From e-commerce to m-commerce

BR RESEARCH (November 29, 2012) : With over a billion Smartphones in use globally, the electronic commerce phenomenon is gradually giving way to mobile commerce. Amid growing mobile broadband penetration worldwide, Smartphones - thanks to their interactive user interfaces & versatile online platforms - are now increasingly driving purchases of both physical products (via mobile browsers) and usage of paid digital media (through mobile apps). The magnitude of the growing spending on mobile devices is captured in a recent study by the International Data Corporation - a Massachusetts-based firm which specializes in ICT-related market intelligence. By 2017, IDC estimates the global volume of purchases over mobiles to exceed one trillion dollars. Bulk of this is expected to originate from e-commerce spending over mobile phones. Proximity payments, a phenomenon that is set to grow with penetration of the Near Field Communication technology (using NFC, one can make a payment by just waving the mobile device over a POS terminal), come at second. The person-to-person funds transfers via mobile accounts will be a distant third due to low volume. IDC analysts maintain that the figure - which is just 2.5 percent of the global commerce addressable by mobile payments in 2017 - could swell or reduce based on market behaviour. "There are substantial uncertainties in the forecast, depending on whether financial institutions, mobile operators, and retailers can agree on common standards for payments. If each sector insists on going its own way, mobile payments growth will under-perform the forecast. (But) if the market consolidates into a few dominant schemes for each country, then mobile payments could be much larger." Convergence of technologies and collaboration among market players is, therefore, vital for mobile payments to grow. Financial institutions have a big role to play here - they are ideally placed to facilitate the technology providers and telecom operators in scaling up the avenues like NFC proximity payments and mobile wallets - and must open up their vast cache and networks of plastic cards to grow together. While critical mass for m-commerce is already there in the developed markets, growth is expected to come from rising consumerism and ICT penetration in Asia, Oceania and MENA regions. In Pakistan, too, change is brewing on this front. Digital marketing seems to be cementing its place in the companies 360 degree marketing strategies, with special focus on social media and mobile ads. Mobile phones are the leading channel through which branchless banking has been flourishing in Pakistan. SBP data shows that nearly 1.5 million mobile wallets had been opened as of June 30 this year. Though the bulk of the liquidity (Rs339 billion) that went through the BB system in FY12 was channeled via agents network, the usage of m-wallets for funds transfers and bill payments is said to be increasing. Financial skepticism, once associated with mobile & internet platforms, seems to be subsiding now, which augurs well for mobile spending in future. As per SBP, Rs365 billion were transacted via internet banking and Rs14 billion via mobile banking during FY12. Meanwhile, the BB service providers are also busy building a payment ecosystem for their service, which will create momentum. But core problems exist, which include limited consumer interest and trust in local online marketplace, and the absence of online payment gateways (like PayPal). While NFC technology could be a long way off for Pakistan, the banking and telecom regulators should expedite the process of introducing online payment gateways. That may also facilitate entry of big names like eBay and Amazon to the Pakistani market, which in turn will lend credibility to those in this business.