

WILL NFC HAVE AN IMPACT IN THE AFRICAN MOBILE PAYMENTS SPACE?



SRINIVAS NIDUGONDI

HEAD OF MOBILE FINANCIAL SOLUTIONS AT



NFC technology supports huge amounts of mobile payments around the world and in Africa its availability is beginning to take hold. Whilst many experts have touted NFC as the next big thing, its growth as a payment technology is subject to many different factors. Here Srinivas Nidugondi, Head of Mobile Financial Solutions at Mahindra Comviva takes a detailed look at the barriers and enablers.

Already considered the biggest success story of the global mobile payments space (critics notwithstanding, of course), Africa just added another feather to its cap. It has, like the rest of its peers on the global stage, made room for Near Field Communication (NFC) in its cluttered mobile payments market.

To understand how and why, let's step back a bit. The fact that analysts are unanimous in their opinion that NFC is the technology of the future is an understatement. To be fair, the technology has certainly managed to garner a lot of attention, not to mention takers!

According to Ovum, globally, the number of customers using NFC-based proximity payments is slated to touch 939 million by 2019, up from a mere 11 million in 2015. That's not all, the value of NFC-based transactions is expected to reach \$115 billion, from \$0.7 billion for the same period. No small numbers, these!

In fact, NFC has beaten other contactless payment technologies (like QR Codes, Bluetooth Low Energy, et al) to the punch. Moreover, the entire payment ecosystem has jumped onto the NFC bandwagon - from original equipment manufacturers like Apple, Samsung and Google to banks and operators like Vodafone and Orange. In short, NFC is (currently, at least) in the payments spotlight. Now, the next obvious question - where is Africa positioned in this significant development?

Not too far behind actually. With numerous success stories pertaining to mobile payments, adding NFC to the mix was the next obvious step.

To set the context, let's look at a few facts. As per the GSMA's The Mobile Economy-Africa 2016 report, the continent accounts for 52% of the 271 live mobile money services launched in 93 countries and 64% of all active mobile money accounts. Mobile money is, needless to say, big.

Here's the catch though. A majority of such transactions are executed via a USSD code, which isn't a short process, to say the least. The lesson here is simple: for any payments technology to catch on in Africa, it ought to ideally leverage the popularity of mobile money, while offering the customer a convenient and easy payment option.

Enter NFC. While it is true that NFC hasn't exactly taken the African payments space by storm, it wouldn't be fair to merely dismiss it, either.

To this end, telecom operators in the region are currently customizing the technology to suit the African customer. Take, for instance, Airtel Money, Tanzania's Tap Tap NFC Merchant Payment service. The service was launched in Tanzania in 2015 and was Africa's first closed-loop payments service. It is, essentially, a one-stop shop that leverages NFC technology to simplify mobile money merchant payments.

Tap Tap equips merchants with an affordable and portable NFC point-of-sale (POS), a mini-calculator sized GSM device, which is linked to a merchant's Airtel money account. It also provides consumers with an NFC card linked to their Airtel Money account. The merchant selects a payment option and enters the amount in the NFC POS. Meanwhile, the customer simply taps his NFC card on the POS to pay.

NFC HAS BEATEN OTHER CONTACTLESS PAYMENT TECHNOLOGIES (LIKE QR CODES, BLUETOOTH LOW ENERGY, ET ALL) TO THE PUNCH.



Interestingly, Tap Tap is one of the most economical NFC POS and card combinations globally. The affordable, portable and easy-to-use POS primarily ensures that Tap Tap is used by various businesses including large retailers (supermarkets), small and medium sized merchants (local grocery sellers), home delivery businesses (pizza delivery) and on-the-go merchants (taxi drivers). In doing so, Tap Tap digitises micro-payments and brings them into the formal economy.

It also resolves various challenges such as long, drawn-out transaction times (from a minute to a mere ten seconds), previously unaffordable payment methods and arguably the most important issue, small change, as it offers a convenient payment method.

An increasing number of African vendors are using the Tap Tap NFC Merchant Payment service.

Now, let's move on to open loop NFC payments, which facilitate transactions at all merchants supporting POS' verified by MasterCard/Visa. An interesting example of this is the EcoCash Express Debit Card or the Tap-and-Go card. It is a MasterCard companion card, which can be used by a whopping 30 million merchants, both within Zimbabwe and globally.

Customers are required to merely tap the card against the MasterCard licensed POS machine, after which the payment is recognised. For transactions valued under \$5 and up to a daily limit of \$100, a cardholder no longer has to enter a PIN number on a POS terminal. And speaking of transaction values, customers can purchase goods for as little as 10 cents using the card and the Tap and Pay service. Another instance of the convenience I mentioned earlier.

In fact, the Airtel Money Tap Tap and EcoCash Express Debit Card aren't one-off instances. Other mobile money providers operating in the region have thrown their hats into the ring.

Last but certainly not the least, let's talk about who stands to benefit from using such facilities. In a nutshell, it is a win-win proposition for two factions – mobile money users (to make payments) and merchants (who accept the payments). And now, the term 'merchant' is further narrowed down to small-and-medium players (local grocery sellers), on-the-go entities (taxi services), roadside vendors and home-delivery specialists who previously didn't accept digital payments.

Now, at this juncture, it becomes prudent to mention that NFC payments aren't meant to simplify the lives of merchants alone. These payment instruments can in fact be deployed in multiple ways - at vending machines, to pay for transport services and at various events and amusement parks, the list goes on and on.

An interesting use-case in this context is Orange, which intends to deploy NFC-enabled stickers and POS devices for cash-in and cash-out in multiple African countries.

“WHILE IT IS TRUE THAT NFC HASN'T EXACTLY TAKEN THE AFRICAN PAYMENTS SPACE BY STORM, IT WOULDN'T BE FAIR TO MERELY DISMISS IT, EITHER.”

There is little doubt that NFC payments have piqued the interest of the African consumer. Before we get too optimistic however, we need to remember that a convenient payment method can get you only so far. Sooner or later, operators will have to throw in frills such as loyalty programmes and offers to keep the customer hooked. For now, though, let's wait and watch.



“AND NOW, THE TERM ‘MERCHANT’ IS FURTHER NARROWED DOWN TO SMALL-AND-MEDIUM PLAYERS (LOCAL GROCERY SELLERS), ON-THE-GO ENTITIES (TAXI SERVICES), ROAD-SIDE VENDORS AND HOME-DELIVERY SPECIALISTS WHO PREVIOUSLY DIDN'T ACCEPT DIGITAL PAYMENTS.”