

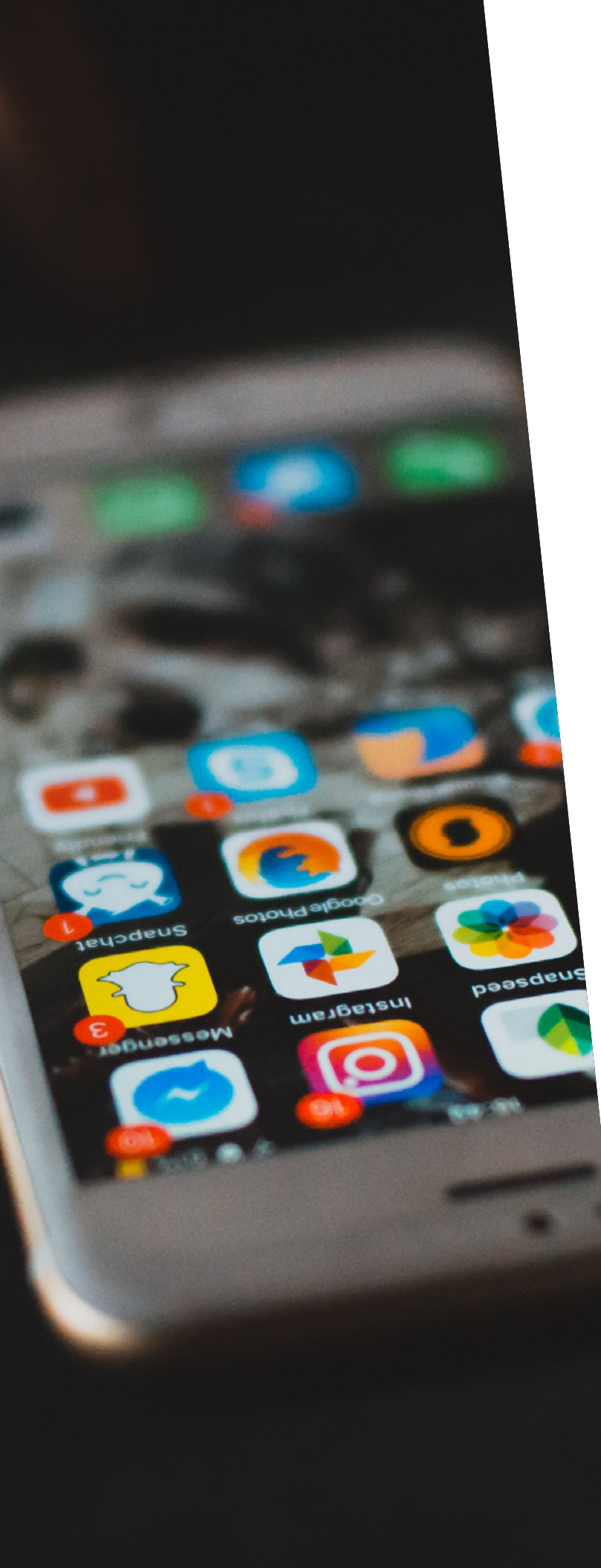


It pays to be mobile

The rise of the payments super app – a fad, or the future?

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In the last decade, bundled products and services became broadly unpopular, with customers preferring to shop around for the best deal on each item. Whether it's for financial services, utilities, telecoms or retail shopping, consumers are certainly still price-sensitive and want a good deal. But, as consumer lives have become busier and digital access has improved in the last couple of years, a new trend has begun to emerge towards rebundling products and services again. The rising stars (and perhaps even the drivers for this change) are super apps. As aggregators of products and services, consumers see an advantage in super apps, since they offer ease, convenience and the chance to receive more personalised services and offers.

The question is: will this be another trend that unravels in a few years' time, or are super apps here to stay?

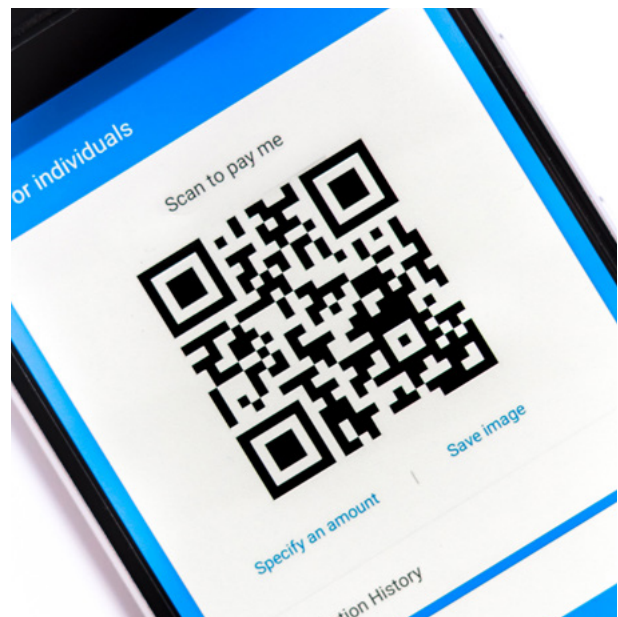
What is a super app?



Super apps essentially serve as a single point of access for a wide range of products and services. The premise is to have a single app, with one login and a seamless user experience across these products and services, allowing customers to have a 'go-to' place for whatever they need.

Most existing super apps started out with just one offering and have expanded their services and reach from there. For instance, WeChat, one of the best-known Chinese super apps, is often known as an 'app for everything'. But it started out purely as a messaging app and built out the platform to include broader media and communications services and payments. They now have more than a billion active users on a daily basis. Alipay, also based in China, enjoys a similar number of users, with over 90% market penetration. Unlike WeChat, Alipay has its roots in ecommerce and payments, building on that capability to become a lifestyle app that consumers can use for a broad range of day to day transactions.

This includes paying by QR code in store, locating and reviewing merchants, receiving and redeeming push promotions, paying for tickets and transport and managing broader finances such as investments, all through the Alipay app.





The rising popularity of super apps in Asia has been driven by a dominance of mobile-savvy consumers and technology companies inside largely closed communities. In the US and Europe, we are starting to see a variety of technology and app-driven service companies follow a similar path, making fledgling moves towards emulating the success of Chinese super apps. For example, several ride-hailing apps have now added payments functionality and leveraged their transport network to offer food deliveries. On the financial services front, some fintechs are leveraging Open APIs to offer access to aggregated financial solutions via apps.

In reality though, all these offerings are in their infancy and have some way to go if their aim is to earn the badge of super app. The other thing to note is that these aspiring super apps come from a variety of backgrounds, including social media and ecommerce. Very few are headed towards being a payments super app, which is a slightly different animal.

This may be because most are not rooted in payments. Becoming a payments super app is much more complex because it requires a deep understanding of the evolving nuances of payments, including the ever-changing opportunities, pitfalls, technology, legalities, security and standards that lay beneath the payments process.

What's the opportunity?

There is little doubt that mobile devices will play a vital part in the future of banking and commerce. Consumers are already increasingly adept at transacting across channels and mobile is often a key part of that omnichannel journey. Many consumers use mobile sites and apps to check account balances, move money, browse merchant sites and compare prices before making a purchase.

Ultimately, consumers want ease, convenience, speed and choice – and mobile is an important part of supporting those customer experience expectations. After all, our devices are with us all the time, they can support a variety of transactions and interoperability with other payment technologies is constantly improving.

As apps become more popular and sophisticated, banks, fintechs, merchants and a variety of other businesses are looking for ways to avoid disintermediation and remain competitive. Apps essentially travel round in a customer's pocket – a place where every business wants to be. This is why developing a successful app, or becoming part of a payments super app, is an aspiration for many in the payments ecosystem.

The real surprise is that many big players in payments, including aggregators, acquirers and ISOs, still have no mobile strategy. There is an enormous missed opportunity here, since there are so many advantages that can be realised through a mobile payments app. However, the right strategy for the majority of these businesses won't necessarily be a 'build your own' approach.

Sizing the opportunity: the demand for mobile

- ▶ Global smartphone penetration reached 65% in 2019 and is expected to reach 80% by 2025
- ▶ Worldwide, consumers accessed finance apps over 1 trillion times in 2019 – up 100% from 2017
- ▶ Global shopping app downloads grew 20% from 2018 to 2019 to over 5.4 billion
- ▶ Mobile is predicted to account for 40% of in-store purchases by 2025
- ▶ 2.5B hours spent globally on Android phones in the fortnight surrounding Black Friday/Cyber Monday – up 40% YOY



Let's look at a practical example, on the banking side of payments. It's fair to say that every bank has a standard mobile banking app of some form. Many now enable customers to manage their money, take out new finance products and pay bills directly from their bank account. By leveraging Open Banking, banks can build on their app capabilities to allow customers to see all their finances and payment accounts in one place – and move money between them with relative ease. However, banking apps, even the most sophisticated ones, are not naturally placed to evolve into a more all-encompassing commerce space. Banks are geared towards supporting financial products and services - serving the broader lifestyle needs of consumers is a very different and much more complex capability. A payments app, however, does have the ability to link accounts and cards, loyalty points, cashback, etc. and to do so across merchants, banking, bill payments and a huge range of other payments-related functions and businesses. So, while banks are unlikely to 'be' the payments super app, there is certainly opportunity for them to avoid disintermediation and reap the benefits of being part of one.

The reality is that consumers don't want to use 25 different apps to conduct their daily tasks and purchases. They're looking for the ultimate convenience that a super app can provide – the ability to use a single tool for whatever kind of transaction they need to make. Ideally this would include the complete journey to making that end transaction (we'll explore some examples of this in the next section of the paper).

There is a massive opportunity here for merchants and service providers to be a part of this 'one-stop' app and take up a coveted spot in the customers pocket.

Creating a sophisticated app which ties together every facet of the customer experience and is an expensive undertaking and one that even some of the biggest merchants cannot fund. Payment super apps can make mobile accessible to any merchant, offering the chance for merchants to get in on the m-commerce action in a simple, cost-effective way. They can also offer an easy route to provide more innovative, personalised experiences. For instance, super apps can be a great tool for blending online and offline worlds – by providing personalised loyalty offers to customers via their mobile while they're browsing, for example. These offers could then be redeemed instore or enable seamless in-person e-commerce to help boost conversion rates. Payments super apps can also offer merchants the chance to extend their brand experience through mini stores in an app-driven digital marketplace.

For merchants, joining a payments super app ecosystem can give them the opportunity to inject themselves into the mobile customer journey and gain a range of benefits beyond payments acceptance, without the burden of inhouse app development.

Ultimately, as younger, mobile-native generations become the biggest spenders in the global economy, no business can really afford to miss out on securing the attention and custom of Gen Z and the generations that will follow – to do so would be commercially fatal.

But, when the average smartphone owner has around 80 apps on their mobile and often uses less than half of them, how do you get traction with consumers, not only to ensure that your app is one that is used, but becomes their 'go-to' app on a regular basis?

Developing or onboarding with a successful payments app, relies on understanding consumer needs, behaviour and preferences and then forming a strategy designed to meet those standards.

Delivering what consumers really want

Ultimately, the success of any app is down to user adoption – not just whether consumers download the app and use it, but whether that usage grows sufficiently to entrench the app into the average consumers' everyday life. Realistically, only digital-first giants with a massive reach will be able to build an app that customers consistently use.

Since the vast majority of businesses will not be able to achieve this alone, there's a significant advantage in signing up to a payments super app – and the consumer demand is certainly there. Recent research from PYMNTS found that about a third of all consumers expressed strong interest in the “app of apps” concept, with 11 percent expressing an extremely strong interest. Only 13 percent didn't have any interest at all. Consumers appreciate that these lifestyle-driven super apps can offer the ultimate in convenience. By having all the tools they need in one place, rather than using countless different apps, they can avoid a frustratingly fragmented journey. You can use a super app to research, choose, redeem, pay and collect/ use whatever you need. Because of this, payments super apps can become part of the consumers everyday life - because they can deliver a lifestyle experience.



Here's a micro-example; booking a family skiing trip. Imagine being able to book and pay for your entire skiing holiday all in one mobile app. Then use that same app to view the available activities, restaurants, equipment, book and pay for them and then have that populate through to a schedule. When you're there, you can again use that same app to look up the opening times for restaurants, then order and pay for your food. You could use it to order room service, present your ticket on the ski lift, reserve a space in the creche, access resort information services...now that is an app worth using! It delivers a simple, convenient, easy user experience that makes your holiday more enjoyable.

To connect with consumer lifestyle needs, a successful payments super app must connect with 'life situations' where consumers have payment-related touchpoints. It's not just about offering consumers a way to manage all their money and payments in one place. Or even about banking, shopping and paying bills... it is about giving consumers the convenience of being able to research, purchase and pay for everything they need in a given a situation, all in one place, with whatever payment instrument they prefer. This also has to include a brand experience for each and every interaction, whether that is for banking, bill payments, retail shopping, managing utilities, booking holidays, paying tuition fees, or booking and paying for a child's school trip.



Super apps must be ecosystem-friendly



For a super app to cater to consumer lifestyles, the platform needs to join together the providers of goods and services that intersect along typical customer journeys, as well as those that are adjacent. Charities are a great example of this. A super app could underpin every channel for supporting charitable giving including direct financial donations, sponsorships, in-store payments, online payments, gift aid, all in one place. A sophisticated payments super app could even support fundraising events and in-person campaigns including street collections, flyers with QR codes that enable instant donations, the selling of branded merchandise via the app's marketplace...the list goes on. To the individual contributor, their experience is simple and seamless, but behind the scenes, it joins up so many facets of the charity and supports wider, but simpler, more cohesive outreach.

A payments super app must not only work for the customer, it is also absolutely critical to serve and support merchants, service providers, PSPs, ISOs, acquirers, issuers, fintechs and more. This, of course, is a tough task, since you need a strong understanding of their individual and collective challenges and the variation (even across individual merchant businesses) can be vast.

There are a lot of challenges to navigate in the quest to become a payments super app and merchants, PSPs and financial services companies already contend with a lot of demands on their resources. Plus, they are often without the specialist expertise, technology or budgets to do significant development work in-house. It's for this reason that so many businesses are looking to adopt or partner, rather than build their own app. Plus, there are advantages of becoming part of a wider ecosystem that helps to join up customer journeys – there is the opportunity to broaden your reach and cross-sell to an extended customer base, as well as the chance to potentially gain enhanced insight into customer behaviour that can help shape more personalised experiences.

The future of payments super apps

So, will super apps 'make it' in Europe and other western markets - and what will it take to become an enduring payments super app?

AliPay works brilliantly for the Chinese community, both domestically and overseas (although this is still in development), but China has a very closed payments ecosystem. While it is also the world's biggest app market, many international apps are not permitted and the government have given their support to the domestic super apps, which creates a unique playing field that is unlikely to be replicated elsewhere in the world.

To succeed in Europe, a payments super app needs to be customer focused and span 'full chains' of customer journeys. This not only means catering for consumer needs, but for businesses who serve them. It also needs to have the flexibility to help these businesses evolve with the pace of changing consumer demand. Essentially, it needs to have a singular focus in serving the customer, but it must be built for everyone.



While it may sound obvious, a payments origin and an established track record in payments is also a real advantage in developing a successful payments super app. While alternative payments are growing in popularity, this trend is a slow evolution. A large number of payments made through apps are still underpinned by traditional banking or card infrastructure - something which will not change overnight. This brings with it a whole host of challenges and resource demands around compliance, interoperability and legacy technology issues which can present significant stumbling blocks for players who are new to the payments sphere. Experienced payments experts will understand that the path to building a successful payments super app is an endurance race, not a sprint. The capabilities need to evolve and build at the pace of both the market and of customer adoption.

For the vast majority of businesses, there are no benefits in trying to navigate these payments nuances directly – jumping on board with the right payments super app can remove the complexity of a mobile offering and add so many more advantages.

Customer demand for convenient, digital, mobile-enabled experiences mean that mobile super apps are definitely here to stay. But the payments super app 'place to be' will be one that has well-established roots in the payments world, with the technical ability and experience to link the whole ecosystem. Success will require an 'all or nothing' approach to ensure lasting advantages will rain down for consumers and for participating businesses.

MobiCash

It pays to be mobile

MobiCash is a mobile payments service designed to make payments easy without compromising security. It is simple to use and offers businesses a cheaper and more inclusive way of accepting payments, as the service is not tied to any device, operating system, card or payment network. The service has been developed by Compass Plus Technologies – an international provider of payments technology with over 30 years of experience in the payments industry.

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