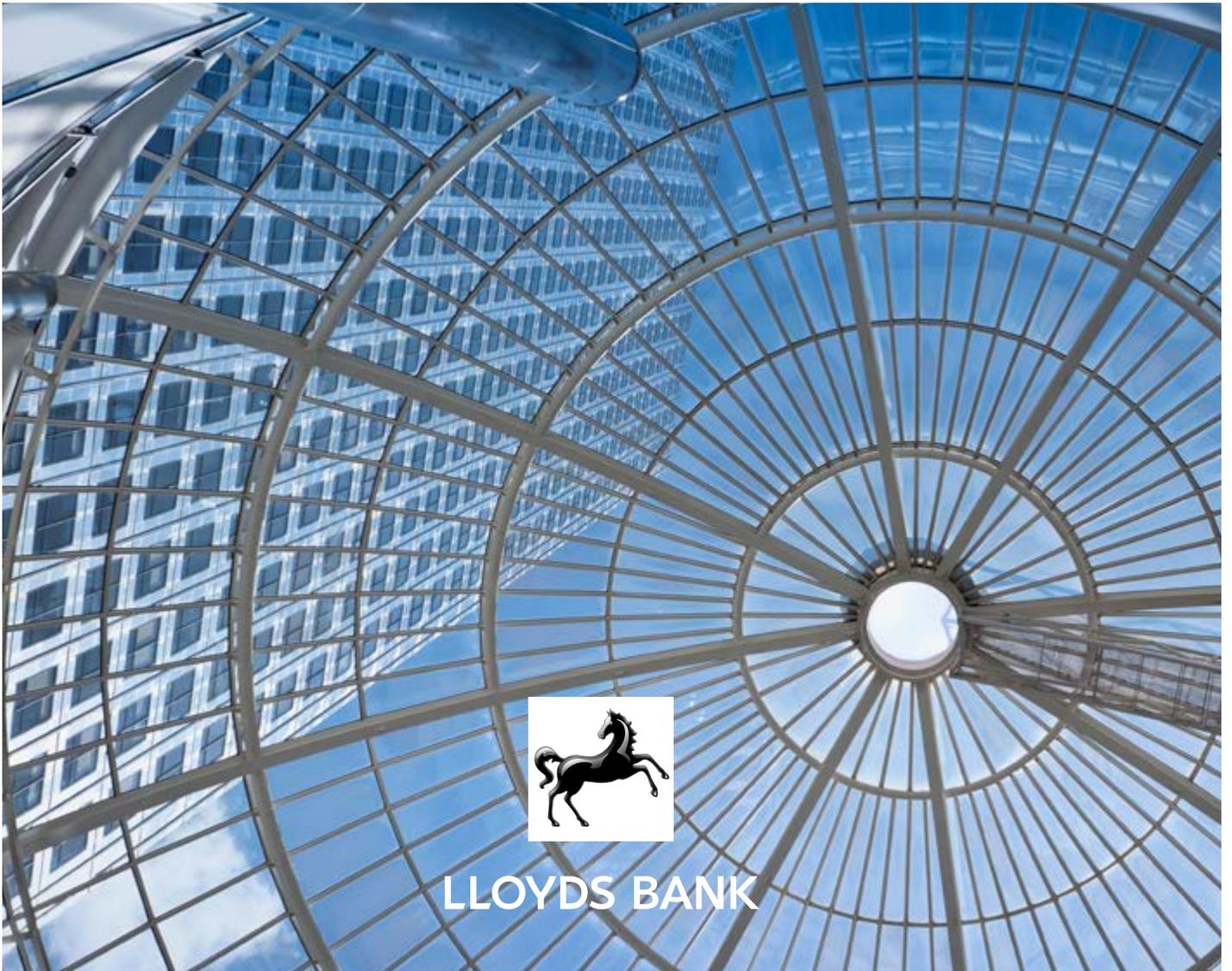


COMMERCIAL BANKING

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# CHANGING PAYMENT TRENDS: MOBILE INNOVATIONS

Helping business navigate the  
changing payments landscape



# SETTING THE SCENE

The vital importance of mobile for retailers is now indisputable. In the UK, visits to retail websites via smartphone and tablet have overtaken desktop traffic for the first time. This White Paper will guide you through the current trends in mobile innovation and how to develop successful strategies for adopting new payment methods.



Google now ranks mobile-friendly sites higher than their non-optimised competition

 **FACTBOX**

- The value of global payments made via mobile devices will reach around \$507 billion this year
- In the UK mobile now accounts for 40% of all online retail sales
- M-commerce will account for 36% of the UK's e-commerce sector by 2016
- 43% of UK smartphone users have used their device in a retail store

UK retailers are missing out on £6.6 billion a year by not investing in their mobile offerings, according to the Centre for Retail Research. Less than 3% of UK retailers believe their business is at the cutting edge when it comes to being mobile ready.

Customers can choose from an ever-increasing number of ways to pay, opening up new opportunities to improve customer experience in-store and online. The challenge for businesses is to understand the differences between these methods and decide which they should accept, in order to support their customers' future payment needs and expectations.

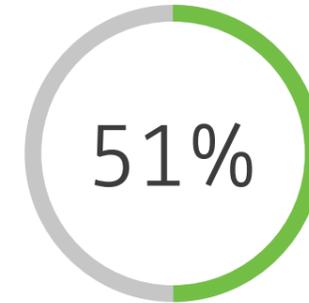
## Current Trends

- Contactless card payments – the limit has been raised from £20 to £30, which should raise the average value of transactions

- Digital wallets – Apple, Google and Samsung are driving the use of Near Field Communication (NFC) in smartphones to pay for goods and services
- Wearable tech – watches and other pieces of jewellery are entering the market for payment authentication and convenience
- Beacons – in-store sensors that trigger apps and deliver targeted content to customers

The next phase of payment strategy is going to be about harnessing technology to enhance customer convenience:

- 42% of British people think they won't need a purse or wallet by 2025, according to research by the Payments Council (now known as Payments UK)
- 51% think we'll be paying by fingerprint scan
- 32% think we'll be paying by iris scan
- 32% think we'll be paying by voice command



51% of British people think we'll be paying by fingerprint scan by 2025.

## Future Developments

Many of these ideas are already being trialled. Apple Pay's Touch ID fingerprint technology is something users are rapidly becoming comfortable with, for example. Japan's Hitachi has developed a finger vein scanner, which is thought to be more secure than checking fingerprints. China's Alibaba is experimenting with facial scanning and MasterCard is trialling payment by 'selfie' and ECG monitoring. Supermarket chains are exploring the potential for virtual shopping, using virtual reality headsets at virtual stores in train stations. Customers use a smartphone to scan items, which are then delivered by the time they get home. Amazon Dash uses a smartphone app and wifi to allow users to order household essentials such as washing powder at the touch of a button or through voice recognition.

Social payment is another rapidly expanding area. It can be split into two types: technology such as Paym that enables peer-to-peer payments, where users can send money to their friends using apps; and online purchasing, using social media sites such as Twitter to buy products directly in the network.

## Successful Strategies

The key to a successful new payments strategy is customer focus; there must be some benefit that goes beyond what the

customer is already using. Payment is no longer a separate silo from customer experience. A good strategy is not about technology for technology's sake, but using new capabilities to solve real problems.

For the customer this might mean, a new payment method is more convenient for situations where they don't want to carry cash or cards. It may be that it's a safer way to pay - or simply that all their peers are using it and talking about the benefits. For a merchant, the benefit may be that the new method is quicker, cheaper, more reliable or solves a particular problem such as abandonment because of long queues.

- MasterCard has developed a new payment system for Wagamama that cuts down the waiting time to pay. This leads to higher turnover and shorter queues for customers.
- Schuh uses point-of-sale tablets to allow customers to process transactions without queuing at a check-out
- Russia's Alfa Bank has a savings account linked to an activity tracker, rewarding customers who exercise with a higher interest rate.

In an increasingly cashless society, merchants who embrace innovation and differentiate themselves from their competitors through value-added digital services will develop deeper customer relationships, putting them at the forefront of the changing payments landscape.

## Important Note:

This white paper is based on our recent webinar and information shared was accurate at the time of recording.

Lloyds Bank encourages clients to remain up-to-date and we will continue to use a range of communications platforms to help you navigate the changing payments landscape.