

New frontiers of electronic payments

Kate Bassett takes a tour of the world of contactless payments and e-wallets, and maps out the way forward

INTERNATIONAL PAYMENTS

■ When it comes to the payments market, it's the countries you perhaps wouldn't expect that have been among the most innovative.

Take Turkey. It may be a nation known for its Ottoman minarets, Crusader castles and bustling bazaars, but with a young population, a booming bank-card market and high levels of mobile phone usage, this country is leading the way in Europe when it comes to contactless cards and mobile NFC (near field communication) payments.

Or look at Kenya: a country, which suffers from poverty, unemployment, political unrest and food security issues, but has also developed the phenomenally successful M-Pesa mobile payments system.

Across the globe, local entrepreneurs are changing the landscape of the payments industry. In the US, Twitter co-founder Jack Dorsey last year launched Square: a personal credit card reader that plugs into your iPad or iPhone's headphone jack. In August, Star-

bucks invested £16 million in the scheme and announced that 7,000 of its shops would accept payment via the service.

In Sweden, Magnus Nilsson and Jacob de Geer, who founded iZettle in 2010, went on to raise venture capital funding, led by Greylock Partners and Northzone. Their mini chip-card reader and app is aimed at mobile tradespeople, such as plumbers and beauticians, who find traditional card processing too expensive. iZettle is the first company to commercialise a mini chip-card dongle for Android, the dominant smartphone platform in the region.

In the UK, Monitise founder Alistair Lukies has performed the seemingly impossible task of getting the major banks and mobile operators to work together as part of his mission to turn mobile phones into electronic wallets. The business he started in 2003 now turns over £34 million a year and has nearly 16 million registered customers worldwide. 

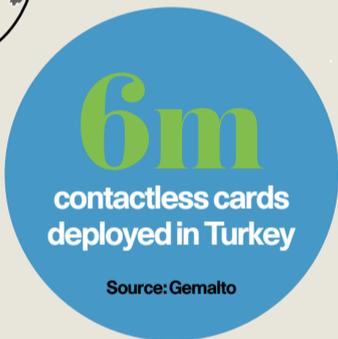


Paying for cabs in China, trains in Turkey and at the convenience store in the States is going to look very different in the next five years



UNITED STATES

While the rest of the world has moved to chip-and-PIN technology, the US has dithered. But, finally, the country is ditching its antiquated magnetic stripe technology, with American Express, Discover, MasterCard and Visa all planning to move to an EMV-based payments infrastructure. Google is trying to phase out plastic cards altogether; it launched Google Wallets in the States last year, allowing customers with certain smartphones to pay for purchases from their handsets. A consortium of US retailers, including Best Buy, Target, Wal-Mart and Lowe's, are joining the virtual-wallet market.



BRAZIL

Whether paying for a taxi ride, a haircut or a café-com-leite, Brazilians nearly always pay by credit or debit card. The number of credit cards in Brazil has quintupled to more than 628,000 in the past decade, according to industry association ABECs. Last year, a new financial card Elo was introduced into Brazil by Banco Bradesco, Banco do Brasil and CEF, and began its quest to claim 15 per cent of the credit-card market in the country by 2016. Meanwhile, m-commerce initiatives, such as the partnership between Banco do Brasil and mobile operator Oi, have finally begun to emerge and mobile shopping is expected to skyrocket.



TURKEY

According to smart card company Gemalto, Turkey has the third highest level of credit card adoption in Europe and it is considered one of the front runners to become the world's first cash-free state. It was the second country in Europe to be equipped with contactless terminals; there are now around 40,000 locations, such as stores, ferry terminals and parking lots, where consumers can make low-value purchases with a simple tap of their card. Almost six million contactless cards have been deployed in Turkey so far, with Bank Asya and Garanti Bank leading the way.



INDIA

India is predominantly a cash economy with 67 per cent of retail transactions being conducted with notes and coins. But mobile banking is starting to make inroads here. In February, Movida (a mobile payments joint venture backed by Visa and Monitise) launched a mobile payment service with India's second largest bank, HDFC, to allow customers to pay bills, top-up pre-paid airtime and buy tickets from their phones. Out of a population of 1.1 billion people, 600 million have a mobile phone. India's Associated Chambers of Commerce and Industry forecasts that mobile penetration will hit 100 per cent by 2015.



CHINA

China has made big steps in internationalising its local currency and shaking off its reliance on US dollars. Under new regulations released by the People's Bank of China, all Chinese importers and exporters can now settle foreign trade in renminbi. Alongside supporting Hong Kong, Singapore and London to become offshore renminbi centres, the Chinese government has also established currency swaps with more than 14 countries. The Chinese mobile payments market is set to become the largest in the world by 2015. At that point it will be worth more £50.5bn with 441 million active users, according to Kapronasia.



VIETNAM

Euromonitor International projects that Vietnam will be the fastest growing market for card payment volume over the next year, with pre-paid cards expected to be the strongest growth category. However, this is a country that still loves cash. To wean locals off notes and coins, the government will be: paying salaries to 80 per cent of state workers through banks; accepting non-cash payment at all public utilities; doubling banking penetration to 30-40 per cent; increasing the number of merchants accepting cards from 70,000 to 250,000; and reducing taxes on non-cash transactions.



KENYA

There are now more phones in Kenya than adults, according to the World Bank, with more than 80 per cent of people with a cell phone using a mobile-money model known as M-Pesa. The local system, launched in 2007 by Safaricom and Vodafone, has been used by a staggering 15 million people to date, from rural villagers, who use their phones to pay for produce, to urban dwellers who no longer need to make overnight trips to their rural homes to pay their children's school fees. Though mobile money networks in East Africa currently only exist within individual countries, there are plans afoot to create a regional network.

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of India's retail transactions are conducted with cash
Source: The Associated Chambers of Commerce

2015
Chinese mobile payment market will become the biggest in the world
Source: Kapronasia

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Source: Safaricom