

Introduction

Mobile payment, the modern practice of making payments via a mobile device such as a cellphone, smartphone or tablet, has reemerged as the talk of the town.

Is what we're hearing no more than a fresh round of lofty announcements of the sort we've grown accustomed to in recent years? After all, we've heard it before. In 2002, mobile payment was touted as the next big development on the mobile commerce landscape, an all-encompassing killer application.¹In 2006, widespread commercial use was deemed imminent. And in 2008, we were assured that a solid infrastructure was already in place. But then there were the voices of skepticism. The market was thought to be no more than half-baked. And by 2010, some disillusioned market observers had begun to question, "Shall we all just pack up and go home?"²

As I outline in the present book, there are good reasons to believe that conditions on the market have indeed taken a turn for the better and that mobile payment services can be expected to gain momentum. That being said, there is still a long ways to go before mobile payment evolves into a mass market here in Germany.

The reasons for optimism include the following:

Successful business models in Asia and in various developing countries, largely spearheaded by major telecom providers, have gained widespread attention. In various Asian and African countries, mobile payment services have not only introduced considerable benefits for the service providers, they have given people access to basic services, boosted consumer convenience and had a favorable impact on national economies. As a model for industrialized countries, Japan can be expected to play an important role, especially in light of the experience it has gained in the area of mobile payment over a largely successful 7 to 10-year introductory period.

All of these factors would not suffice for an optimistic assessment of the situation if it weren't for a number of other interesting facts and trends. Various companies with a lot of market clout such as Google, VISA, PayPal etc. have entered the market offering services of their own. This has given the trend an additional boost.

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- 1 Thomas Lerner: "Mobile Zahlungssysteme," in: "Mobile Business – Märkte, Techniken und Geschäftsmodelle," (Bernd Diederich, Thomas Lerner, Roland D. Lindemann and Ralf Vehlen), Springer Gabler Publishing, September 2001, p. 151.
 - 2 Pinar Ozcan and Filipe Santos: "The Market That Never Was: Clashing Frames and Failed Coalitions in Mobile Payment," IESE Business School Working Paper – University of Navarra, 2010, p. 3.

These heavyweights have entered the market precisely because they expect it to expand disproportionately in the coming years. Moreover, the key technologies involved have been developed, and it will not take long before the corresponding mobile devices and POS readers are available in sufficient numbers. Then there is the continuing boom in smartphones. Smartphone unit sales exceeded those of PCs for the first time in 2011 and, as of 2013, there are reported to be more smartphones on the market than PCs. And finally, regulatory authorities have begun to work in unison on the task of determining the extent to which mobile payment services are covered by existing regulations and drafting new regulations to account for any lack of coverage. The new SEPA regulations, the Payment Service Directive (PSD) and the Electronic Money Directive, for instance, can be expected to facilitate the entry of new competitors to the market. However, it naturally remains to be seen who the winners will be. This is because success in the mobile payment sector will depend on intelligent strategic and business approaches as well as the establishment and continuous development of viable business ecosystems.

The success of various mobile payment business models devised and implemented in the United States has also caused a stir, particularly in the banking sector whose core business is essentially at stake. Are the banks going to be mere bystanders, content to cede the market without a fight or will they begin to devise their own business models?

Numerous initiatives and pilot tests involving mobile payment and contactless payment with smartcards have also been introduced in Germany and across Europe. In the wake of the smartphone's advance to first place among our tools of daily use, the mobile payment option promises to be a further convenience for billions of people and thereby represents an obvious step into the near future.



<http://www.springer.com/978-3-658-03250-0>

Mobile Payment

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2013, X, 180 p. 94 illus., Softcover

ISBN: 978-3-658-03250-0