

Push-button purchases

M-PAYMENT TECHNOLOGY MOVING FORWARD

Tamás Lónyai demonstrates how mobile-payment technology works. A board member at mobile-payment company Első Mobilfizetés Elszámoló (EME), Lónyai picks up his iPhone and accesses a simple application on it to show how to pay a parking fee in Hungary. “There is software on your phone to make your life much easier,” he says. “So I go to the parking menu and I choose where – Budapest – and hit OK. I select the start and stop times, I punch it in, and that’s it.” **BY DREW LEIFHEIT**

PARKING FEE PAYMENT is one of EME’s most popular “m-payment” services. The company has 60,000 registered users, but on March 2, it introduced a new ad hoc mobile parking service, which Lónyai believes could rapidly expand their business. “The fundamental difference between the standard EME account and the ad hoc one is that for the former, you need to open an account and sign an agreement,

while ad hoc is open for 8.5 million mobile phone users – the entire user base of T-Mobile and Pannon, and the regular subscribers of Vodafone. If you are a regular customer or prepaid customer of any of these three mobile operators, then without any previous registration or account opening or prepaid balance, you can use it, and you will receive charges on your regular monthly phone bill. Our experience shows that if you lower the barrier of entry, it will radically increase your customer base.”

SIGNIFICANT CHUNK

MOBILE PAYMENTS are made with the use of a mobile phone (or other mobile device) in order to directly pay for goods or services, to transfer money between bank accounts, or to authorize payments. Accounting and advisory firm KPMG in Central and Eastern Europe has recently released a comprehensive survey of how the technology is being used in the region, titled “Mobile Payments in Central and Eastern Europe”, which concludes that m-payments have vast growth potential.

According to KPMG’s Piotr Halka, most people in the region are using the technology to pay for things like parking or transportation services. “There is an increasing number of cashless transactions in the region, and the important factor is that mobile penetration in the markets of our region is well above 100%, and mobile phones have become commonly used personal devices,” he says. The value of the global m-payments market is set to reach 300 billion transactions by 2013, possibly reaching revenues of \$860 billion, according to Informa Telecoms & Media forecasts. Halka believes that CEE could make up a significant chunk of those revenues.

EXTRA FORINTS

M-PAYMENTS are still in something of a nascent stage, including in Hungary, but still, EME is doing well with mobile payments for parking and for the purchase of highway toll stickers, Lónyai reports. “This is a transaction business, so we are in the business of nickels and dimes. We make some forints on every transaction, so

“Pay some extra forints for comfort.”



we are interested in growing the number of transactions as much as possible. So far it's been going well – we've reached approximately 35% of people who park using mobile to pay for parking.”

He contends that mobile-payment users value their comfort more than cost efficiency. “They are willing to pay some extra forints for comfort. I think they understand that this is a premium service. Of course you have the right to pay with coins and do it the regular way, but then you need to make sure you have enough coins on you.” Also, with m-payments customers pay for the exact amount of time they park, while with conventional payments, paying too little can mean a fine, so people actually often overpay. “At the end of the day, I do believe that you save money as well as the hassle by using mobile payment for parking.” Lónyai says.

LACK OF COOPERATION

AT PRESENT, the technology's growth in CEE is being hampered by a lack of cooperation among the numerous players, according to KPMG's Halka. “The business model includes players who can have slightly different roles in a particular initiative: banks or other financial institutions like credit card companies, telecom operators, or independent service providers, who very often build platforms for cooperation and lead many initiatives related to m-payments in our region. Merchants who run the points of sale where m-payments are implemented are also very important players in this chain. It is very important to develop close cooperation of all these interested parties,” says Halka.

Last year in Hungary, FHB Bank and two major mobile operators launched a mobile payment service with the goal to create bank account support for payments, both for small and larger transactions, says FHB Deputy CEO László Harmati. “Although current availability of our service is limited, it is constantly growing, and we are optimistic, because our technology is the one that can provide full-fledged service not only in business-to-consumer, but also in business-to-business, consumer-to-consumer, and person-to-person relations.”

Harmati explains that FHB's service for Hungary's T-Mobile and Pannon mobile phone companies has meant that their customer base potentially comprises the mobile phone providers' 8 million subscribers. “We can provide not only the basic banking structure, but also the knowledge which was lacking for mobile payments. We wanted to provide customers and merchants with the infrastructure, which is not only for merchant payment but also for peer-to-peer transactions, so they could be used as a full-fledged service in banking transactions, as well. Unifying these provides high added-value for clients.”

FHB has also concluded m-payment agreements with some well-known brands in Hungary like Libri Bookstores and fee-collector Díjbeszedő, Harmati says. “Our goal is to make it part of the everyday shopping routine,” he says. “Despite the limited scope of the current available selection, the customer base prefers the comfort factor of mobile payments to postal check payment, because you don't have to go to the post office to pay the bill.”

CHICKEN AND EGG

ACCORDING TO HARMATI, FHB's goal is to make the utilization scope of m-payments wider than that of the credit card. He says m-payment technology has advantages over paying with a credit card, especially via the Internet. “There's a higher security level,



as there is some uncertainty with Internet payments. That's why card payment via Internet has decelerated in Hungary and around the world. M-payments are much more secure. You can verify transactions in real time, and you don't have to give sensitive information to the merchants.”

Still, Halka says that m-payments are running into a chicken-and-egg problem. “To develop the mobile payments market, there must be many merchants who will implement this method to make it attractive for customers. On the other hand, customers will not be very interested in this payment method if they cannot use it at many points of sale. So, it's a dilemma.” According to Harmati, that's exactly what FHB's approach to mobile payments potentially addresses. “We want to create a merchant pool whose services will be the anchor for the clients, and that's why we don't have a big presence on billboards saying ‘subscribe to mobile payment,’ because we need to establish the technological and contractual base, and then we can begin marketing it for individual clients.”

Meanwhile, Lónyai says the number one barrier to the technology's development is the mind-set of Hungarians towards it. “There are many things to consider in how to move forward, but for us it's really kind of a mission to educate people to use mobile payment, get them to do the first transaction and have at least one experience of using it and being satisfied. That's the first big barrier of entry.” ★