

# The Rise of the Merchant Wallet

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# Agenda

- I. Mobile Adoption – Bringing Starbucks Mobile Pay to Market
- II. Program Design - Utility and Usability
- III. 2017 Mobile Wallet
- IV. Merchant Overview
- V. Q&A

# Mobile Adoption

## 2009 Environment

- No TSA scanners
- No Apple Pay
- No Apple App Store
- Bricks / Mortar = Cash, Credit/Debit
- Online = Pay Pal

# Mobile Adoption

## 2009 Environment

- Unknown landscape – Feature Phones vs Smart Phones
- Mobile Chatter – NFC, TSM, Carrier Billing, SMS codes, Additional hardware in Store, Web vs Mobile heuristic
- Consumer Awareness – “They do this is Korea right?”

# Mobile Adoption

## Starbucks Mobile Pay:

- 2009
- Category Manager, Innovation, Card Team
- Starbucks – QSR – Coffee Category
- Activations, Redemptions, Reloads
- Size of Program at the time \$2.2B

# Mobile Adoption

## Goal:

Make every customer transaction a Starbucks Card transaction

## Challenge:

POS, Company Owned & Licensed, limited budget, limited leverage in payments ecosystem

# Mobile Adoption

## Assets:

- Super Regulars come 16 X a month
- Average ticket \$4.60
- Under the radar project = Little oversight
- Passionate about customer experience
- Operationally in tune (Go-To-Market)

# Mobile Adoption

## The Plan

- Choose partner wisely
- Intense customer behavior focus  
(IDEO, Frog, etc.)
- Back into success / take failure off the table
- Start with a basic transactional value and the add capability



# Mobile Adoption

## Success Criteria

- No new steps
- Operationally Benign
- Works 100% of the time
- No training needed
- No barriers to entry

# Mobile Adoption

## The Biggies - Critical Stake Holders

- OPS
- Training
- POS / IT
- Customers

# Mobile Adoption

## Results:

*Goal: Sep 2009*

- Handful of TSDs
- Speed up line
- Increase customer engagement

*Actual: Q2 FY 17*

- 29% - Mobile Transactions as a % of Total Transactions
- 10 second reduction in labor at transaction time = 900,000 hours from 2009 – 2012

# Mobile Adoption

## Lessons Learned

- Consumers are ready to pay with their phone
- Utility = Adoption
- Always be afraid of being irrelevant

# Program Design

## Behavior

- Daily, Weekly,
- Event Driven, etc.

## Anxiety

- Top reasons they don't do something



## Daily Work Flow

- Smart phone, commuter

## Lifestyle

- Income, etc.

Question: Who in your organization knows the customer best?

# Program Design

For your consideration, lets talk about these steps:

- Watch
- Ideate
- Test / Prototype
- Build
- Deliver

# Program Design



Watch

## Observation

- Ethnographic **YES**
- Focus Group **NO**

Henry Ford

*“...If I ask people what they want they will tell me a faster horse..”*

# Program Design



## Brain Storm

- Cross Functional,  
No Boundaries

## Need State

- What is missing from your customers daily work flow? Can you address this?



# Program Design

## Thinking Compliments

- With your hands (prototyping)
- Specification led, planning driven (abstract)

## Speed

- Iterative / Course Correct
- Quick and dirty – learn but not invested – know when to say when (exit criteria)



Test / Prototype

# Program Design

## Fast

- Embrace constraints – time, \$, etc.

## Simple

- Get one behavior right first then layer on
- Do not “boil the ocean”



Build

# Program Design



**Deliver**

## Traditional Go To Market

- Coordinate with marketing calendar
- Leverage promotion calendar
- Follow same internal process as any consumer facing product – ensures awareness / training / relevance

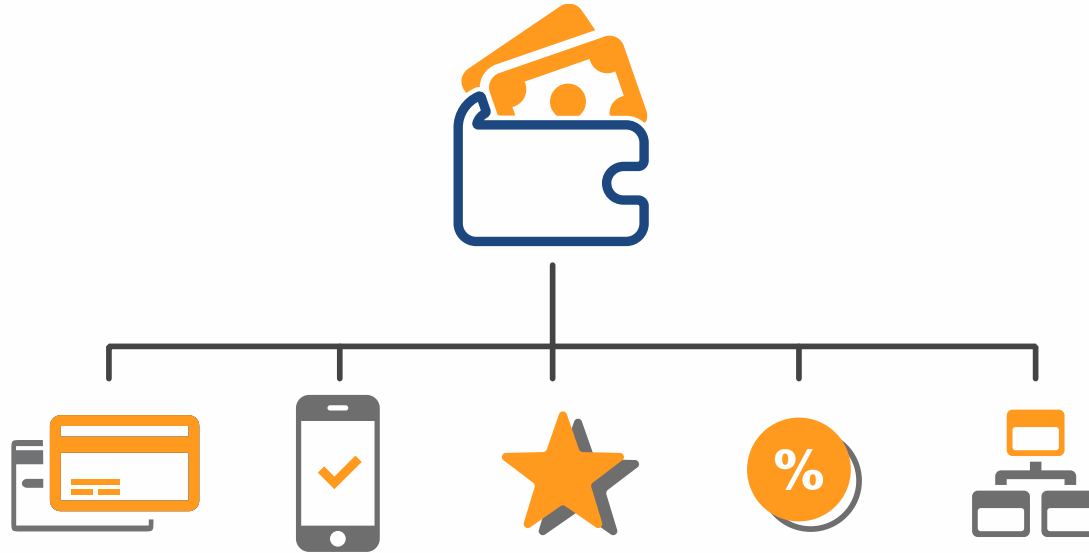
# 2017-Mobile Wallet

## 2017 Consumer Lens

- Difference between swiping and tapping not tangible
- Consumer is looking for contextual relevant experience
- Opportunity is **ongoing consumer conversation**
- Utility, Utility, Utility

# 2017-Mobile Wallet

## 2017 Consumer Lens



# 2017-Mobile Wallet

Ongoing consumer conversation

- Before – Offers, Order Ahead, etc.
- During – mobile pay
- After – loyalty, incentives based on purchase, customer support base on purchase, etc.

# Merchant Overview

Segmented mobile app functionality in 2017 into:

- Aggregate Apps (*Order Ahead, Eat24*)
- Merchant Full Service Apps (*Starbucks, Dunkin, Domino's, Pizza Hut, Panera, Chic-fil-A*)
- Merchant Limited Service Apps (*Little Caesar's, In-N-Out*)

# Merchant Overview

## Merchant – Limited Service App

- ✓ Primarily advertising
- ✓ No transactional Utility
- ✓ Store Locator, Store Detail
- ✓ Some rich art
- ✓ No log in / Profile, No loyalty, No offers/coupons, No Payment, No order ahead



# Merchant Overview

## Aggregate App

- ✓ Customer relationship is w/Aggregator
- ✓ Log in / Profile (contact info, payment info), offers / coupons, some rich art, order ahead, transactional utility (payment)
- ✓ No loyalty, no pay at POS, basic social integration but no social gifting.

# Merchant Overview

## Merchant - Full Service App

- ✓ Customer relationship w/ Merchant
- ✓ Log in / profile (contact info, payment info), offers / coupons, rich art, order ahead, loyalty, transactional utility (payment, loyalty, etc.), promotional tiles, rich social integration (gifting, feedback, etc.) – continued on next slide

# Merchant Overview

## Merchant - Full Service App

- ✓ Pay at POS, reload SVC with Apple Pay, Android Pay, Visa  
Check Out, PayPal
- ✓ Support Amazon Echo
- ✓ Support Apple Watch

# Merchant Overview

Observation:

Merchant branded full service apps get higher use and have higher App Store ratings

*If you give your customer contextual appropriate utility they will adopt*

# Thank You

## Q&A



Question:

Who in your organization knows  
the customer best?

# Innovation vs. Incremental

DO THIS	DO THIS
Business Owner (P&L)	Cost Center Owner (Budget)
Constraints	Big Budget
Disciplined Time Line	Large Time Line
Small Team	Large Team
Non Linear – Not Concrete Sequential	MSFT Project, Lots of management reporting
Observation / Behavior	



GET THIS	GET THIS
New Innovative Product	Incremental Improvement

# Innovation vs. Incremental

## The Good Customer

- I know my customers behavior
- I am trying to get them to do X
- I know how to ROI my program



Watch	Ideate	Test	Build	Deliver
YES	YES	YES	YES	YES

# Innovation vs. Incremental

## The Bad Customer

- I want what “he” has
- I want a little of this app and a little of that app and a little of that other app over there



Watch	Ideate	Test	Build	Deliver
NO	NO	NO	YES	YES



# Example from a Start Up

## Good Examples



Uber

Focus on barriers to entry



Xiaomi

Focus on being the #1 smart phone