

Pipeline

Knowledge Is Power

www.pipelinepub.com Volume 5, Issue 4

When Can I Pay by Wireless?

by Ed Finegold

There are very few places that sell anything that won't accept a credit or debit card, even on a remote island like Jost Van Dyke in the British Virgin Islands. After snorkeling, you can walk up the beach into Foxy's and buy the whole bar a round of rum punch with the swipe of a card. Foxy's doesn't have a floor, or walls for that matter, but it has a digital cash register and a POS terminal. Eight years ago Jost Van Dyke didn't have a road or a cell tower, but today it has one of each. Chicago has many roads, cell sites, and ubiquitous POS terminals in every restaurant, shop, and all over O'Hare airport. But if you're sitting in the stands at Wrigley Field and don't want to get up for a beer and a dog, you still have to pay cash to the guy hawking the suds. If Derek Lee is about to hit another bomb out across Waveland, you don't want to miss it because you're out of cash and waiting in line for an Old Style and an Italian sausage while clutching your Visa check card. Naturally, the question arises, "when will I finally be able to pay for everything with my cell phone?" If you're in Japan, the answer is "today." But here in the U.S., and throughout most of Western Europe, it might be a little while.

McMobile Payments

Going from the fixed POS terminals we see today to enabling payments through mobile phones seems like a logical progression. It's hard to imagine why anyone who's trying to sell anything wouldn't want to make it even easier to do than sending a text message. For telecoms, this should represent a wide open opportunity to bring a potent application to market. At some point in the near future it will – but the market isn't quite ready just yet.

On the surface it would seem that a company like McDonald's, for instance, would be banging down AT&T Wireless' door to put its menu on MediaNet and enable instant payment through the mobile phone. Why should anyone wait in the drive-thru line when it could be as easy as pressing a few buttons, paying automatically via mobile phone, and then simply hitting the pick up window on the way home? According to a spokesman from McDonald's, the company has found that its customers "like the face to face interaction with our crew." He explains that McDonald's goal is to "maintain a 90 second service time at the counter and drive-thru" and that its restaurants are able to maintain that metric "without the use of wireless technology" and therefore hasn't reached "the point where we'd need to

use that technology yet.”

He says that the 90 second service time is a self-imposed standard and is the “one factor that drives our decision the most.” If the company needed to change the way it operates to maintain that standard, it would look at wireless capabilities again. He says that McDonald’s has “looked at” using wireless applications for ordering and payment, and sees them as pretty common in Japan, “but it’s not something we’re evaluating right now in the U.S.”



It’s difficult to buy the idea that McDonald’s doesn’t want to go wireless because customers truly enjoy face to face interactions with the staff. It’s also difficult to believe, from personal experience, that all McDonald’s restaurants consistently serve customers within a 90 second window. What’s obvious is that the company doesn’t see a measurable or predictable payback for adopting mobile phone-based ordering and payment. For a large enterprise, adopting any new technology can be a multi-billion dollar risk that needs to have a well defined business case. It makes sense that a large company like McDonald’s would wait until western society is ready to pay for things using a mobile phone before it would adopt the approach.

Infrastructure Ready

For once, it’s society and not technology that might be holding back the move to mobile commerce. “What you described is a combination of mobile banking, multimedia messaging, WAP messaging and text messaging,” says Anatha Ramu, vice president of engineering and principal architect for Acision. All of the building block pieces are now in place to enable mobile payments. Payment by SMS has been around for a few years already, and more sophisticated methods of executing and securing debit, credit, and direct-to-bill transactions via the mobile phone are ready for prime time now.

Ramu explains that some major retailers are already using mobile marketing to pull customers into their locations. Starbucks, for example, “is sending barcode coupons

by multimedia message that can be scanned,” says Ramu. The coffee giant is also using SMS to send unique code numbers to consumers that play the same role as the bar code. While this isn’t a payment method, it is a promotional technique that drives traffic into the cafes in the hopes of generating revenue. Driving payment through the mobile phone would seem like a logical next step should this kind of mobile advertising catch on.

Ramu says that eBay and other catalog retailers are also prime candidates to drive mobile ordering and payments. He says the technology is there to allow, for example, an eBay user to snap a photo of a golf club and put the item up on eBay with a multimedia message. Once a sale is made “the application could automatically debit from the account, we can exchange shipping information, and I can ship this out via UPS who shares tracking information via wireless,” says Ramu.



Experience Tekelec's Performance Management Solutions Today.

- Multi-protocol
- Multi-network
- End-to-end call tracing

Deployed with over 140 operators.

www.tekelec.com



Acision is the leading provider of SMS technology in the world, so it’s on the leading edge of this kind of application. Ramu says that while there’s a lot of talk and excitement, there still isn’t a lot of forward movement. “When we talk to our prospective customers, they get excited. We’re not telling a pie in the sky story. The pieces are in place to do this already. We can tell (major mobile operators) what we can do, but someone has to bring all of these players to the table and talk about how they’re going to launch this,” he says.

This issue is rapidly becoming a conundrum. It’s an endless circle, or chicken-and-egg problem. Is society not ready to take this step? Are corporations missing the point? Is there really no business case for this? Or are telecoms not doing enough to mash-up the infrastructure into a tidy package that makes it easy for large enterprises to adopt? The answer is all of the above, and none of the above. What that probably means is that the ground floor opportunity is open to telecoms right now.

Where It’s Happening

There are examples in the United States of hip restaurants that use text messaging for take out and for in-restaurant orders. In Norway and in the UK, Telenor and Orange UK respectively have created content sites and commerce communities where partners can sign up and sell their products through the telecoms' network and financial infrastructure, based on a well defined settlement model. "Orange UK has hundreds of content partners that sell content through mobile commerce or through their walled garden," says Brian Pawlus, director of product marketing for Oracle Communications. He says that there are examples of ring tones, friend chat, and other such services, "but the larger big name enterprises don't seem to be there."

Pawlus explains that like Acision, Oracle sees "a lot of interest from our customers about doing financial transactions with a mobile phone." That customer base expands well beyond the carrier domain to include large enterprises of all stripes. The issue is that most of them are in wait-and-see mode. "They want to see how the market responds before they adopt that sort of thing," he says. He adds, however, that "end users are becoming more receptive to using their mobile device to use the Internet, and that opens up a lot of transactions."

In other words, as a greater number of handsets become Internet capable, and have more true Internet capabilities like the iPhone, the greater the critical mass of users can become who want to make purchases through the mobile Internet, just as they might through a PC. Pawlus also agrees that he's seeing more interest from telecoms in driving mobile advertising, and while they're largely in the experimental stage now, the desire is there to figure out what methods work best to help grab some of the "impulse buy" action.

In the City

Mobile payment technology may also advance through municipal applications. For example, Belgacom, Belgium's major telecom provider, recently acquired a company with SMS payment technology. This capability set has been integrated into Belgacom's infrastructure, explains Benoit Godenir, IT and network transformation strategist for Belgacom Group, that has allowed it to launch mobile payment for rail, bus, and parking fares in five cities in Belgium. This will expand to cover toll tag payments on motorways as well.

In the United States, cities like New York and Chicago have had toll tag and fare card systems in place for years. Any commuter can buy a fare card with cash, debit or credit card from a machine on the platform, or reload a frequent rider card or toll tag account online, but the leap to wireless payments hasn't been made just yet. This may represent an opportunity for telecoms to step in, help to habituate high-quality customers to paying with mobile phones, and thus open the doors to the larger m-commerce opportunity.

Two small companies, My Tango and Go Mobo, are both trying to jump on this opportunity before telecoms get there. My Tango appears to be relatively small thus far, but Go Mobo has received significant publicity in the mainstream press. According to fastcasual.com, an online magazine covering the fast casual restaurant market, Go Mobo already boasts customers such as Subway Restaurants, Papa

John's, Dunkin' Donuts, Popeye's and Quiznos. Mobile payments are not part of these national chains' standard offering. You still can't buy a foot long tuna sub through your mobile phone at a Subway in Chicago, but all signs point to some of the individual franchise owners beginning to move in this direction, and working with a start-up company – rather than a telecom giant – to make it happen.

The Upside for Telecom and OSS

The positive spin here is that mobile payments are a nascent opportunity that is just about ready to pop. There are enough early signs in the market to demonstrate that retailers and consumers are interested in these applications and willing to use them, especially when they're in a hurry. Nearly everyone's schedule is becoming busier these days and the demand for convenience always seems to increase, so it's likely the right time for telecoms to start pulling the building blocks together into well defined packages that are easy for the big players to roll out when they decide to do so. Letting this opportunity slide to the handful of start-ups who are trying to snag it would be a mistake – in the same sense as the missed traffic camera opportunity we covered last month.

For OSS providers and IT shops, this is a chance to shine. With all of the work that's gone into service oriented architectures (SOA), service delivery platforms (SDP), and service delivery framework (SDF) efforts like the TM Forum's, it's time for the OSS community to deliver on its promises. For telecom to succeed in the mobile payments business, and many other application spaces, the integration, automation, and componentization approach to new service creation and fulfillment need to work well. Hiding in the back office and avoiding blame is no longer an option. It's time for IT to be the star point guard, so to speak, and set up the business units they support to make the big score.

If you have news you'd like to share with Pipeline, contact us at editor@pipelinepub.com.