

Teaching case for the IMP Conference 2013, Atlanta, USA

## **THE MOBILE PAYMENT IN RETAIL**

(The Teaching Case Summary)

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## POTENTIAL USES AND AUDIENCE OF THE CASE

The case is written for master level students from business, commerce, and technical areas having some background in strategic marketing and management. The work over case implies a group work and a discussion of a strategy behind taken decision.

## THE OBJECTIVES OF THE CASE

The main objective of the case is to gain practical skills in and better understanding of decision making in the circumstances of market uncertainty. The decision making process requires analysis of company's core competences (Collis and Montgomery, 2008), market forces (Porter, 1996; Porter, 2008), and understanding of consumer needs. Students should apply different analysis frameworks in order to develop a strategy improving company's competitive advantage and leveraging opportunities provided by a new technology, namely a new mobile payment solution. In addition, a consumer-centered thinking should lead to a suggestion of a bundle of attractive added values services build on top of mobile payment solution.

## SUGGESTED TEACHING APPROACH

The case can be used for a group work in the class. Possible timing:

- 20–30 min to present a situation described in the case, to organize groups, and to introduce an assignment for each group.
- One hour and a half – two hours of group work dedicated to the analysis of the core competences, development of a strategy, and preparing a response to the given one or two of proposed questions.
- 30 min to present the results for each group: 10–15 min for presentation of results leaving the rest of the time for a discussion.

Another opportunity is a team homework. The students are divided into three groups. Each group gets the case and corresponding assignment with all questions proposed in the assignment. The proposed time for assignment completion is one week.

## DESCRIPTION OF THE CASE

There are a number of mobile payment solutions suggested in Swedish market. These solutions together with such additional functionality as direct communication opportunity, loyalty and fidelity programs, coupons, and personalized offers can result in considerable benefits for both retailers and consumers.

The main Swedish retailers are ICA, Coop, and Axfood. Companies operate in circumstances of intense competition and target more or less the same market segments. In order to gain a competitive advantage, the retailers look for better ways to attract and engage new consumer segments by suggesting new offers, loyalty programs, and creation of lock-ins. Despite the fact

that each of the retailers has different resources and strategies, to one or another degree they are interested in opportunities provided by the deployment of the mobile payment in their chains.

## SUGGESTED STUDENT ASSIGNMENTS AND QUESTIONS

The case represents the initial situation in the Swedish retail market and presents the information about available mobile payment solutions. So, the main purpose of the case is to introduce the main market players: the retailers from one side and mobile payment solutions and their providers from another side.

The students are divided into 3 groups representing managers of the corresponding retail chains. Then each group gets the information about the change that was done by one of their competitors. In order to increase the level of uncertainty, there is no information given about the actions of the third retailer.

### **Group representing ICA**

In October 2012, Axfood partnered with Seamless and introduced SEQR in retail chains Hemköp, Willys, and PrisXtra. By December 2012, about 2400 point of sale terminals were installed at 380 Axfood's stores throughout Sweden.

In order to pay using SEQR, a corresponding app should be downloaded to a user's smartphone. When performing a payment at the point of sale terminal, Axfood customers have to scan a QR-code and approve a payment using a personal PIN code. A sum of expenses is provided in a monthly bill by Collector.

In addition, starting from November 2012, Axfood started a pilot project trying the Bart payment service in three shops in Stockholm. It is announced that by April 2013 the service will be rolled out in 400 Axfood's stores (including Hemköp, Willys, Willys Hemma and PrisXtra) all over Sweden.

There is no available information about Coop's intentions regarding introduction of mobile payment solution in their chains.

#### **Possible questions to discuss:**

- What are the main driving forces in the retailing market?
- How this information will affect the strategy of ICA and its position in the market in 2013?
- What actions you as ICA's managers will take in response in order to gain a sustainable advantage?
- What is the future of mobile payment solutions in retail?

### **Group representing Coop**

In October 2012, WyWallet solution finally deployed NFC functionality. In November 2012, ICA installed NFC point of sales terminals in its retail chains for launch of WyWallet. By December 2012, NFC point of sales terminals were installed at almost half of ICA's retail chains' (ICA Supermarket, Maxi ICA Stormarknad, ICA Kvantum, and ICA Nära) stores throughout Sweden.

In order to pay using WyWallet, a corresponding app should be downloaded to a user's smartphone and linked to user's bank credit card. If the mobile device does not support NFC functionality, NFC tag can be used. When performing a payment at the NFC enabled point of sales terminal, ICA's customers have to wave with the mobile phone. For sums exciding SEK 150, the PIN code should be entered for payment validation. This option can be set for micropayments as well.

There is no available information about Axfood's intentions regarding introduction of mobile payment solution in their chains.

#### **Possible questions to discuss:**

- What are the main driving forces in the retailing market?

- How this information will affect the strategy of Coop and its position in the market in 2013?
- What actions you as Coop's managers will take in response in order to gain a sustainable advantage?
- What is the future of mobile payment solutions in retail?

### **Group representing Axfood**

Starting from September 2012, Payair mobile payment solution became available for payments in retail chains. In middle of October, Coop introduced Payair mobile payment in its retail stores. It is planned to install point of sale terminals supporting SQ-codes in 70% of Coop's stores by December 2012, and finalize the installation by February 2013.

In order to pay using Payair, a corresponding app should be downloaded to a user's smartphone. When performing a payment at the point of sales terminal, Coop customers have to scan a QR-code and approve a payment using a personal PIN code. A sum of expenses is discounted from the corresponding bank account by a corresponding bank. There is no available information about ICA's intentions regarding introduction of mobile payment solution in their chains.

#### **Possible questions to discuss:**

- What are the main driving forces in the retailing market?
- How this information will affect the strategy of Axfood and its position in the market in 2013?
- What actions you as Axfood's managers will take in response in order to gain a sustainable advantage?
- What is the future of mobile payment solutions in retail?

The response should be backed by the core competences of each retailer, common trends of the market, initial needs and interests of each of the retailers.

## **GUIDELINES ON ANSWERS**

### ***1. What are the main driving forces in the retailing market?***

The answer to this question is based on analysis of market macro-forces using PEST (Political, Economic, Social and Technical) or STEEP (Social, Technological, Economic, Environmental, and Political) frameworks. Industry analysis using five Porter's forces (Threat of new entrants, bargaining power of suppliers, threat of substitute products, bargaining power of buyers, and rivalry among existing competitors).

### ***2. How this information will affect the strategy of a X retailer and its position in the market in 2013?***

Decision about the strategy might be based on SWOT analysis.

### ***3. What actions you as X retailer's managers will take in response in order to gain a sustainable advantage?***

The response is based on the evaluation of core competences of a retailer based on VRIS (Valuable, Rare, Inimitable, non-Substitutable) framework. In addition a test suggested by Hamel and Prahalad (1990) can be used.

The decision about the most appropriate response should include reasoning behind:

- whether is was decided to partner with mobile payment solution providers, develop own solutions, or to do nothing;

- how this decision will affect competitive advantage;
- what kind of services will attract new segments of consumers and improve consumer experience;
- how will it affect or change existing business model;
- how can it be used in the future.

#### ***4. What is the future of mobile payment solutions in retail?***

Retailers are interested in collecting consumer database, sustainable growth of the chain, new marketing communication channel, personalized targeted marketing, interested in efficient ROI, retention of consumers, creation of lock-ins, attraction of consumers by different promotions, actions, loyalty and fidelity programs, and coupons. All this can be done with mobile payment solutions – platforms. If the critical mass of consumers is reached, retailers will be willing to invest in the infrastructure needed.

From the user perspective, there is no unified mobile payment platform allowing management of both payment and multiple user accounts for different mobile service. Discussion of opportunity of agreement between retailers about a single solution can be one of possible proposed scenario. This kind of a solution would considerably improve consumer experience and result in added value and willingness of consumers to adopt the service.

At the same time both consumers and retailers are satisfied with payment using bank debit/credit cards.

### FURTHER READINGS

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