



Mobile Proximity Payments

Case Study – Citibank NFC Pilot Project – Bangalore, India

Mobey Forum
Amsterdam, 11th Feb 2010



**Edgar, Dunn
& Company**

Management Consultants



Citi Tap and Pay

TAP INTO THE FUTURE

EDC's Advanced Payments Consulting Practice advises clients in a number of payments related areas.

ADVANCED PAYMENTS CONSULTING



ONLINE COMMERCE

Payments relating to Online Commerce (B2C) and Online Personal (P2P) payments. These are made with payment cards, from bank accounts, or using "alternative payment instruments" such as online wallets



CONTACTLESS

Payments made at points of sale (POS) – card equipped with RFID functionality. Expected to be used for low value transactions at locations where speed of payment is important. These payments are currently made with cash



**MOBILE PAYMENTS
(REMOTE, NFC)**

Mobile payments and other financial services transactions that are initiated using a handheld mobile communications device. This covers both remote of NFC based proximity payments

ELIGIBILITY AND ACCEPTANCE



Customer Participation Criteria

Citibank MasterCard Credit cardholder and Vodafone subscriber in Bangalore



Merchant Locations

250+ Card readers installed across merchant locations in Bangalore; Wide coverage of merchant categories (*Convenience, Apparel, Fast food, Books, Grocery & top retail brands in Bangalore: Landmark, Subway, Nilgiri's, Shopper's Stop*)

PRODUCT PROPOSITION



- Nokia 6212 offered at INR 5000 to customer (against MRP of INR 11K)
- Incentive - INR 2500 cash back for 6 purchases and INR 5000 cash back for 12 purchases
- Exclusive discounts for Tap and Pay users (20% OFF at Landmark etc)
- Special downloadable coupons for freebies at Subway and Nilgiri's / FREE 2GB memory card festive offer

HIGH PROFILE LAUNCH

In Bangalore, tap your mobile to pay

BANGALORE MIRROR BUREAU

Citibank on Tuesday announced the launch of a pilot project in Bangalore that will enable customers to tap mobile phones instead of swiping credit cards to pay at select retail shops in the city.

The customer has to tap the phone, select the credit card and put in the password. However, he still has to sign the bill (unless the shop agrees to skip it). The new mobile payment methods have been established by five collaborations: Citibank, Nokia, Visa, Mastercard, and Yodanis.



Rajeshkaran (L), Country...

MasterCard Drives Innovation for Mobile Payments in Asia/Pacific and the Middle East

12/20/11 12:30 PM EST 2/1/11 11:28 AM EST

FINANCIAL — MasterCard Worldwide recently upped the ante on mobile payments all out in Asia/Pacific with its launch of one of the world's largest Near Field Communications (NFC) MasterCard PayPass™ pilots.

The pilot was launched in Bangalore in collaboration with Citibank, Nokia and Visa, and has introduced mobile payments to the city's fast-paced lifestyle. It can also put PayPass, MasterCard's globally interoperable contactless payment system, at the center of industry trials and commercial deployments.

Consumers participating in the Indian trial will enjoy promotional offers such as discounts at various popular retail establishments, including department stores, food courts at shopping malls and fast food outlets.

From a contactless payment system, Citibank has established a contactless payment system and will gather a range of data to help consumers better understand their spending habits.

Citi brings Tap & Pay tech to India



Email Print

Twitter Delicious Facebook Dribbble MySpace Digg

More Destinations...

M-Payment
Get Money out of your phone
Available all phones and networks
www.mpayment.in

Indian Bank Account
Transfer Money to Your Indian Bank Accounts. Apply Online Now!
www.citibank.co.in

Which happens, an Indian chapter on YouTube will explode?

YouTube will explode'

D. Shivakumar, MD of Nokia India, talks to BrandLine on how technology is evolving to cater to people's desire to be connected constantly.



BRANDLINE: D. Shivakumar, Managing Director of Nokia India, going to Chennai, area for a meeting to discuss a new initiative, the mobile market and what it means for the future. He will be talking to the BrandLine team about the mobile market in India and how it is evolving. He will also be talking to the BrandLine team about the mobile market in India and how it is evolving. He will also be talking to the BrandLine team about the mobile market in India and how it is evolving.

Shivakumar: The mobile market is growing rapidly. When the government opens up the market, there will be a lot of competition. We are seeing a lot of new players entering the market. We are also seeing a lot of new products being launched. We are also seeing a lot of new services being launched. We are also seeing a lot of new partnerships being formed.



PRINT / ONLINE

TV



NDTV Profit: Partner Panel discussion and Gadget Guru editorial coverage



PROJECT RESULTS - HIGHLIGHTS

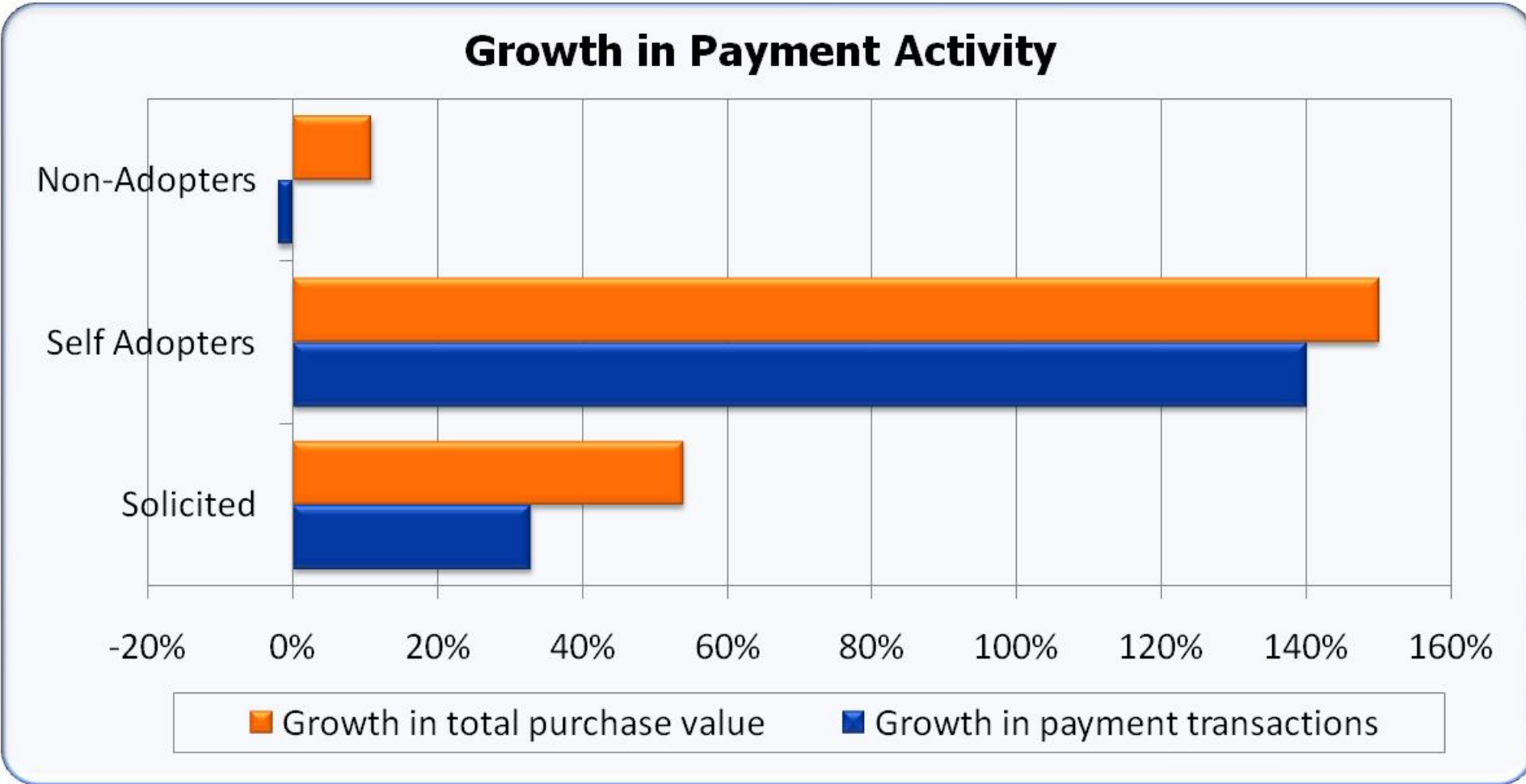


TYPICAL CUSTOMER PROFILE

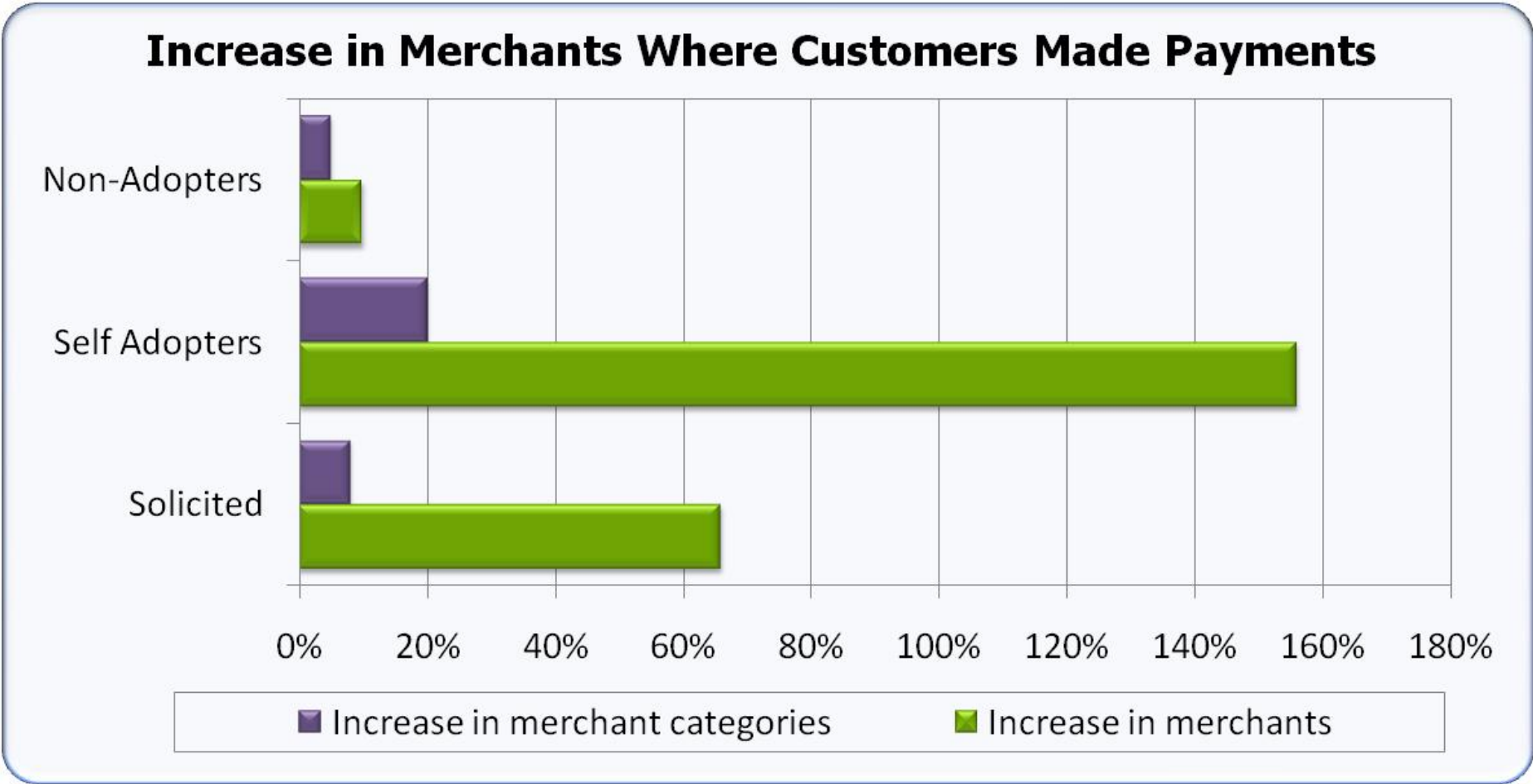


- Young salaried male in the 26-35 age bracket (average age 30.5 years)
- An annual income of around INR 720,000 per month (US\$ 15,720)
- Employed in the Information Technology (IT) or IT Enabled Services (IT ES) industry
- Holds an average of 2-3 credit cards and carries around INR 1,500 (US\$ 33) cash in his wallet
- Frequent shopper at the Forum Mall, Big Bazaar and Reliance Fresh over the weekend and spends on fuel during the week
- High probability that he already owns a Nokia phone, uses mobile email, and downloads some form of entertainment content such as ringtones

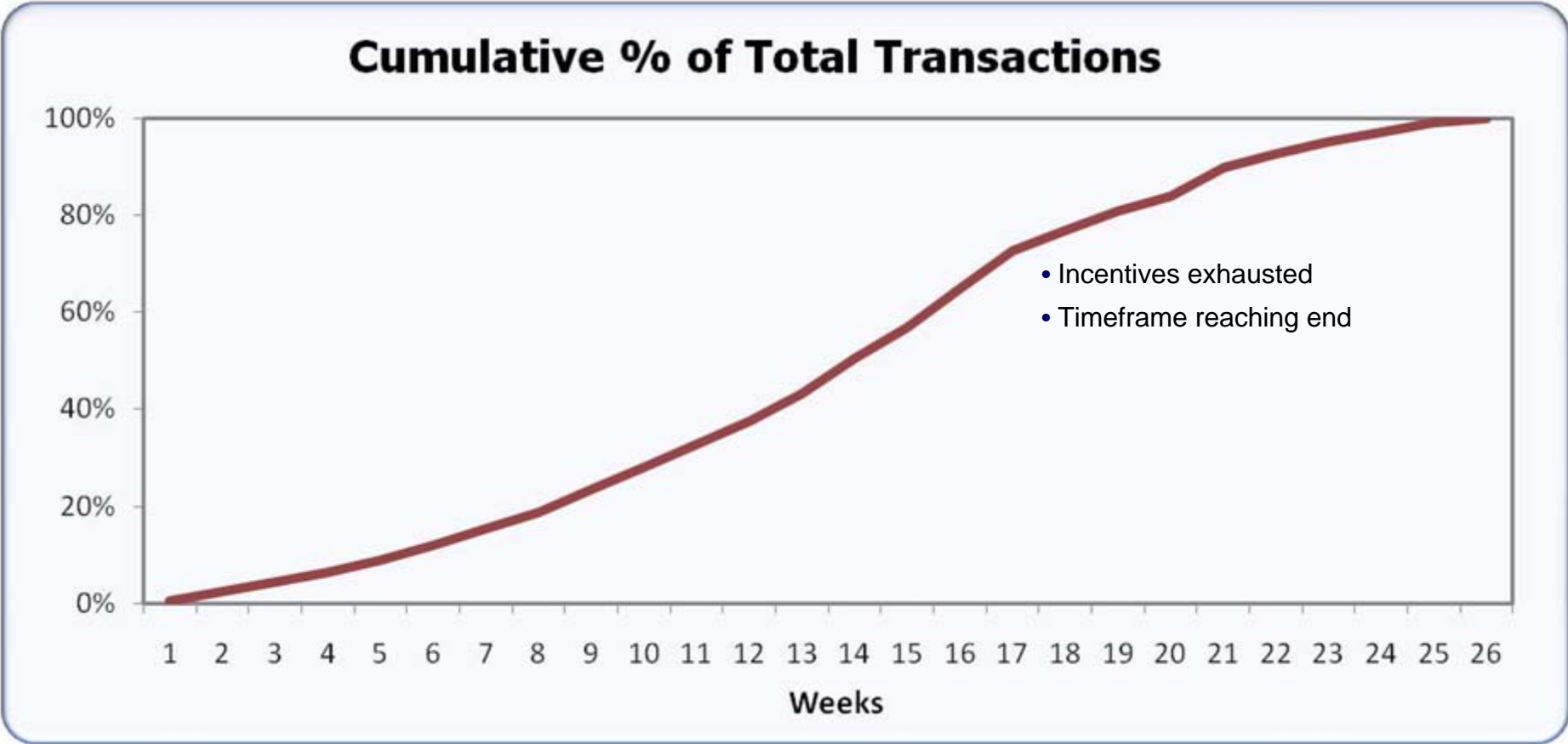
IMPACT ON PAYMENT ACTIVITY



IMPACT ON MERCHANT COVERAGE

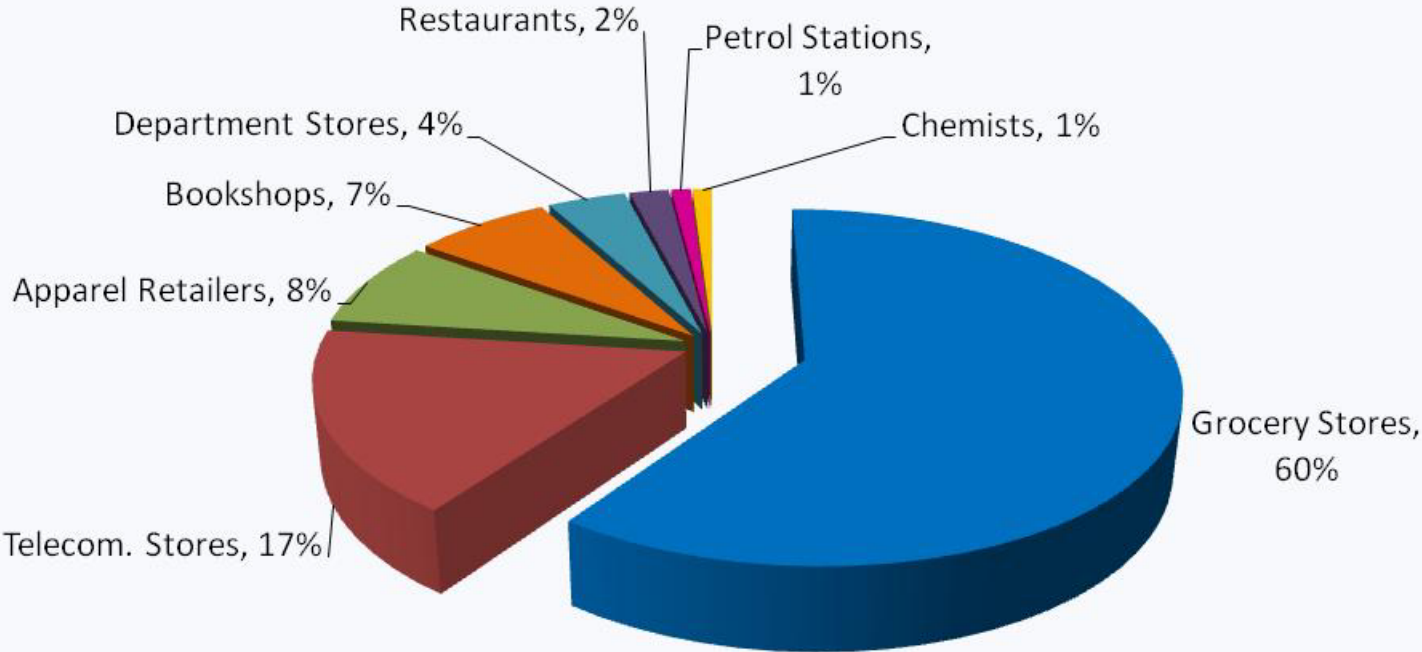


TRANSACTION GROWTH CURVE



MERCHANT LOCATIONS ACTIVE BY TRANSACTION VOLUMES

Share of Payments by Merchant Type



CUSTOMER FEEDBACK – REASONS FOR SIGNING UP

■ Value for money

“When I shopped from Shoppers’ Stop I got 10% discount because of “Tap and Pay” and many more such offers are also there...”

■ Enhanced convenience

“I don’t have to carry my wallet ... its very convenient...”

■ Enhanced security

“This facility definitely seems secure compared to credit cards in general...”

■ The “Cool Factor”

“I liked the concept...it sounds very cool...”

■ Collective brand power of some of the best known brands in India

“If brand names like Citi, Nokia, and Vodafone are tied up to do something the product must be totally trustworthy for quality...”

CUSTOMER FEEDBACK – CUSTOMER EXPERIENCE

■ Quick and painless service activation at the Nokia store

“I showed the welcome letter. They showed me the features. They did the application. Then I paid 5000 through “Tap and Pay” and it was all done in no time...”

■ Secure set-up

“We were told that we will have to punch in a 4 digit password before making any transactions. That’s a great feature I thought, clearly adds to the safety aspect of NFC...”

■ The service as an ideal cash substitute

“I don’t have to carry my wallet... it’s very convenient as I will always carry a phone...”

■ Fast payment

“And also it is easier and convenient, it’s a much quicker process than paying with cards – it’s just a tap!...”

CUSTOMER FEEDBACK – SIGN-UP CHALLENGES

■ **Communications and awareness of the offer**

“It was like literature ... there was so much written in the box that I totally discarded it ... plus we get stuff like this from banks all the time and most of it is not even opened up ...”

■ **Bad timing**

“We get about 3 to 4 calls a day from call centres about credit cards and loans so whenever I see any message or get a call telling me about credit cards I totally ignore it...”

■ **Lost in translation**

“They should have someone calling us who speaks Hindi or Kananda or else ... can't expect all of us to understand English...”

■ **Low credit card usage in India**

“I hardly use credit cards ... maybe once or twice a month maximum...”

■ **Not Impressed with handset on offer (Nokia 6212)**

This model is far more inferior to the one I am using ... hence I don't think I will ever want to purchase a phone like that ...”

CUSTOMER FEEDBACK - PAIN POINTS

■ A tale of two phones!

- They do not want to carry two phones especially when they already own more
- They found the Nokia 6212 handset well below their expectations advanced handsets
“There should definitely be more options in the mobile phone variants ... as it’s not fair to expect everyone to be content with only one model and that too a model which is quite a failure ...”

■ Their concern that the service will be discontinued due to the limited pilot timeframe of the pilot project (leading them to avoid developing lasting familiarity)

“My friend told me about the limited time period hence don’t want to get used to it and then get to know that I have to again move back ... it’s too painful a procedure ...”

■ Merchant coverage should be expanded

“They should also make sure that it is not only in a few big outlets ... but it should be available in at least 70 to 75% of the major retail stores in Bangalore ...”

■ Merchant staff should be better trained to assist customers

“I think the shop keepers are not trained to use the particular device...I had to wait till the manager had to come out and help us out...”

VERDICT

Untapped opportunities exist

Mobile proximity payments represent latent or unlocked demand that will generate transaction growth for electronic payments.

Build on pilot momentum

The valuable insights and learnings provided by the pilot should be utilised to roll out the pilot in other cities in India or indeed in other markets as well. The infrastructure and the “eco-system” configured for the Bangalore pilot, after allowing for local modifications, can be leveraged to implement similar solutions in other selected markets / cities.

CHALLENGES TO TACKLE BEFORE COMMERCIAL ROLL OUT

- 1. Solve the phone problem**
- 2. Consider alternatives NFC based technologies**
- 3. Ease eligibility criteria**
- 4. Enhance direct marketing effectiveness**
- 5. Expand the merchant footprint**
- 6. Create compelling non-payment offers**
- 7. Set up an industry body**
- 8. Expand the eco-system**

Contact Information



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