



Australian
Retailers
Association



Australian Merchant
Payments Forum

Australian Competition and Consumer Commission
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To whom it may concern,

**Third party mobile wallet application key points
for submission in support of retailers**

Tuesday 31 January 2017

Introduction

The Australian Retailers Association (**ARA**) is the retail industry's peak representative body representing Australia's \$310 billion sector, which employs more than 1.2 million people. The ARA works to ensure retail success by informing, protecting, advocating, educating and saving money for its 5,000 independent and national retail members, which represent in excess of 50,000 shop fronts throughout Australia.

The ARA continues to support the application for authorisation made by Bendigo and Adelaide Bank, Commonwealth Bank, National Australia Bank and Westpac to jointly negotiate with Apple, particularly on the issue of access to the iPhone's NFC function.

The ARA runs the **Australian Merchant Payments Forum (AMPF)** on behalf of Australia's retail merchants to advocate competitive, innovative and consumer friendly payment options for the retail sector.

We are excited by the opportunities that mobile wallets and mobile payments can provide for merchants and customers. For retailers, mobile wallets can improve and simplify the payment experience, while creating the opportunity to deepen the relationship with customers. For customers, they have the potential to make life simpler and more convenient by combining payment cards, loyalty cards, identification, public transport cards and more into one device. Innovation is truly allowing consumers for the first time to have a mobile wallet with all needs combined into one device.

The AMPF members and ARA members see this technology allowing innovation from the very small retailer through to the medium and large businesses. Restricted access will stop those opportunities from occurring.

Even if access is limited to the collective negotiating group, retailers would benefit from the opportunity to participate in the applications developed by group participants – whether they are mobile wallets



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provided by individual banks or open wallets that might be available to multiple issuers as well as retailers and other suppliers. In either case, we expect that the benefits of the application could extend far beyond the applicants and even beyond payments.

Need for access to contactless capability on all platforms

This is an important time in the development of mobile wallets and mobile payments. Apple Pay, Android Pay and Samsung Pay are now all available in Australia and awareness and interest in mobile wallets is increasing rapidly. There is now an opportunity for rapid innovation and for new players, platforms and services to emerge in a quickly developing market. However, these benefits will not be achieved unless consumers and merchants have a choice between mobile wallets and mobile payment services whichever mobile device or platform they have chosen to use.

A new service is unlikely to be successful unless it is available on all the major mobile platforms. With Apple's iOS or Google's Android installed on almost every smartphone sold today, a mobile wallet available on both of those platforms will stand a good chance of attracting customers, merchants and – if it is a multi-issuer wallet – card issuers. A mobile wallet only available on the Android platform is unlikely to provide the same opportunities.

A consistent user experience is particularly important to retailers for the purposes of market and customer support. For example, while some supermarkets have trialled an integrated wallet with NFC technology on the Android platform, there is a need for mobile wallet solutions to continue to use an external “pay tag” as this is the only solution available to all mobile phone users.

Access to the iPhone's NFC function would allow retailers such many of who are listed as part of the AMPF group to develop or participate in mobile wallets that provide a consistent and fully integrated experience to all users regardless of their choice of smartphones. It would also allow loyalty programs, coupons and rewards to be more effectively integrated into these mobile wallets for a richer and more convenient customer experience; for example, the customer having the choice through the customised wallet of paying with loyalty points or with dollars.

We believe that NFC technology will be essential for mobile wallet and mobile payment services for some time to come. It will take years for any alternative standard to be agreed and to become as ubiquitous and familiar as NFC. In the meantime, the NFC infrastructure can be upgraded through software to provide richer information and additional services developed by merchants and acquirers.

In our view, for as long as Apple Pay remains the only app that can use the iPhone's NFC functionality, the potential for innovation in mobile wallets and mobile payments will be limited. A number of banks and merchants overseas have tried to develop mobile wallets and payment services using alternative technologies, but none have been successful.

We are aware that some issuers overseas are have sought to add some form of payment functionality to their iPhone banking apps by using a button to launch the Apple Pay wallet. We do not think this solution will be useful for retailers as it will not allow other mobile wallets to compete effectively with Apple Pay and will not provide the range of opportunities that open access to the NFC function would provide.



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For example, if NFC access were available:

- Customers could pay for their purchases and earn or redeem reward points using a retailer's mobile wallet, an issuer's mobile wallet, or an open mobile wallet as they preferred, and with an equal level of convenience to the mobile wallet pre-installed on their phone.
- Retail staff and even sole traders could use iPhones as portable mobile payment terminals capable of accepting contactless NFC payments.
- Retailers could add NFC tags to their shelf label systems for customers to scan for product information – for example, a customer with particular dietary requirements or allergies could quickly scan a shelf label with their mobile wallet and be alerted of any relevant product ingredients; other customers might scan a label for product specifications or reviews, or to be notified of similar products that are on special, or to check items off an electronic shopping list that has been populated by their mobile wallet.
- Retailers, airlines and other merchants with “member only” areas or lounges could use the NFC function on smartphones as an authorised access system, available only to the relevant subset of their clientele.
- Hoteliers could use the NFC function to provide immediate room access to through customers or loyalty club members availing themselves of pre-arrival check-in, permitting them to by-pass any potential queue at the front desk.
- In the “sharing economy”, the authorised access capability of the NFC function could also be used: for example, to gain entry to a Go Get motor vehicle.

None of these applications would be possible without access to the NFC function.

Public benefits

A successful collective negotiation would provide significant public benefits that would not otherwise be provided, and in particular would not be provided by linking to the Apple Pay wallet, the use of external NFC solutions or a focus solely on Android customers.

If authorisation is granted, we believe that the opportunity to collectively negotiate with Apple will benefit not only the applicants but all banks, merchants, app developers and ultimately customers in Australia and overseas. These benefits are likely to include:

- more innovation and investment in mobile payment and mobile wallet apps and services;
- more competition and choice for customers, issuers, merchants and others in the apps and platforms they can participate in;
- more customer confidence in mobile wallets and payments as customers are able to choose the suppliers they trust; and
- greater participation in mobile wallets and mobile payments by merchants, public transport operators, governments and service providers – all leading to greater customer convenience arising from the ability to have all payment, transport, loyalty, membership, access and identification cards securely stored on a mobile device.



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Australian consumers have rapidly adopted contactless (“Tap’n’Go”) card payments, such that over 70% of face-to-face card payments on the major international scheme brands are now contactless.

This has been achieved by the Australian banks and merchants investing in the widespread deployment of NFC acceptance touch pads and associated software and equipment, all of which has been provided on a fully open access basis. For ARA members, the touch pads have either been purchased outright or paid for as part of their merchant acquiring arrangements; this investment has been made on the basis that any consumer with a payment device of their choice from any scheme issued by any bank would be able to use the touch pad. The lack of open access to the NFC function on the iPhone does not make this possible today.

Speed, convenience and ease of use are essential for any mobile wallet, and any unnecessary “friction” in the mobile payment process will severely reduce the benefits of mobile wallets customers and merchants. Mobile payments must be as quick and convenient as contactless card payments, or the additional functions and features they offer will go to waste.

Mobile wallets with access to the NFC function can offer the speed and convenience of a “Tap’n’Go” payment, but mobile wallets that require additional steps or take more time to make a payment will impose costs on merchants and are unlikely to be used by customers, particularly in a busy shop or at the front of an impatient queue. Simply put, requiring the user to take the additional time to unlock their device, open a specific app and choose a specific option inside the app will likely fail the “friction” test in adoption.

Just as Australian consumers have rapidly adopted contactless card payments, the ARA and its members believe that they will in due course rapidly adopt mobile wallets. Indeed we cannot emphasise enough the importance of smartphone usage and mobile payments in the future retail experience of Australian consumers. We see significant public benefit to the Australian economy of both the further erosion of the use of cash, and the greater use of the existing NFC acceptance infrastructure that allows open access to the NFC function on all makes of smartphone.



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AMPF members include - Coffee Club, BB Capital Group, Pacific Brands, Clark Rubber, Battery World, Fantastic Furniture, Price Attack, Lincraft, Espirt, Grilled, Retail Food Group, Pas Group, Specialty Fashion Group, , Uniqlo, Pandora, Country Road, Witchery, Beacon Lighting, Food Co, Lush, Glue Store/ Top Shop, Noodle Box, Dusk, BP, Caltex, Coles, 7 Eleven, Just Group, Sussan Group, Bakers Delight, Billabong, Dymocks, Cue Clothing, Jeans West, Bed Bath n Table, ALDI, Reject Shop, Pepkor, Bardot, JB HiFi, Specsavers, Lennards, Myer, Cotton On, Super Retail Group, Luxoticca, Co-Op, Spendless Shoes, Petbarn, Factory X, Booktopia, Lorna Jane, St Vincent DePaul, Priceline, S, Lowes, Retail Apparel Group, Michael Hill Jewellers, Nando’s, Harris Farms, Strand Bags, AMF Bowling, Forever New, H & M, Williams-Sonoma Australia Limited, , Paddy Pallin, Harris Scarfe, Associated Retailers Limited, Leading Edge Group, Betts Group and Kiki K.



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Kind regards,

A handwritten signature in black ink, appearing to read 'R. Zimmerman'.

Russell Zimmerman
Executive Director
Australian Retailers Association

A handwritten signature in black ink, appearing to read 'Heath Michael'.

Heath Michael
Director of Policy, Government & Corporate Relations
Australian Retailers Association