Q & A from the MPOS paper webinar

Questions by journalists and analysts
Answers by Matt Calman, chair of MPOS workgroup

Q: Don't you think that malware could capture sensible data (PIN) during a payment transaction by using a mobile keyboard instead of an EMV certified keypad?

A: This is a great question, and an accurate one about the vulnerability. The majority of EMV solutions coming to market use a separate PIN pad and avoid the smartphone screen as an input device for this very reason. The answer lies in locking down the software and hardware.
From the paper, page 11,

> . The keypad or screen of typical consumer smartphones and tablets are unacceptable for PIN entry since the keypad cannot comply with current PCI PIN Transaction Security requirements; although Commonwealth Bank in Australia has proven that a customized, locked-down version of a mobile device can comply[1].

Q: Can you explain in more detail how a higher ROI can be achieved through MPOS?

A: When compared to a traditional magstripe/contact/contactless payment terminal, the investment in MPOS may be lower for a retailer at scale. When compared to other types of payment acceptance upgrades, MPOS brings added sales and service plays made possible only through a free-roaming sales force helping customers during their shopping rather after a checkout queue.

Q: Do you see MPOS players like Square (who traditionally serve micromerchants) adapting to meet the needs of large retailers who demand more comprehensive solutions (e.g. back-end integration)?

A: This will be an interesting evolution, as the new entrants move higher and higher up the value chain into more complex solutions. The rollout of Square Wallet with Starbucks will be the first in-market test of this trend. Wal*Mart is trialling a different capability, where customers can scan items in the aisle as they add them to their cart and then link with a self-checkout kiosk to upload their purchases, reducing queue time at the checkout kiosks ... this is more of a queue-shortening play, but is clearly a stepping stone to a full aisle buying experience. We will be watching closely to see how various large retailers adapt the power of mobile to their context.

Q: What's the most compelling reason for a large retailer (e.g. Macy's, Nordstrom) to adopt MPOS?

A: For luxury and discretionary goods, we believe the increased customer sales and service interactions are the strongest play. For non-discretionary, such as grocery, MPOS and related mobile plays will likely focus on efficiency and reducing customer delays. For every merchant, mobile opens up new opportunities to customize a shopping experience and increase loyalty through offers and value-adds.

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[1] http://www.commbank.com.au/about-us/news/media-releases/2012/docs/pi/albert-fact-sheet.pdf

Q: What is Mobey's vision of migration towards biometric authentication in mobile devices?

A: Biometrics can be an important part of a multi-factor secure environment. Customer acceptance varies by country/region and a lot will depend on the consumer electronics / handset manufacturers' approach. If smartphones with dedicated biometric sensors become commonplace, you can bet that apps will take advantage of the hardware. Those biometric techniques which use general purpose components of a smartphone, like the camera, microphone or the screen, will need to be hardened for more secure and more reliable operation when it comes to financial transactions. This is a similar to the EMV pinpad / PCI-DSS standard discussion in a previous question ...

Q: How quickly will big retailers adopt MPOS? What will drive their decision to go with a solution from a bank or a new player, like Square?

A: I think this question builds on a few prior questions – a provider's ability to deliver a solution at scale and with integration with more traditional back-ends will be critically important. Also important will be the perceived security and trustworthiness of a provider. For banks, the opportunity to offer MPOS as part of a bundled solution with banking solutions, such as credit and liquidity, is a unique play for merchants difficult to imitate by an over-the-top new entrant. But in the future, we may see these new entrants cross over into traditional financial services products ... after all, a company like Square is collecting volumes of data on their merchant customers' cashflow and receivables patterns, critical to forming an underwriting capability. It will be interesting to watch how both FI's and technology players approach these crossover capabilities and MobeyForum will be there to interpret the risks and benefits for mobile financial services players.