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Why in-store mobile payments are still struggling

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Printemps partners with Wirecard and becomes the first department store in France to accept payments via Alipay. Photographer Paul Blind (PRNewsFoto/Wirecard AG)

By Danny Parisi for Mobile Commerce Daily

It has been a few years since mobile payments were introduced to the world, and while they have gained some popularity as an in-app and online shopping tool, recent data suggests in-store payments have not caught on quite they way they were expected to.

The most damning piece of evidence for mobile payments relatively slow uptake was Black Friday. The biggest shopping day of the year saw 90 percent of transactions made with regular card payments.

"Black Friday's numbers can be interpreted a number of ways, while most customers (90 percent) paid in-store with plastic a lot of momentum was seen with transactions occurring in the cloud and *around* the point of sale," said Jon Squire, CEO of Cardfree. "Our order ahead partners, like Dunkin' Donuts and Taco Bell, continue to see customers opt to bypass the line and pay remotely while enjoying a relevant offer or promotion associated with the transaction...which brings us to the second, most common, learning -- today's mobile customer expects more than simply a new mechanism for payment.

Black Friday

Black Friday is routinely the biggest shopping day of the year. Every year on the Friday after Thanksgiving, bricks-and-mortar retailers are flooded with in-store shoppers looking for the best deals

It is because of this that the day makes a perfect case study to observe the trends that are prevalent throughout the retail world. Researchers and analysts have already been pouring through the data provided from Black Friday to make sense of what is happening in the retail world on a micro scale.

This Black Friday, one of the trends that was noted by researchers from Cayan was the ratio of purchases made from regular card payments to purchases made with mobile payments.

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What they found was the mobile payments are sorely lacking in the physical retail world, making up less than 10 percent of all sales, with an average of .6 percent per state. That is more than last year but nowhere near the growth that was expected.

Those numbers can be grim for those who have been counting on the likes of Apple Pay and other similar mobile payment options to revolutionize the checkout process, ushering in an era of fast shopping experiences where customers simply scan their phones at the cash register for a speedy purchase.

Unfortunately, this appears to not be the case.

While the idea of quick payments made through a phone is appealing, many customers simply find using their regular credit cards just as simple, if not simpler. Meanwhile, security concerns and high-profile hacks have kept consumer wariness towards the technology high.

In-app payments

Luckily, mobile payments are not without hope. The tech has seen growing success as a solution for in-app payments and online shopping solutions, when customers do not want to have to manually enter their own credit card information.

Mobile payments, such as Apple Pay, offer users a quicker way to checkout in an online shopping environment an area that needs more speeding up and streamlining than the in-store checkout process, which is already quite quick and painless even without the use of mobile.

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For example, OpenTable has rolled out in-app payments that make use of other mobile payment platforms (see story).

Another report found that since mobile payments were introduced, more consumers have preferred PayPal's system of letting consumers pay through multiple different channels online over Apple Pay's focus on in-store payments (see story).

"Tapping versus swiping may have a slight advantage (e.g. time) in our new EMV world, but without layering in loyalty, real time and relevant offers, an ability to skip the line or pay at the table, the typical customer is not going to change their behavior," Mr. Squire said. "To change behavior you need to add utility, not simply provide another way to pay."