something that will help customers shop more, this curve is not an issue and you have a profit margin to put into your business case. However, if you are only looking at payment innovation, it is harder to build the same case unless you can leverage your investment in other ways. Will this payment innovation help bind the customer to you? Will it drive access to additional data that you can use for marketing? Are there other benefits from bringing it to market? There have been instances where issuers, both card and app, have invested in order to be the first to market. In some cases it was to build their profile to attract investors or even buyers. In other cases it was to enhance their reputation as an innovator. All of these can be good reasons that change a “could” to a “should”.

Payment Myths and Realities
Every once in a while an optimistic business case is built on a mythical foundation. Here are two of the more popular market myths clouding the “could”, “should” scenario.

- Consumers expect to be able to pay any way they want
- Merchants need to accept every payment product

Neither of these is true. Most Canadians have more than one way to pay in person and often online. Already, there are plans to provide many different ways to pay on mobile devices. It is fair to say that Canadians, and I expect most people around the world, want some choice but they don’t expect the range to be extensive.

Today, not all merchants accept every form of payment. Not everyone accepts cash. Not every merchant accepts all major credit card brands. Some don’t accept any form of debit and an increasing
number of merchants no longer accept cheques at the point of sale. None of this has been a problem for consumers.

So it is fair to say that for almost every payment product in the past and for those in the future, some people will want to use them. The trick is to determine whether the rewards of implementation or consequences of not implementing are great enough to warrant moving forward given the likely number of users. If you decide to go ahead, technology won’t be your challenge, but partnership may well be your complexity.

**Partnerships**

The great myth is that every partner expects to see a financial profit from their involvement. The reality is that some have other motivations. They may want to expand their client base in order to sell core products and services or they may have new ones that would benefit from a larger base. Customer stickiness may be their objective.

One thing is clear. More and more partners are required to support m-payment and m-commerce and that is making the business case harder to build. There is also the risk that the time it takes to iron out the deal could cause you to miss your window of opportunity, taking you from a “could” to a “can’t any more”.

**Privacy and Security**

When it comes to m-commerce and payment, consumer trust strongly influences a buyer’s behaviour. Privacy and security are often thought of together, but they are two very different items. When it comes to all things mobile, the gap may grow even larger. Consumers are becoming more aware of the degree of scrutiny that they are under due to their use of technology. It is impossible to know whether they will rebel, which could jeopardize some m-commerce initiatives or whether they will decide that this is the new reality. Until we know which way they will react, both possibilities and the resultant consequences will need to be identified and monitored.

My breaking point was when one hotel from a search I did for my next trip started to appear on every web site I visited, for days afterwards. Adding to my discomfort was that it wasn’t a pop-up, but appeared as though it was embedded in the sites I was visiting. Ask me if I now want merchants knowing that I am walking down the street they are on. Getting consumer privacy right may be the hardest part of m-commerce.

**Could and Should**

Every deal is different but you can mitigate your risks by being clear about whether you are closer to “should” or “could” for every new venture. May you always pick the “shoulds” and may your competitors pursue the “coulds”.