



# The great game

In a world where everyone is talking about consumers using their mobile phones as an extension of their bank card to pay directly for things online and in shops, where does the opportunity now lie for direct operator billing services? The m-payment and billing world is developing fast but is there still a place in it for traditional players, says **Neil Ainger**

The so-called great game in the 19th century revolved around the geopolitical jockeying for influence between Russia and Britain in the Crimea, Afghanistan and the 'near east'. While world history centred on the Crimea repeats itself, the great technology game in the 21st century revolves around getting your apps, systems, partnerships, payment and billing services on to the mobile smartphone, so that you can gain influence with the modern consumer who is ever-more reliant on their handset.

For many years traditional telemedia players offering premium SMS text message billing (PSMS), voice shortcodes and WAP billing services (now known as the payforit market in the UK) were all very successful businesses with in-built payment options. They earned lots of money from marketing, billing and ease-of-access instant 'click and buy' m-payment services or text donations and/or premium rate numbers.

"There are many direct operator billing services available in many different countries, across certain specific markets," ex-

plains Simon Coates, commercial director at Global Charge, a payments specialist, outlining the diverse mobile m-payment and m-commerce marketplace. "There's currently a big focus on mobile wallets, and a variety have hit the marketplace within the last few months. Their success or otherwise will depend to a large extent on how seamless they make the checkout experience for the end user. In the future the m-payments, billing and the commercial ecosystem is likely to depend on mobile wallets. First they have to gain consumer acceptance, of course, but if they can clear this hurdle and make purchases a frictionless experience then they will prove a significant threat to traditional carrier billing services."

According to Rob Weisz, CEO of start-up Fonix, however, "there is no reason why these existing services cannot continue". He launched his new business in January 2014 offering SMS text services, PSMS and direct billing services out of the ashes of Velti's MIG, and as this 20-year veteran of the interactive telemedia industry points out: "I wouldn't have launched it if I wasn't confident about the future."

Weisz maintains that despite the advent of mobile wallets and more integrated tethered card services there doesn't have to be wholesale change or a diminution of the existing marketplace. "There will still be demand for traditional services and new end uses will be found."

That may be true but traditional telemedia and m-payment players are likely to have to diversify and to start offering more services around en vogue games such as Candy Crush from King Entertainment, which has recently been floated for billions of pounds, and Farmville from Zynga. These games provide new end-use drivers for consumer uptake and m-payments.

Businesses in this area are going to have to become more nimble offering instant in-app purchases, with no need to register for accounts becoming a key 'immediacy' selling point against newcomers to the market such as pingit or MasterPass. These often require users to register, adversely impacting uptake and conversion rates.

Traditional firms should also be looking to develop the vending machine, charitable donation and transport m-payment and billing services' marketplaces. These services can be expanded and deepened allowing them to survive and prosper in the future as tethered card programmes come on stream and competition grows tougher. It is via games and other such new revenue streams that traditional players are likely to survive in this increasingly crowded marketplace with Zapp and others all likely to be providing much fiercer competition in the near future.

"Parking is another potential opportunity," says Maria Grant of Oxygen8, as she reviews the growth opportunities still available to traditional players. Although she does admit that she herself has struggled with this end use because the set-up procedure in order to pay for parking on your smartphone is not always as easy or quick as it should be.

Grant believes the corporate service aspect of traditional players' will continue to be a unique selling point. Key clients for her firm include United Utilities, Travelodge, Hermes and Paddy Power. "We allow companies to contact and engage consumers via voice, social media, texts and other functionality delivered to a smartphone and also provide a 'response back' facility with agents or automated so that customers can quickly order things or investigate marketing offers such as a subscription service to get around a pay wall," she explains. It is the immediate service and 'response back' facility that provides a USP against newcomers threatening disintermediation.

Grant believes that mobile m-payment is a circle. "You can communicate with a consumer via effective customer service and billing alert services. You market to them simultaneously and interact with them via good content and offers, driving them to engage again, creating a circle. The m-payment is at the end of this constantly revolving circle, but it is the crucial part because at the end of the day it is all about getting that sale confirmed:

that completes the circle."

In common with other firms, Oxygen8 sees sports scores, celebrity gossip, news, alert adverts, loyalty and marketing communications and other such telemedia content as ways to engage users and drive up interactivity and sales. "The 'buy-it-now' instant click offers of classic direct carrier billing services' is an important part of this mix," adds Grant. "Richer SMS texts with bit links are also important as they can skip over the call centre and link directly to 'click and pay' services or enable instant charity donations as has recently been seen with the Sport Relief charity donation drive in the UK, linked to the BBC TV fundraising evening."

"I don't necessarily think new payment opportunities are a threat," says Grant, referring to near field communication (NFC) functionality and the advent of tethered cards linked to bank accounts. "It could conversely be an opportunity. Maybe in future in-store NFC Point-of-Sale (PoS) terminals could offer direct billing," she adds optimistically.

## Potential Rivals

The marketplace is changing under the impact of Zapp, pingit and perhaps even Weve, which recently announced a link-up with MasterCard to offer an in-store NFC function on its smartphone payment app. The latter Weve brand is an MNO-fronted UK joint venture from Vodafone, O2 and EE, which has millions of mobile phone customers on its marketing database that it is looking to exploit in new and innovative ways.

The struggles of the O2 Money unit, now closed, and its US mobile wallet equivalent Isis show how difficult it is for MNOs, however, to break into the m-commerce world. It is for this reason that partnering with MasterCard to gain more widespread NFC interoperable consumer uptake and added billing and service functionality is an important move for Weve. It shows how MNOs and others can perhaps remain in the game in future, via partnering, as competition intensifies. Pricepoint is important too and the days

when MNOs could sit on 30% of revenue in billing charges are gone, although they'll naturally want to avoid commoditisation.

Sharan Rattan, manager of mobile payment services at Three, maintains that: "We don't see these services as threats; more as complementary to carrier billing. Consumers will use the simplest and most relevant way to pay for things, depending on the context (i.e. it will be difficult to vote for a TV show using a bank card). Ultimately it comes down to consumer choice, so a variety of payment mechanisms should be available. Some customers may not want to put small value digital purchases on a card – and where there is no account relationship it is quite an awkward process to enter card details. Carrier billing is secure as there is no personal data assigned to carrier billing transactions and also carrier billing goes out to all mobile users – even those that may not have bank cards."

Telemedia services and payment options will increasingly be offered directly by banks, card schemes and new players in the sector to drive up usage figures and conversion rates. This may squeeze some traditional players as these firms seek to offer their own 'all-in-one' integrated channel. Zapp, for instance, is a shared service that offers mobile m-commerce, loyalty, billing, online and in-store transactions and functionality all on one integrated ecosystem – and it is linked to the vast majority of the UK's banks. VocaLink, the firm behind the Zapp app technology and ultimately the processor of its m-payments via its UK Faster Payments Service (FPS) back-end technology system, is signing up all the UK banks' various smartphone and tablet applications to the shared m-payment back-end processing platform ahead of its launch later this year.

Santander, Nationwide, Metro Bank, HSBC and its first direct online offshoot are all already signed up by Zapp, alongside payment processors like WorldPay, Optimal Payments, Realex and SagePay. Even UK banks that have carved out a successful

front-end niche for themselves on the mobile media, content and m-payments arena such as Barclays with its pingit and buyit apps will ultimately be using the same shared back-end FPS payment processing platform, although it will of course retain the valuable front-end customer interface. This holistic offering could 'trap' consumers into the banking ecosystem as consumers blindly follow their banking brand into the mobile m-commerce and payment arena, disintermediating traditional players.

There is also MasterCard's MasterPass payment channel to consider, which made a big splash at last year's Mobile World Congress (MWC) trade show in Barcelona. This too is aiming at online web-based transactions, using loyalty and marketing techniques and content to ensure healthy user numbers, while also targeting in-store purchases. The m-payment completing the circle will remain in-house on the platform, potentially only leaving crumbs – or new in-app revenue alternatives – to established operators.

The likes of Zapp, PingIt and MasterPass are all fast developing rival channels to direct carrier billing and could eat into the market share of traditional telemedia players as many of them want to offer content, marketing, customer services and integrated billing services all via their own platforms, with the end payment remaining in-house. No doubt there are customer service and attraction contracts available to some partners but the mobile ecosystem will remain firmly within the MasterPass tethered card product or the payment and bank-led Zapp ecosystem.

As Adrian Sarosi, director of sales and marketing at OpenMarket says: "The biggest threats to carrier billing services are two-fold: either the use cases slowly disappear – unlikely in the immediate term and they certainly won't be totally eliminated in my opinion – or the billing mechanic is trumped by a more convenient tool."

"Traditional payment mechanics can

survive," he continues, "but Payforit, PSMS, voice shortcodes and so forth will all need investment to update them. The landscape is moving, with new technology, regulations and carrier processes changing the marketplace."

### Future Opportunities

There is no need to despair as change brings new opportunities. Game centred m-payment and integrated instant billing services offer traditional players growth prospects. There is an on-going place in the mobile ecosystem for them as it develops, believes Chris Newell, CEO of ImpulsePay. "I don't worry overly about traditional banks or cards schemes," he

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says, as he believes that the need to register accounts often diminishes consumers' ability to immediately pay for mobile services, lessening the threat.

Despite his sangfroid approach, Newell does admit he potentially sees completion from PayPal's One Touch tool. "I think this is the first time an established player from the financial world has moved into the type of 'one-click-to-buy' immediate

service that payforit is reliant upon. It's an interesting move. Not a massive threat yet, as I believe the consumer – as opposed to the commercial merchant market – is still king for PayPal. It is, however, something to be aware of.

"Additionally Apple is a threat. They've already had one bite out of the industry when the AppStore was launched and could disintermediate again if they come up with a similarly revolutionary concept as iTunes, which changed digital music."

The payforit market is ImpulsePay's raison d'être as its name implies and Newell thinks that it retains certain strengths that will inoculate it against threats from newcomers. "The core selling point of mobile services is it covers all the population and therefore has unrivalled reach," he says. "When allied to the 'click and pay' functionality of payforit this reach can seamlessly bring millions of customers to market for corporations. The immediacy increases the conversion rate too, as there is no asking for customer details via registration, so marketing efforts translate directly into sales."

According to OpenMarket's Sarosi, "it is harder now than it was 10 years ago and, yes, the marketplace is changing. But there are still huge opportunities for those willing and able to grab them."

"Technology is questioning the demarcation of who owns the customer and who is the merchant – is it the network operator, the bank, the credit card company, the handset manufacturer, the social network, the search engine, the PoS provider, or just the plain old retailer," he asks? "All of these entities are big guns with a lot to lose. Partnerships may help mitigate their risks for sustained success but if it confuses the end users then nothing will change.

"There is no clear winner today as the market is still evolving. As long as that is the case, all of the existing payment mechanics will survive for the moment ... even coins!" Don't expect, however, for that to always be the case. 🌟