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Making money
with mobile

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Making money with mobile

Today, we face an apparent contradiction: Mobile is everywhere, but businesses seem to have difficulties making money with it. This conundrum, and possible answers to it, was the focus of a keynote speech by Wim Decraene, Accenture Mobility Services Lead BeLux, at the Accenture sponsored Belgian Mobile Business Congress held in Brussels on March 27, 2012.

Not quite ubiquitous

Each new development in the mobile eco-system is predicted as being just around the corner: the takeoff of mobile commerce (mCommerce), the widespread deployment of NFC (Near Field Communications) devices or the launch of a new Belgian mobile payment solution... We are still waiting. For one reason or another, we tend to overestimate what can be achieved short-term, and lose sight of just how far we have already come.

the iPad3 this year, it took only two days to sell 3 million!

Although not as ubiquitous as we would like to think, mobile adoption curves are steep, and if they maintain current growth rates, 2017 should be the actual year of mass adoption of mobile Internet. So, what does this mean for businesses?

In fact, the mobile revolution only started in 2007, with the advent of the iPhone. At that time, only 8% (260 million) of mobile users used mobile Internet. Today, more than 25% (1.2 billion) of mobile users are mobile Internet users, a growth of 354% in less than 5 years.

Smartphone sales are expected to triple in the next five years. Even faster acceleration is forecast for tablets, the other smart mobile device of choice. In its first year, Apple took two months to sell 1 million iPads. With the launch of

Mobile life: Vision or reality?

The mobile revolution has striking similarities with the early days of the Internet. Back then, the knee-jerk reaction was to get a website up and running as fast as possible, transferring what had previously been available on paper to the web. This gave companies a web presence, but it took several more years before they began to embrace the real possibilities the Internet offered in terms of making money. Today, every company needs an app. Seventy-five percent of large Belgian companies have one, but they are all offered free, and only 1 in 4 of these apps is making money for the company. So, copy pasting web services to mobile apps arguably gets companies out there, but this is far from being a well-functioning mCommerce ecosystem.

An NFC enabled mCommerce ecosystem is often seen as the Holy Grail to make money with mobile. The story goes that people will use their NFC enabled devices to pay for goods and services, access public transport and planes, attend concerts, collect and use loyalty points, receive and use coupons and vouchers...

At Accenture, we refer to this as "Mobile Life". This is a world in which the end user use their mobile device as a remote control for their life. As a vision, it's fantastic, but that's also the weakness of the concept, because today it is still just a vision. If we are hoping to see mCommerce happening this year, we are likely to be disappointed. Before it happens, there are three barriers to overcome.

Barrier 1: Mobile business model

The first barrier to getting a mobile ecosystem off the ground is the lack of a business model. It is unclear where the money is going to come from and even less clear how the money is going to be distributed amongst the different participants of the eco-system: merchants, Telco providers, financial services providers (for mobile payments), infrastructure providers, and public transport companies. We very quickly arrive at a large number of participants amongst whom smaller revenues need to be shared. This is certainly the case for one of the first applications and sources of mobile revenue people think of: mobile payments.

Answer: Think about what and how mobile services are offered

Two elements will play a key role in any successful mCommerce ecosystem: the offering portfolio (what services are offered to users) and the offering model (how these services are offered). The latter is often overlooked when companies define their mCommerce strategy. Banks and even public transport companies could take inspiration from the offering models of companies like Groupon (mobilizing groups of people around daily offers) or FourSquare's geo-based search and coupon offering.

Similarly, through multiple discussions with our clients, Accenture has found that by widening the offering portfolio, additional sources of revenue can be found. In the case of mobile payments, this means the pre- and post-payment experience. Whereas merchants typically pay between 1 and 3 % of the transaction value on a payment (transaction fee), they are willing to pay between 30 – 75% of the transaction value if they are provided with targeted ads or coupons for their shop. And post payment, if the mobile customer is incentivized to join the shop's loyalty program, merchants might be willing to pay up to 40% of the transaction value.



Barrier 2: Added value for users

When will users pay for an extra mobile service? Only if it adds value for them. Within five years, smartphones costing several hundred euros today will be available for a fraction of that price. As these devices become more available and affordable, end-users will become more demanding and sophisticated. A glimpse into that future can be found in Accenture's annual survey of behaviour and attitudes among what we call 'Tech Forwards' or geeks, the early adopters. Our 2011 survey delivered some interesting insights into mobile.

Only 44% said that a mobile phone is a more convenient method for paying (take out phone, choose card, enter pin) as opposed to a traditional wallet (take out wallet, choose card, enter pin). For these users, the two largest barriers to using mobile phones for making payments were privacy and identify theft (73% and 70% respectively). As such, financial institutions able to leverage an image of trust and security will be at an advantage in the sphere of mobile payments.

But, interestingly 59% said they would be happy to receive and use money-off coupons via their phone (easier than buying a newspaper, cutting out the coupon, placing it in your wallet, remembering to take it out in the store). In other words, there is a strong interest in mobile services that make life easier and add value.

Answer: Look outside traditional business models

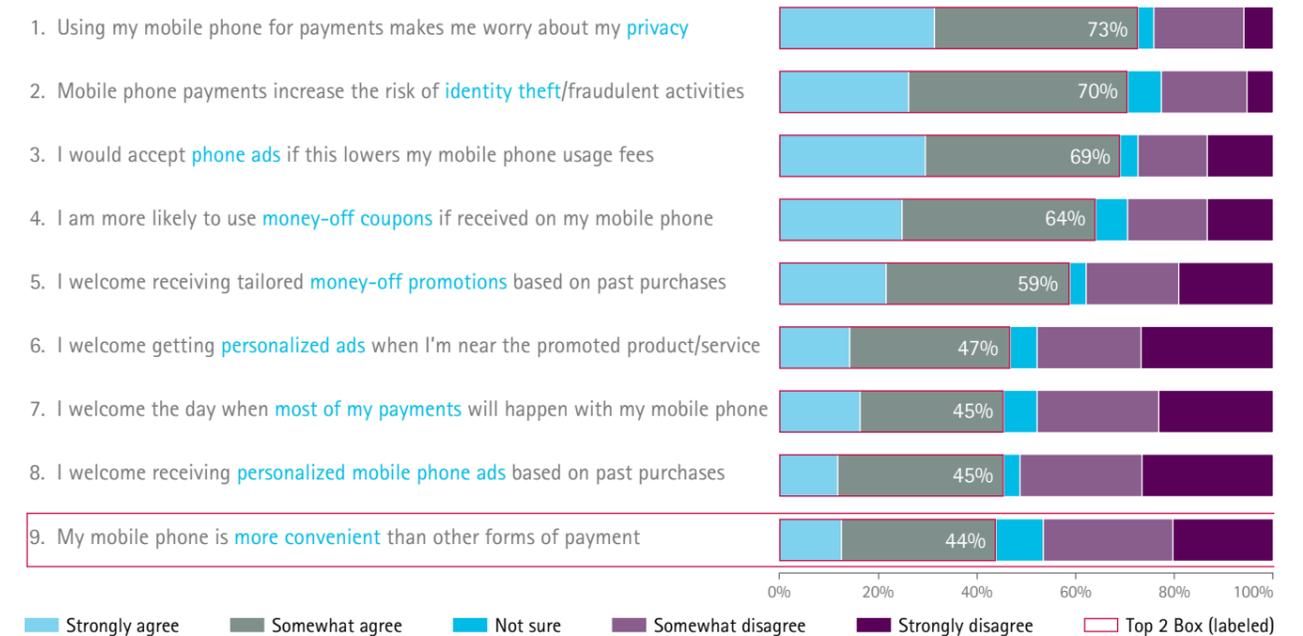
Daring to look beyond traditional business models to bring added value to users will help businesses to make money with mobile. For example, when Tesco wanted to improve its market position in the South Korean market, the business case for opening more large supermarkets was unclear. So Tesco HomePlus enables commuters to shop in metro stations by scanning the QR codes of items on posters resembling supermarket shelves, then pay via mobile, and by the time they get home, their groceries are delivered. By looking beyond the boundaries of its current business model, Tesco has managed to rebuild its Korean market presence using mobile in a smart and innovative way.

In Belgium, KBC Bank embraces the idea of working across sectors to create a mobile market. Their bottom line is staying relevant to clients, making banking easy and more tailored. For example, the KBC Woongids app personalizes the experience of buying or building a home. The KBC Mobile Banking app recently won the public prize at the Accenture Innovation Awards for Financial Services. Before starting to develop this app, KBC asked an essential question: is there something between plastic cards and PC banking? Any mobile app had to be available 24/7, with real-time transactions, convenient, easy to use and enabling person-to-person payments. They even evented a new name for it: Scashing.

And the most successful company at operating beyond their traditional business model, Apple, recently won another patent on iWallet, which could turn the financial world upside down. This patent reviews credit card transaction rules and indicates that credit card companies will make statements directly available via iTunes accounts.

Where is the added value for the user? Accenture, Tech Forward Survey, January 2011

Q: To what extent do you agree or disagree with the following statements about the use of mobile phones (both cell phones and smartphones) to make purchases? Global sample n=1,122



Source: Accenture, Tech Forward Survey, January 2011

Barrier 3: Infrastructure

If we want an NFC enabled mCommerce ecosystem, we will need NFC terminals everywhere. Accenture has estimated the cost to upgrade existing payment terminals for a number of countries worldwide, and we applied the same logic to Belgium. The estimated cost of upgrading all payment terminals in Belgium to NFC standards could range between €30mio and €50mio.

Answer: Stimulate alternatives to NFC

European-based companies like iZettle are already overcoming this infrastructure hurdle by enabling iPhones and iPads to become payment terminals. Plans are in place to expand iZettle to the UK, France, Spain, Italy and Germany. Belgium will follow, perhaps not this year, but soon.

Another solution is Digicash, a mobile payment app designed by the Luxembourg-based company Mpulse. Digicash will be deployed internationally in early 2013. It uses today's technology (QR codes and scan apps on smart devices) to offer straight through transactions, covering the full payment spectrum: micro and macro, at POS, online, in-app purchases, paper invoices and in-line payments in for example, supermarkets using smartphones and all bankcards and credit cards. Aside from the user benefits (use in multiple situations, across multiple accounts and no sensitive data stored in the app or shared without user agreement) Digicash lowers the cost of existing payment schemes for merchants, avoids costly infrastructure changes, and even offers marketing possibilities, for example, additional data can be added to the transaction. This smart idea won the jury prize at the Accenture Innovation Award for Financial Services 2012.

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Is this enough to make money with mobile?

Unfortunately, not. To realize the full benefits of mCommerce, four distinct industries – payments industry, mobility industry, retail industry and mobile marketing industry – need to get together and really collaborate. In times of economic crisis, many companies will be reluctant to talk to competitors, as was recently proved in Belgium where discussions broke down between Telcos and banks over a Belgian mobile payment solution. But history has proven time and again that those daring to collaborate and innovate in times of crisis come out in better shape. Who should take the lead? It only takes a couple of industry leaders to sit down and work together to create a dynamic that others will follow.

Mobile commerce is much more than mobile payments, and for those daring to seize the opportunities, the potential rewards are high. Companies need to think big, start small and move fast. Within five years, mobile will truly be ubiquitous. Belgian companies need to act now and shape the future of mCommerce together.

This point of view and the Belgian Mobile Business Congress are just two elements in Accenture's approach to innovation in the domain of mobility. Another is the Accenture BeLux Innovation Awards for Financial Services, first held in February 2012, which attracted almost 100 ideas from small and large companies in Luxembourg and Belgium. The majority focused on leveraging mobile to innovate the way this sector interacts with its customers. For more information about these Awards and the 2012 winners, visit: www.accenture.be/innovationawards

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