Given that mobile payments will almost certainly emerge as the future payment method of choice - indeed the advent of digital wallets has already set the wheels in motion in this respect - many retailers are now anticipating the day mobile payments marginalise card and cash transactions. Retail treasurers should be prepared for the processing implications and potential to use these digital non-cash payments to drive efficiency improvements in automated systems, reordering procedures and real-time financial oversight.

This is for the future, however, and in-store cash and card payments are likely to dominate for the present time. Retailers need to start considering mobile options, however, as a method of accepted payment in the future if they want to retain and grow their (increasingly tech-savvy) customer base as the market develops. In the longer term, mobile payments will combine the in-store and online consumer experience, allowing customers to try and buy products in-store without handing over physical cash or cards. Instead they will pay using a digital wallet, available from Google, Isis, the major card schemes and numerous others in this competitive space. A digital wallet is accessible via a smartphone or tablet device and it stores all the information from a customer’s bank accounts, plus any store loyalty cards, in a central location. This creates a uniform payments process for on and off-line transactions - and is the first step on a development path that has the potential to revolutionise the retail experience.

As mobile payments become more sophisticated and more mainstream it is likely that a customer’s ‘shopping basket’ will be automatically linked to their payment capability, leading to significant efficiency gains. The shopping basket can be created manually by the customers themselves, or digitally by retailers records of individual customers’ most frequently purchased goods. While this fundamentally serves the same function as the traditional pen and paper shopping list, its link to a mobile payments platform means that payment may be executed immediately upon completion, with no need to queue or hand over a card or physical money.

Such a system is not only convenient; it is also advantageous from a security perspective. PIN codes, which are easy to activate, are required to authorise mobile payment transactions, while smart devices come with advanced security settings and may be ‘blocked’ entirely if they...
are lost or stolen. Crucially, digital wallets themselves come with customisable control options. Parents, for example, may establish a family wallet that allows them to oversee their children’s expenditures, while transferring funds between wallets and linking to additional apps is straightforward with the necessary access rights.

The Retail Perspective
Security is, unsurprisingly, a big issue for retailers. Despite notable advances in detection, fraud remains a concern and a cost for retailers worldwide, and lost revenue and missing cash must always be of concern for a retail corporate treasurer. Mobile payments can go some way to mitigating this risk by improving the risk profile of customers using detailed customer records, while enhancing the predictability of cash and real-time reporting systems via the development of a more efficient, secure and transparent payments process.

Increased processing efficiency has the additional benefit of minimising transaction costs - the savings of which may potentially be passed on to consumers and, internally, could save the treasury money. This is particularly the case for low-cost staple goods that are effectively sold at cost or, due to processing costs, at a loss if purchased by card. Of course, this is good news for consumers, retailers’ marketing and brand-building personnel, who could use the possibility of price decreases to encourage customer loyalty, but it’s also good news for retail treasury departments.

Treasury Benefits
For treasurers, the enhanced efficiency and visibility associated with digital wallets means less paperwork, faster cash conversion cycles, improved working capital management and - crucially - total ownership over the transaction data.

Not only can this be used to build the customer base using more targeted marketing tactics, which comes as a result of greater insight into client buying-behaviour, it decreases retailers’ dependency on the financial industry to manage the fundamental aspects of running a business. For large retailers that want to control the overall consumer experience and create brand consistency across borders, this level of control is invaluable.

Making it a Reality with ‘Bridging’ Technologies
While many large retailers see mobile payments as the future, the end-goal of fully-automated digital shopping lists and mobile payments platforms, plus retailer-controlled data systems, is still some way off. Estimates suggest that 90% of global transactions are still cash-based, while developed markets retailers make only around 5% of their total sales via the internet, proof that the move to mainstream mobile payments technology will take time.

The wheels, however, are in motion, with so-called ‘bridging’ mechanisms already in place in developed countries as a result of growing consumer demand, usually reliant upon over-the-air (OTA) or some form of near field communication (NFC) technology, if not necessarily an in-built secure chip as yet. Visa and MasterCard, for example, have launched contactless card readers and mobile app-generated payment systems linked to specific retail stores. Mobile contactless payment (MCP) schemes and pilots are also fairly common now. In their current form, however, these technologies have not yet reached critical mass, and the costs to the retailer remain high.

This is expected to change over the next 10 years as further bridging solutions and technologies are employed in day-to-day life, linking the High Street experience with the one being developed in the digital space. The trend will only accelerate as general public acceptance of technology gradually replacing many aspects of human service grows. Indeed, this process has already begun. Retail banks, for example, have started to lead their customers down a tech-savvy road, with internet and
phone banking, plus the implementation of mobile banking apps. Although cashiers are still present in branches to cater for those who prefer a more personal experience, or are unfamiliar with web-based systems, many banks are downsizing cashier numbers to provide a more computer-assisted environment.

The trend towards increasing automation is in keeping with demographic changes. There are a growing number of people, in particular the young generation, which head straight for the electronic options. Retailers and others should bear this in mind as this demographic becomes the future primary consumer target market.

**Partnerships Between Retailers and Banks**

Capitalising on the opportunities presented by mobile payments solutions necessitates a considered response from retailers, especially if they want to use them as a strategic growth tool rather than simply to meet consumer expectation. Although part of mobile solutions’ appeal lies in the fact they give retailers greater control over key business management processes, retailers must recognise that banks need to play a major part in their development and implementation.

This is particularly true of the global, forward thinking transaction banks who can harness existing network effects and customer account relationships that will be vital for running the new generation of payment systems. This includes connecting the dots and providing interoperability between traditional payment networks and emerging mobile networks using digital wallets and mobile technology. For treasurers gaining access to this digital, on the move, automated and centralised world should also bring efficiency benefits.

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