

ON-THE-GO PAYMENT

It's time to look at mobile payment platforms

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As more Filipinos go online to shop, making sure you have a mobile payment platform that's affordable and easy to use should be a priority.

According to International Data Corp., there will be a rise in mobile apps usage and mobile e-commerce (or m-commerce) transactions in 2014. In the Philippines alone, it says smartphone and tablet shipments are expected to grow by 22 percent and 40 percent, respectively, with

smartphones seen to eat up 25 percent of Filipino consumers' IT budget.

As PC sales continue to weaken and mobility rapidly gains ground, small-medium enterprises would have to revamp their payment platforms to reach a wider customer base.

While most e-commerce payments are still being done through PCs, using tablets and smartphones for paying goods and services will eventually

become popular among Filipinos, says Robert Chiang, founder of online payment solutions provider Dragonpay. "What is clear is the trend towards the use of mobile devices versus desktop, and the continuing decline of desktop shipments. So going forward, the mobile-first design approach might become a necessity for businesses if they wish to reach out to more customers," he says. >>

MASS PLATFORM

Although most of those who pay through mobile devices are from the more affluent users, Chiang says that other income brackets will ultimately resort to using mobile payment platforms in the long run as the prices of smartphones fall.

"As smartphone prices continue to drop [especially Android phones], and as more merchants develop a mobile version of their site, plus the [telcos'] lowering mobile data fees through various promo schemes, mobile platforms will be the general platform for everyone—including the masses," he says.

There are several factors to consider though in choosing a mobile payment platform. Enterprises should be aware of their target market's payment behavior and integrate the applicable payment option in their platforms to reach them. Unless majority of their potential customers are credit card users, companies that merely offer the card-payment option run the risk of losing a sale.

"In the Philippines, bank account usage is still low. Most Filipinos [mainly keep accounts] just to receive salaries," says Honor Gunday, CEO and founder of Paymentwall, an online payment platform company based in San Francisco, with offices in Manila, Berlin, Ukraine, Turkey, Amsterdam, and Las Vegas.

APPEASING THE IMPULSE BUYER

Given the country's low credit-card penetration, businesses today try to offer a wide range of alternative payment methods to cater to the broader market. Popular payment options include depositing cash in payment centers, mobile-terminated billing, or paying with digital currency. Companies that wish to reach the global market should also take into account country-specific payment methods like Brazil's *boletos*, which is similar to cash payment or wire transfer payments, or China's e-wallets. "The challenge is to [appease] the impulse buyer. This means allowing them to pay for something in the second they want it. The transaction should happen right away. The [payment platform] should be usable, and it should make the payment process easy," says Gunday.

Of course, cost is a factor. Some online payment platforms like Paymentwall's Mobiamo, Filipino-owned JuanPay, and coins.ph allow merchants to set up accounts for free, while others require high integration setup fees.

SERVING THE UNBANKED

According to the Bangko Sentral ng Pilipinas (BSP), only two out of 10 Filipinos had bank accounts as of 2012. Meanwhile, credit card penetration stood at around seven million in 2013, based on data from the Credit Cards Association of the Philippines. A BSP survey last year also showed that 98 percent of retail transactions were still done in cash.

With many Filipinos unbanked, e-commerce businesses have to look at alternative payment methods that don't require the use of credit cards or bank accounts. "Less than 25 percent of the local population has bank accounts... Based on statistics, we have a ratio of one bank branch per 10,000 people in the population," says Ron Hose of coins.ph.

Online marketplaces and businesses may opt to use Bitcoins, which a growing number of businesses overseas are starting to accept as a mode of payment. Richard Branson's Virgin Galactic, for instance, is one of them.

However, BSP has warned that since virtual currencies are not regulated, consumers may not be protected from financial losses arising from the trading of digital currencies.

The Natural Shelf, which develops natural products from locally sourced plants, fruits, and vegetables, actually spent around P100,000 for its payment platform in 2010. "We considered how easy it was to integrate into the existing site and the remittance terms," says founder Riva Galvez-Tan.

Given that the fees can be costly, before making any decision, companies should research the platform they are looking into and the terms and conditions being offered. Patrick Pan, general manager of Chinese online gaming developer and operator Changyou, says they considered national coverage, the actual payout received, and the duration of the payment period in choosing a payment solutions provider for their Android phone manager app, Mobogenie, which is intended for the overseas market. Changyou decided to use Paymentwall's All-in-1 payment systems, Paymentwall Pro and Paymentwall Local, making its games, ringtones, wallpapers, and videos accessible to the overseas market, including Southeast Asia, the Middle East, Russia, and Brazil.

Galvez-Tan says companies should also be wary of transaction surcharge. She also urges them to research and to buy in bulk if there is a fixed cost per transaction.

The simplicity of integrating the payment platform to one's website and embedding payment buttons is another consideration. "It is best to stick to

COST FACTOR

In picking the right platform for your business, you have to consider your customers—whether they have bank accounts or credit cards. Your ability to pay should also be a factor—after all, there are fees involved.

DRAGONPAY

When integrated to the website, DragonPay's payment platform allows consumers to pay using their PayPal or online bank accounts. It has a network of banks and payment centers, like LBC and Cebuana Lhuillier, where customers can deposit cash. It charges a one-time integration setup fee of P28,000. Merchants have to pay transaction fees based on consumers' payment method: P10 for online banking payments; P20 for cash deposits in DragonPay's non-bank partners; and P15 for over-the-counter payments.

“The mobile-first design approach might become a necessity for businesses if they wish to reach out to more customers.”

existing, tried-and-tested platforms and frameworks rather than developing one from scratch. It will cost less and easier to maintain in the long run,” says Chiang.

Gunday says building one’s own platform could cost as much as \$50,000 to \$100,000, while getting a payment platform could cost as little as \$50 and “an afternoon’s worth of integration.” While integrating to online shopping carts usually requires basic web programming, some platforms allow direct integration

with online e-commerce platforms for syncing offline and online transactions.

The Natural Shelf though didn’t mind the cost so much. “It saves a lot of time and makes it more convenient, both for the merchant and the consumer,” says Galvez-Tan.

BITCOIN AS ALTERNATIVE

With the prevalence of credit card fraud in the Philippines, businesses should also consider accepting Bitcoins or other digital

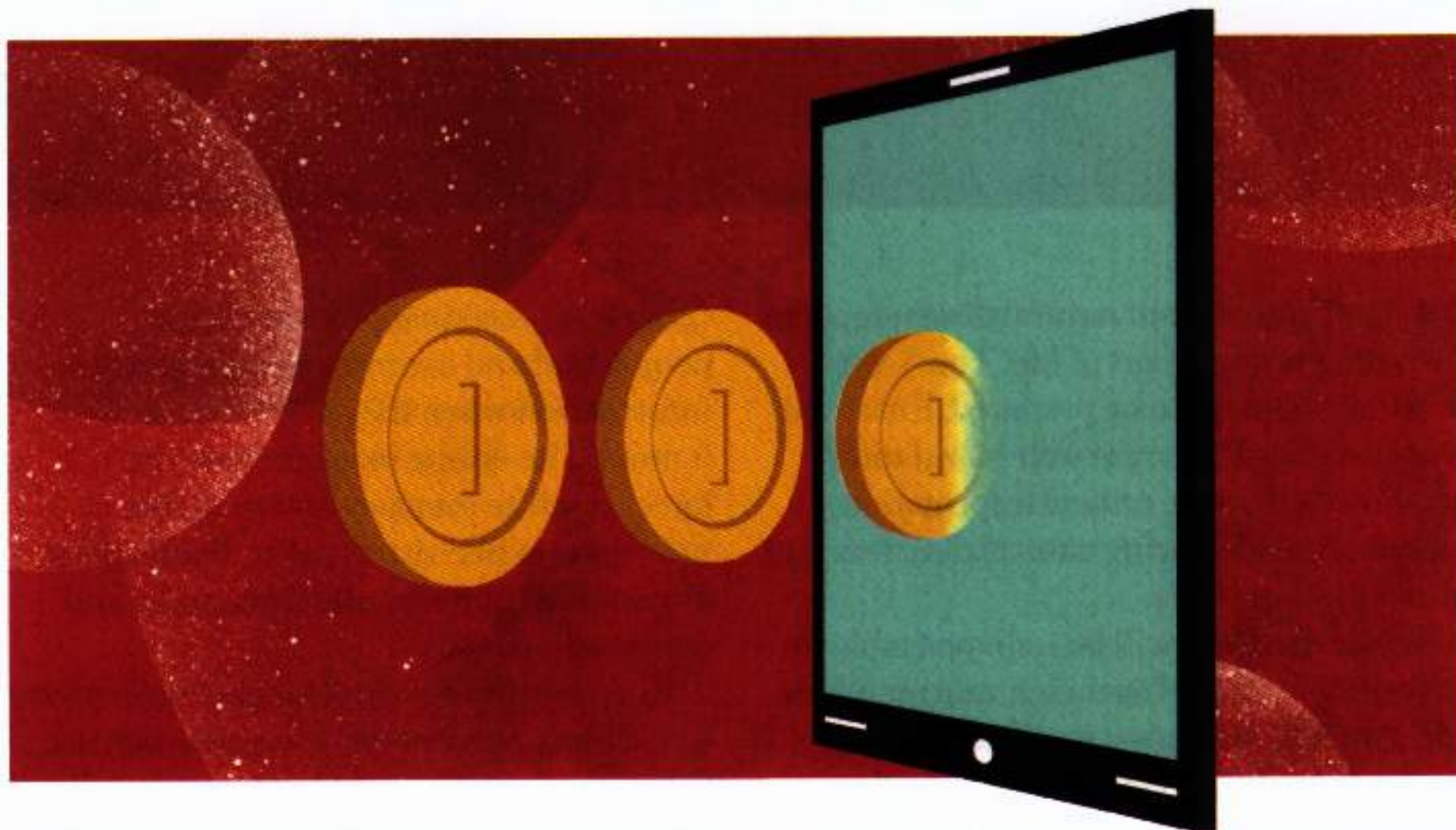
currencies. “As a company accepting credit cards, it’s hard to know if the card you are processing for payment is stolen,” says Ron Hose, founder of coins.ph, a payment solutions provider that allows merchants to accept digital currency Bitcoins from consumers without credit cards. He says digital currencies are a safer alternative to credit cards.

Mobile payment platforms could mean more sales, but companies should first overcome the hurdle of getting rid of trust issues. After all, without convincing clients to do mobile transactions, they would not be able to generate returns on their investment.

“Not everyone is familiar with it yet, so it’s all about making the users more aware and eventually [helping] them feel more comfortable using it,” says Galvez-Tan.

Chiang says with the “mobile-first approach” gaining ground in the Philippines, companies should decide who they want to target primarily and design their payment platforms from there. “Worldwide sales trends show desktop sales are declining, while smartphones and tablets are going up. It’s a clear sign that people have higher preference for mobile platforms.

“Soon, it won’t be a decision anymore of whether you should support mobile platforms to gain advantage. It will be a necessity,” he says. **E**



PAYEASY

PayEasy allows merchants to receive credit card, e-wallet, and PayPal payments, as well as direct bank payments and payments through ATM. Customers can also deposit cash over-the-counter and in payment centers. PayEasy charges an initial P25,000 setup fee for e-commerce businesses. Group buying sites pay P50,000. Merchants also have to pay transaction fees amounting to 4.5 percent, plus P6 for credit-card payments; P10 for local online bank payments; and P15 for local over-the-counter payments.

JUANPAY

Cebu-based startup JuanPay allows merchants to integrate its mobile billing software to their websites. It accepts credit-card payments, as well as cash deposits made online and over-the-counter. It also supports e-wallet payments done through GCash and Smart Money. Merchants can be assured of receiving the payment the succeeding business day. Merchants can open an account for free. A 1.5 percent transaction fee is charged for each payment processed.

MOBIAMO

Paymentwall’s Mobiamo is an advanced mobile carrier billing platform that supports SMS billing, direct carrier billing, SMS payments, WAP billing, and subscription payments with flexible recurring billing plans. Aside from 24/7 customer support, Mobiamo also provides in-app purchasing interface for Android phones. For the Philippine market, Mobiamo supports mobile-terminated billing through Smart and Globe. Merchants can set up an account for free. It charges 14 percent of the total transaction amount.