

Simplicity, Usefulness Should Guide Mobile Wallet Development

By Kate Fitzgerald

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As banks contemplate extending payments to mobile wallets, they would be wise to keep things simple to encourage more adoption.

Citigroup Inc. learned this lesson in various partnerships and experiments around the world; consumers respond best to simpler mobile-payment offerings that build on established habits and behaviors, according to Robert Schlaff, Citi's global product manager for mobile solutions.

"We need to build adoption from very specific-use cases, like buying a cup of coffee," he told attendees at NACHA's Payments 2012 conference here during a panel discussion about shaping the future of mobile wallets.

If an institution throws a complex mobile wallet at consumers that "does everything right now," it likely won't take hold, Schlaff warned.

Kenya has one of the world's most successful mobile-payment systems, M-Pesa. It took off because of the simplicity of using a text-based messaging approach in basic cell phones to support funds transfers, Schlaff said.

Starbucks Corp. has created the largest closed-loop mobile-payment system in the U.S. by extending its prepaid card capabilities to existing technology within mobile handsets, requiring "nothing special" from consumers.

"Starbucks' mobile-payment approach is customer-centric, consolidating useful information in one application" and building on consumers' familiarity with loading funds into a prepaid card account, Schlaff said.

The interesting thing about Starbucks' mobile-payment strategy is that, in a way, it fools customers into thinking they're not actually paying for a \$4 cup of coffee every time they use it, Schlaff contended.

"The consumer takes a hit when they load \$25 onto the application, which is kind of painful, but then they forget about it. And every time they use it to buy coffee they think, 'Oh, that's not my money; it's a gift I've given to myself,' and they go to Starbucks again" instead of a competitor because they already have prepaid for coffee.

Citi is taking that same approach in helping to develop Google Wallet, in which it is a founding partner, Schlaff said.

Despite Citi's activities in mobile-wallet development, there nevertheless is a sense within the industry that traditional banks are standing still and watching while others develop mobile wallets, George Peabody, a director with Mercator Advisory Service, told attendees.

"I am stunned at the lack of innovation from individual (banks) and card issuers around mobile wallets," Peabody said. "There is an unfortunate tension between consumer expectations for what's coming out of Silicon Valley and the financial world."

Schlaff countered that, although the public may be dazzled by the words "Google Wallet," Citi and First Data Corp. provided much of the core "plumbing" behind the concept.

"Critics may say banks are not being innovative in mobile wallets, but banks are actually doing some cool and innovative things," he said.

Citi also is working on developing a variety of mobile-payment initiatives and recently poured a lot of effort into creating a new mobile banking application for Apple Inc.'s iPad (see story)

"We brought in a top-tier design agency and really worked on making it great, and the results are dramatic," Schlaff said.

With all of its mobile efforts, Citi is working to keep things elegant and simple, he noted.

That is in stark contrast with PayPal Inc., which is getting attention by providing a broad array of mobile and alternative-payment offerings through multiple channels at once, Schlaff noted.

"PayPal is focusing on doing everything right now, then see what sticks," he said. "So people get everything at once, but is that what people want?"

Simplicity is powerful, so instead of giving customers a whole series of complicated features, consider how to stage mobile wallets based on what consumers need, not on the wallet itself, Schlaff advised.

Immediacy of mobile-wallet applications will be crucial to adoption, Chris Cox, First Data vice president of mobile commerce solutions, noted during the panel discussion.

"We can't be pushing out (mobile wallets) that are not immediately valuable to the end user," Cox said. "Mobile puts the consumer at the center of what we are calling 'universal commerce,' and it will get interesting when mobile enables consumers to go from their usual routines to doing things they have never done before."

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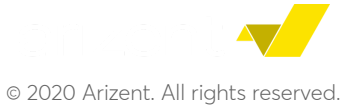
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