



Telco Giants Form ISIS Network

Getting Mobile Money to Main Street

■ By Arlene Hauben



In the not too distant future, you may be able to leave your wallet at home. But, then, we have heard that promise many times before.

This time, the proposed mobile wallet is being fashioned by AT&T Mobility, T-Mobile, and Verizon Wireless, three cellular giants that recently announced the formation of ISIS, a national mobile commerce network that might change the way people pay for goods and services.

The initial focus of the joint venture will center on developing a mobile payment network that utilizes mobile phones to make point-of-sale purchases. ISIS plans to utilize smartphone and near-field

communication (NFC) technology to transform the payments process. NFC uses short-range, high frequency wireless technology to enable the encrypted exchange of information between devices at a short distance.

Michael Abbott, a veteran financial services executive formerly with GE Capital, has been named chief executive officer of ISIS. "Our mobile commerce network, through relationships with merchants, will provide an enhanced, more convenient, more personalized shopping experience for consumers," said Abbott. "We plan to create a mobile wallet that ultimately eliminates the

need for consumers to carry cash, credit and debit cards, rewards cards, coupons, tickets and transit passes."

Service is being planned in key geographic markets over the next 18 months.

An Ambitious Program

Other telecom companies have tried to get into the payments business and failed. Does ISIS have a better chance at success?

The skeptics doubt that a universal mobile payment network is possible. The cheerleaders believe that the cellular trio has the resources to pull it off and change the entire

payment ecosystem.

"I have seen NYNEX, Bell Atlantic, Qwest, and BellSouth try to get into the payments business. None of them succeeded," said Peter Quadagno, president and CEO of Quadagno & Associates. "If ISIS works, it'll be a long time in coming."

Quadagno and other industry veterans have doubts about equipping merchant locations with NFC technology to accept mobile payments. Consumers will need smartphones and will have to be educated, in the same way they had to become accustomed to using cell phones and texting.

"The ISIS mobile network will rely solely on NFC, which requires merchants to purchase, or upgrade to new point-of-sale equipment with NFC readers," said Doug Dwyre, president, Mocupay. "Consumers will need to have either a phone with NFC built-in or have some type of accessory, such as a sticker or SC card, that enables NFC."

As a comparison, Mocupay works with all three technologies that are being tested today, whether it be NFC, a barcode, or a hand keyed account number.

Even with all the obstacles, the optimists think the ISIS concept is cool, perhaps the biggest payment development since the credit card.

Lori Breitzke, president of E&S Consulting, said, "I believe that mobile payments are coming. They just have to be smart about doing it." She thinks the joint venture has the right backing, the right target market, and a super smart CEO.

ISIS also has the backing of Discover Financial Services, which has

a national payment infrastructure, and BarclayCard US as the first issuer. Barclay's has expertise in contactless and mobile payments.

As for the target market, ISIS is likely to target youth audiences that are tied to their handsets. These text driven consumers are helping to change the shopping experience with their desire for speed and value. Counting on this value proposition, which the big merchants understand, and the huge market base that ISIS holds, it could be the great game changer.

"The speed-to-purchase is going to be transformative for the shopper, retailer, and manufacturer," said I.V. Whitman, chief strategist at Two West, Inc. on The Brand Show.

Daniel Csoka, CEO of aKos Technology, thinks that ISIS is poised to solve the ecosystem problems, getting together the merchant network and consumer adoption.

"Right off the bat, they have a customer base that accounts for two-thirds of the country," said Csoka. "What has been difficult for others to achieve may be solvable for ISIS. The technology is not the problem. The challenge has always been the ecosystem, bringing the merchant network and consumer acceptance together, and now that is possible."

"Let's not forget that only a decade ago text messaging was in its infancy and only allowed users to send to people in their own network," said Csoka. "Today we can send a text to anyone on any carrier."

Competition Abounds

The promise of mobile payment penetration is attracting financial companies and technology leaders to invest in similar innovation. Visa is reportedly working on a mobile payment system. Apple announced

that they will enable their iPhones and iPads with NFC functionality this year. But here product penetration levels are still very small, while the ISIS members have 200 million customers.

Aite Group, a financial services research company, has projected the growth of mobile payments volume going from \$10 billion in 2010 to \$250 billion in 2015. Other analysts say there is proof that mobile payments powered by NFC will take off this year.

ISIS sounds bigger than any other mobile payment concept on the consumer radar screen because of the size of the players involved. In contrast to previous attempts to universalize mobile payment, it is fair to say that the joint venture holds promise because of the enormous marketing base that the participants have.

We should start to see some

answers by 2012, when marketing strategies from ISIS will begin to emerge. By then, it may be that kids on some college campus will be testing a new mobile payment system.

For isn't youth the ultimate driver of new technology and invention? Like no other generation before it, today's youth is the connected generation – attached to their mobile devices. For that reason alone, the mobile wallet is inevitable. Our cell phones will replace our wallets and that wallet will carry not only our credit cards, but our loyalty cards and coupons, and who knows what else.

"Deals like ISIS will be a key innovation for this industry," said Amer Sajed, CEO, Barclaycard US, as reported by briefingroom.

Whether ISIS will be the dominant brand remains to be seen. ■