

A Two-sided Challenge to Mobile Payments Adoption: The Importance of Educating Consumers and Merchants

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By Elisa Tavilla

As a payments analyst, I am always eager to try new mobile payment solutions and take advantage of opportunities to pay with my smartphone. Every day on my way to work, I buy a commuter rail ticket via the MBTA app and coffee with the Starbucks app. Using Apple Pay, I buy groceries at the supermarket, and occasionally pay for lunch with LevelUp or a ride home with Uber. While having multiple options is usually a good thing, the broad array of mobile payment choices can overwhelm and confuse consumers, especially if they are not well-informed about how and where the technology and services work.

Growing availability of near field communication (NFC) smartphones and contactless terminals allow more people to make mobile payments at an increasing number of retail locations. However, inadequate consumer preparation and staff training can hinder widespread adoption.

Infrastructure Improvements Help Reduce Barriers

Two common reasons consumers cite for not making in-store mobile payments include not having an NFC phone, and not knowing how to locate or easily identify merchants that accept NFC. The expanding variety of NFC-enabled smartphone models, such as the iPhone 6 and several Android phones, as well as mobile wallets such as Apple Pay and Android Pay, have begun to address these barriers.

When Apple Pay was introduced in October 2014, only 12% of iPhone users upgraded to iPhone 6 models,¹ even though Apple had over 40% of the smartphone subscriber market share.² One year later, 47% of iPhone users can use Apple Pay, and the percentage is expected to increase with the release of iPhone 6s.³ Since October 2014, U.S. retail locations equipped with NFC contactless terminals have grown from 220,000 to over one million (although 200,000 are vending machines and self-service

¹ Papadimitriou, O. (2015, October 17). Where does Apple Pay stand on its first birthday? TechCrunch. Retrieved from <http://techcrunch.com/2015/10/17/where-does-apple-pay-stand-on-its-first-birthday/>.

² comScore (2014, December 5). *comScore reports October 2014 U.S. smartphone subscriber market share*. Retrieved from <http://www.comscore.com/Insights/Market-Rankings/comScore-Reports-October-2014-US-Smartphone-Subscriber-Market-Share>.

³ Papadimitriou, O. (2015, October 17). Where does Apple Pay stand on its first birthday? TechCrunch. Retrieved from <http://techcrunch.com/2015/10/17/where-does-apple-pay-stand-on-its-first-birthday/>.

terminals).⁴ Hopefully, EMV upgrades to point of sale (POS) terminals will fuel more growth; however, unless a merchant chooses to activate the NFC feature, the consumer cannot make contactless mobile payments.

Since purchasing an iPhone 6 in January 2015, I have noticed more NFC contactless readers across a variety of retail locations. Initially, Apple Pay was only accepted at a few larger retailers. Today, several big box retailers as well as some smaller independent businesses, including local grocery stores and taxis in Boston and New York, accept Apple Pay. Signage on POS terminals indicating NFC contactless acceptance has improved and more retailers also display the Apple Pay and contactless symbols. However, not all shoppers are familiar with the contactless symbol, and some merchants display it on their terminals, even though they have not yet enabled NFC, creating opportunities for confusion and a negative checkout experience.

Consistent Staff Training is Essential

Inconsistencies in user experience can inhibit consumer adoption of mobile payments. Well-informed staff can play a pivotal role in encouraging customers to pay with their mobile phones, so it is vital that merchants thoroughly train employees about how the new technology works, and what benefits it can provide to the consumer. Employees need to become believers first. In my experience, cashiers in some stores are well-informed about Apple Pay and can assist customers on how to use it. Employees at other stores may have basic knowledge of the mobile wallet technology, but do not fully comprehend how it works. For example, when I first tried to use Apple Pay, the cashier was aware that the supermarket accepted it, but could not locate the contactless reader on the POS terminal. She initially directed me to the barcode scanner used for mobile loyalty cards. We eventually found the contactless reader in the center of the POS terminal, and I was able to initiate a mobile transaction and successfully complete the payment.

Employee training is spotty both within merchant locations and across different merchants. Yet the basic process of making an NFC contactless mobile payment is essentially the same at any retailer. I visited several stores to determine if they had NFC-enabled contactless readers. The results varied at each merchant. Several cashiers indicated that their management had not explained the mobile features of the POS terminal. At one store, the cashier said that only some of the terminals were set up to accept Apple Pay. One associate said the phone had to be held sideways to work. At another store, the cashier did not

⁴ Gokey, M. (2015, October 20). *Here are all the places that support Apple Pay, including 600+ banks and credit unions*. Digital Trends. Retrieved from <http://www.digitaltrends.com/mobile/apple-pay-partners-news/#ixzz3pmPmyar0>. See <http://www.apple.com/apple-pay/>.

know she had to push a button on her screen to enable the customer to use Apple Pay. And finally at a major retailer, the cashier pessimistically said Apple Pay would likely not work; yet I completed the transaction without any difficulty.

Consumer Education Can Drive Adoption

To address lack of awareness and understanding of mobile wallets, mobile payment solution partners (e.g., handset manufacturers, mobile carriers, issuers, card networks, and wallet providers) should collaborate to develop consistent, accurate messaging about NFC contactless technology. For example, promote the NFC functionality of a smartphone, similarly to how the device's camera, screen size, and other advanced features are often highlighted. Staff at smartphone retail stores might provide brief demonstrations and explanations on how NFC mobile payments work to help customers set up their new mobile phones.

While industry surveys indicate that three-quarters of U.S. smartphone users have heard of Apple Pay,⁵ not all understand how it works or lack confidence in the solution. Many issuers address this gap by marketing Apple Pay directly to their customers through traditional and digital media channels. They provide details about how to set up and use the mobile wallet, and explain benefits, such as convenience, enhanced security, and loyalty programs.

First Impressions Matter

Despite major marketing campaigns to promote mobile payment solutions, convincing a consumer to use a mobile wallet continues to be a challenge. First impressions are often critical. If a customer has a poor mobile checkout experience, he is more likely to lose confidence in the solution and revert back to his usual payment methods. Yet some studies show that consumers who have used mobile payments are generally pleased. According to a survey conducted by First Annapolis, among Apple Pay users, more than half indicated that they were “very satisfied” with their experience and 87% were “somewhat satisfied.”⁶ Positive experiences can lead to repeat usage and influence change in behavior. For example, if customers realize the benefits of mobile payments at one merchant, they may want to use it at other locations, and tell their friends and family. Word of mouth, social media, and peer reviews are some of the most effective and influential forms of marketing to increase adoption, but the experience has to be positive for continued use.

⁵ Gallagher H. (Fall 2015). *Apple Pay Report: Consumer awareness is high, but usage remains modest*. Pay Magazine. Retrieved from http://paybefore.com/wp-content/uploads/pay_magazine_fall_2015/index.html#p=78.

⁶ Gallagher H. (2015, October). *Apple Pay Report: Consumer awareness is high, but usage remains modest*. Pay Magazine. Retrieved from http://paybefore.com/wp-content/uploads/pay_magazine_fall_2015/index.html#p=78.

Key Takeaways

- Effective consumer preparation and staff training are a must when introducing a new payment method or technology.
- Knowledge about how the mobile payment service works and data is secured, and the benefits and value it adds will incentivize consumers to use it.
- Consumers may hesitate to test their mobile wallets in a long checkout line if they are uncertain that it will work.
- Poorly trained employees exacerbate the problem, resulting in a frustrating and delayed checkout process, while well-trained cashiers can create a positive, successful mobile payment experience.
- Consumer confidence in the mobile wallet experience will lead to continued use.