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What is Apple's commerce and payments strategy?

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By **Tim Dunn**

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The stars are aligning for Apple to make a dynamic move into the commerce and payments space.

The portents for something big and potentially disruptive are piling up with Apple CEO Tim Cook recently calling out commerce as a major and under-valued asset in Apple's market presence. It is actually Apple's fastest-growing product sector – up 19 percent in the first quarter – while sales of iPads and iPhones stagnate.

Not paying off

Apple recently advertised for software engineers “to help build a next-generation payment platform,” clearly seeking people with skills in card payments, payment devices and security.

Finally, iBeacon is heating up the retail market with the promise of connected commerce. Yet while retailers are excited, how Apple plans to integrate and productize it into a consolidated offering is – as it was with Passbook – still unclear.

In the meantime, Google Wallet continues to flounder and other mobile payment options from retailers and wireless carriers fail to gain traction.

The fact is that despite Android stealing more than 75 percent of new smartphones, Apple still has the unique early-adopter profile locked down. Apple fans are twice as likely to try new products and services, and consider themselves expert in new technologies than non-Apple fans (Aegis CCS 2014).

Yet with so many options for how to proceed, what will actually be Apple's approach – there are as many opinions as there are industry experts to ask.

So what could Apple's play be?

The key decision in my mind is integrate or disrupt.

Apple has made big leaps forward in the past by owning entire ecosystems, and the payments space has so many historically entrenched players that displacing them would be difficult. Yet settling for simply a small margin on transactions, or enabling others to monetize iOS devices, has never been Apple's way.

Here are five ideas at various levels of disruption which could be under consideration right now.

“iPOS”

The point of sale device market is ripe for renewal – and an Apple-designed device on the retailer's counter would certainly appeal to a range of premium brands.

A local secure connection into the counter-top device might enable thumbprint credentials, submitted via a Bluetooth-initiated connection, directly into counter-top unit.

“iPay”

While Square has enabled credit card-based payments for a huge number of small merchants, Apple could be devising a system to make mobile payments even more seamless and universal.

In conjunction with iTunes, there is no reason why any device cannot be used to pay either friends or retailers securely. Again, thumbprint verification, a secure Bluetooth device ID, and the trust that consumers place in iTunes makes this a relatively small leap.

“iStore”

The failure of NFC to deliver on the promise of mobile payment has caused many retailers to go their own way in mobile loyalty and payment.

Starbucks is the classic example, where Square has been bolted on to the Starbucks loyalty program to deliver a seamless experience – which delivers no money for Apple.

Yet few retailers have the business model or technical wherewithal to make such an investment.

Apple could quite conceivably build out a retailer toolkit comprising payment, instore marketing, loyalty and ecommerce integration to deliver an out-of-the-box virtual storefront, sales assistant tools and ePOS all in one.

“iCoin”

The recent removal of the Blockchain application caused a furor, with a number of users posting videos of them smashing their iPhones in protest. But imagine a BitCoin, but backed by Apple.

Controlling an entire currency would release Apple from the strictures applied by banks and credit card schemes, and indeed national governments. It would also be extremely appealing to the next generation of consumers starting to question the purpose of dollars or pounds sterling.

On a technical front, Apple could then build the currency deep into iOS to enable iCoin payments securely through apps, Safari and iBeacon.

“iCard”

And if Apple is not going to get ahead through innovation, it could do so through acquisition.

Even without leveraging the deal, Apple has enough cash reserves to buy either MasterCard or American Express, and even Visa at a push.

One of Apple’s likely reasons for denying NFC is that it would simply make their iOS devices vehicles for making the card schemes more money – and that would never do.

Yet should Apple buy Amex, for example, it would be able to take the card revenue, build a unique set of payment experiences without having to overturn the current payment ecosystem, and trounce the likes of PayPal which simply cannot operate at that kind of scale.

I SINCERELY HOPE that Apple is thinking big in this area, since recent product developments have been underwhelming (Passbook) or unintegrated (iBeacon).

With a unique opportunity to disrupt the commerce market through its dominant ecosystem and a willing consumer base, there could be exciting times ahead.

Tim Dunn is director of strategy and mobile at [Isobar](#), New York. Reach him at tdunn@roundarchisobar.com.

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