MOBILE
By Ritesh Gupta

EVALUATING HOW PAYMENT TECHNOLOGIES ARE CONVERGING WITH SOCIAL MEDIA

[Social media is playing its part in the booking funnel, with recommendations from "friends" or "fans" having an impact in shaping a transaction. Another critical aspect is completion of transactions on avenues like Facebook and Twitter. The industry is witnessing interesting moves. Ritesh Gupta finds out more. JO]

The world of payments is trying to integrate itself with the evolving behavior of digital consumers.

It didn't come as a surprise when one heard of payments being facilitated by Facebook and Twitter in 2013, as the social networking site and the micro-blogging site are among the most popular in the online arena. Clearly, it's about the medium that consumers prefer, and social media outlets definitely fit in the booking funnel. So facilitating payments is a logical progression.

Social commerce made steady inroads in the US this year. For instance, Loews Hotels & Resorts introduced an option for travellers to book their hotel stays directly via Twitter in November, 2013.

This is how it worked: Travellers posted #BookLoews in a tweet to @Loews_Hotels to initiate the process, and accordingly, a representative from reservations took over the Twitter conversation. As soon as the guest was ready to make their reservation, the Loews Travel Planner tweeted them a link to a secure chat conversation to process personal and payment information in a secure, PCI-compliant digital environment.

The company identified this as a joint effort between the Loews Corporate Marketing team and the Loews Reservation Center.

Completing a transaction

Social media has had its eyes on payments for a while. One can look forward to a seamless environment where consumers can also perform transactions in addition to their daily social conversation.

"Technology is yet to catch up, currently the furthest banks have gone is to link the bank accounts to an individual's Twitter and Facebook accounts but the underlying infrastructure of transactions still happen through banks' networks," said Avishek Mukhopadhyay, senior consultant, Digital Business Group at Mindtree.

"Apart from technology, consumer behavior is yet to accept social media as a pure transaction medium, the security risk perceptions are still very high. Things will change once the millennial generation comes of age and are old enough to do transactions. As of now there are no standard security protocols for performing social media transactions."

There has been talk of Facebook working out ways to facilitate mobile payments, focusing on securely storing credit card details and capitalizing on the same with third-party developers.

"Facebook Credits was a virtual currency for buying in-app purchases, but folded the program in September [2013]," said Peter Matthews, director of UK-based Smart Transactions Group. "However Facebook and others make margin from other ways to pay, like taking a cut from mobile payments players like Boku, who bill users via their mobile phone accounts. However, buying a virtual product online is very different from buying something tangible. What is the real cost of something in Zynga's FarmVille? You have no idea how much Facebook and Boku are taking and it can be as much as 30% of the value. Margins anything like that aren't acceptable in the real world."

It is important to assess how transactions are being propelled via Facebook and Twitter. For instance, there was talk about a Pay by Tweet service earlier this year.

"As public companies, both Facebook and Twitter need to continue to find new revenue streams. Payment areas might be one of them but it's a tough space," added Matthews. "PayPal developed as a payment platform for eBay, but the whole purpose of eBay was to buy things and be able to get your money back if the PS4 you bought was just a photograph, rather than the real thing. I use iTunes a lot, and I think it's more likely that Apple will develop its own payment platform to save credit card charges, than Twitter launching a currency, but you never know...."

Highlighting some of the trends in this space, Mukhopadhyay is looking at four areas:

■ Peer to peer payments – allowing payment to Facebook friends
■ Banking within social networks
■ Personal finance management tool – social network built solely around personal finance
■ Social commerce as a concept is also yet to see its true potential

"As of now, large-ticket transactions are still not happening through social media and peer-to-peer payments are happening in smaller amounts. Usage of social media analytics in payment is almost nil," say Mukhopadhyay.

What to expect

There is a huge difference between online payments and real-world payments. A disruption might happen but it's not going to be a straightforward path for any new mechanism being planned.

"If Google wallet has failed to get traction, I don't think others will underestimate the challenge again. Open payment systems require ubiquity with both merchants and consumers able to use the system," said Matthews. "This is why MasterCard and Visa have such a stranglehold and

why it is so difficult for disruptors to emerge. However, someone will emerge as an alternative and I think eMoney is the most likely candidate, but as a money 'purse' in either Mastercard's MasterPass of Visa's V.me digital wallets.

As for social media, he says the major challenge is to have a payment system that is suited to micro payments. "PayPal, Mastercard and Visa are all too expensive, so I forecast someone will adopt sQuid or another closed emoney platform for a community-based payments solution," he added.

Social proofing

Other than being a direct channel for payments, another aspect of social media that needs to be looked upon is helping a buyer by letting them know how their "friends" or "followers" on Facebook, Twitter etc. rate a product. So the concept of "social proof" needs to be evaluated, too.

The concept of social proof has proven itself as a viable factor in day-to-day social interactions and, of course, in e-commerce, said Eran Savir, CEO/co-founder, SeatID, a social seating and booking platform that adds social widgets and data to ticketing and booking websites and apps.

"Socializing is a key element in the decision-making process in every aspect of our lives," said Savir. "A rapidly increasing number of people share and socialize online as part of a cognitive process that helps them make up their minds in regard to what products to buy, which hotels to book, how to travel, etc."

For its part, SeatID recently extended this concept to the travel e-commerce space as an off-the-shelf solution.

"Business owners understand that their users are social animals, that these people ask their friends for recommendations on Facebook, that they want to know where their peers are going," Savir added. "Businesses proprietors understand that it is to their definite advantage to encourage potential customers to bring social experience to their online purchasing processes. Though it's not yet a mature concept, I have no doubt that in five years from now, social proofing is going to be broadly implemented." ■

Ritesh Gupta is a New Delhi, India-based journalist. He is a staff writer for Transaction World Magazine.