

# NEW MOBILE PAYMENTS JV: WILL UK CONSUMERS EVER SEE THE POINT?

The media and marketing industry has spent the last couple of years in anticipation of the full-scale launch of mobile payments. This year seemed to get us closer, with news of Orange and Barclaycard's UK JV to deliver mobile payments, Google wallet's launch in the US and O2's impending wallet system.

Despite this progress, mobile payment is still limited in the UK due to the spend limits imposed (£15 on Orange and talks of £30 on O2), as well as lack of scale and too many different stakeholders and services in the market. All this was slowing progress but more importantly, it was inevitable that all these products were going to confuse consumers.

Last week's announcement that Everything Everywhere, Telefonica UK and Vodafone UK were forming a mobile marketing and payments JV could potentially be a huge turning point. This news didn't really come as a surprise when you think about the various market factors – the operators recognised the need to invest in mobile payments infrastructure and had to face up to the threat of being overtaken by companies like Facebook, Square and Google in the mobile payments space if they didn't react and work in a collaborative way.



## EVERYTHING EVERYWHERE, TELEFONICA UK AND VODAFONE UK TO FORM MOBILE MARKETING AND PAYMENTS JOINT VENTURE

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The ambition of the JV is to pull together the expertise and technology of the UK's leading mobile operators, enabling the faster development and delivery of new mobile marketing and payment services. The JV will deliver the technology required for the speedy adoption of mobile wallet and payments. This will enable consumers to transfer their entire physical wallet into a new secure, SIM-based wallet regardless of which NFC enabled mobile device, or mobile network they are using. They clearly have the most to lose but yet the most to gain if they can change consumer behavior and get more customers to use their mobile as a wallet.

The JV will focus on more areas than just payments. These include:

- \* Creating a single ecosystem for m-commerce helping advertisers, retailers and banks to reach consumers through their mobile phones
- \* Consumers will be able to replace their physical wallet with a secure mobile wallet using Near Field Communications (NFC) technology to pay for goods and services
- \* Consumers will also benefit from relevant offers and coupons, delivered direct to their phone
- \* Everything Everywhere, Telefónica UK and Vodafone UK to provide start-up investment

Before we knew this announcement would be made, we held an Open Source Thinking session here at Mindshare early last week discussing the topic of mobile payments. The consensus of our experts - from across the mobile industry - was that the biggest challenge for mobile payments in the UK is the lack of real consumer desire or applications for the service. We agreed it would take a company or group of companies to invest in the infrastructure to make it happen.

Mobile payments would give consumers another option of how they pay for things but it was agreed that it would be

unlikely to replace how we use our credit cards. The latest YouGov mobile wallet survey backs this up, with the majority of surveyed consumers saying they would only use their phone for smaller ticket purchases.

This is in contrast to countries like Kenya, where people do not have a bank account and therefore it was a necessity to find a way for people to transfer money to their families. That solution was a product called M-Pesa, a mobile phone-based money transfer service. It has been extremely successful - handling two million transactions daily - and this year saw a 56% growth in revenue.

2011 has been an exciting year for mobile so far, and this announcement suggests it's about to get more interesting - assuming that the new JV can demonstrate the consumer benefit of mobile payments. Whilst it was starting to look like Google and Facebook were going to dominate this space with their cloud-based approach, the operators have just got back in the race with their SIM-based strategy. This JV could see them dominating the mobile payments arena - but only if they can demonstrate enough of a real benefit to the consumer to force a change in his or her behavior.

To participate in a future Open Source Thinking session on this or any other media or marketing issue, email [louise.richardson@mindshareworld.com](mailto:louise.richardson@mindshareworld.com).

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