
VERIFONE (NFC TECHNOLOGY)

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FROM: HARRISON ANASTASIO
SUBJECT: VERIFONE OPPORTUNITY
DATE: 3/10/16

Financial institutions are concerned about the shift in **customer behavior** related to methods for payment. Consumers are moving away from traditional plastic debit / credit cards and switching to mobile (virtual) devices, such as Venmo, Apple Pay and PayPal. These financial institutions are mainly concerned that consumer's brand loyalty will decrease and in turn, lead to customers switching banks. In an effort to avoid this rising conflict, some banks are beginning to introduce their own virtual wallet app. This evolving behavior is an opportunity for Verifone and that is why it is crucial that we begin to innovate new ways where people can use Verifone machines and immediately make them available. This strategy will help the company gain more revenue in the years to come. The following memo will explain in more detail why it is important for Verifone to move forward with our recommendation.

Environmental Analysis – Opportunity

Mobile phones are becoming more evident to consumers as a reasonable alternative to purchase goods and services. Although purchasing goods at brick-and-mortar stores are still done mainly by cash and cards, Apple phones have now integrated NFC chips which will allow consumers to pay for items, similar to how they pay with their cards, by just tapping the NFC machines. Since companies such as Venmo, Apple Pay and the Wells Fargo App introduced its 3rd party apps, consumers are making less purchases with cash or plastic cards. This growing **trend** is apparent in Starbuck's purchase trends since 15 percent of purchases in U.S. stores were paid through its mobile app and that was only by the end of 2015¹. Starbucks is not the only **brick-and-mortar** store that has accessible mobile payment options, but Target, Wal-Mart and Chevron are also offering mobile payment options². According to Bloomberg Businessweek, 10% of all smartphone owners are using payment apps, in 2014, and that is estimated to increase to 31% by 2019³. This

trend is also worldwide with about 49% of European consumers wanting a virtual payment alternative at their stores⁴ and Japan having almost 10 million subscribers on a mobile payment app⁵.

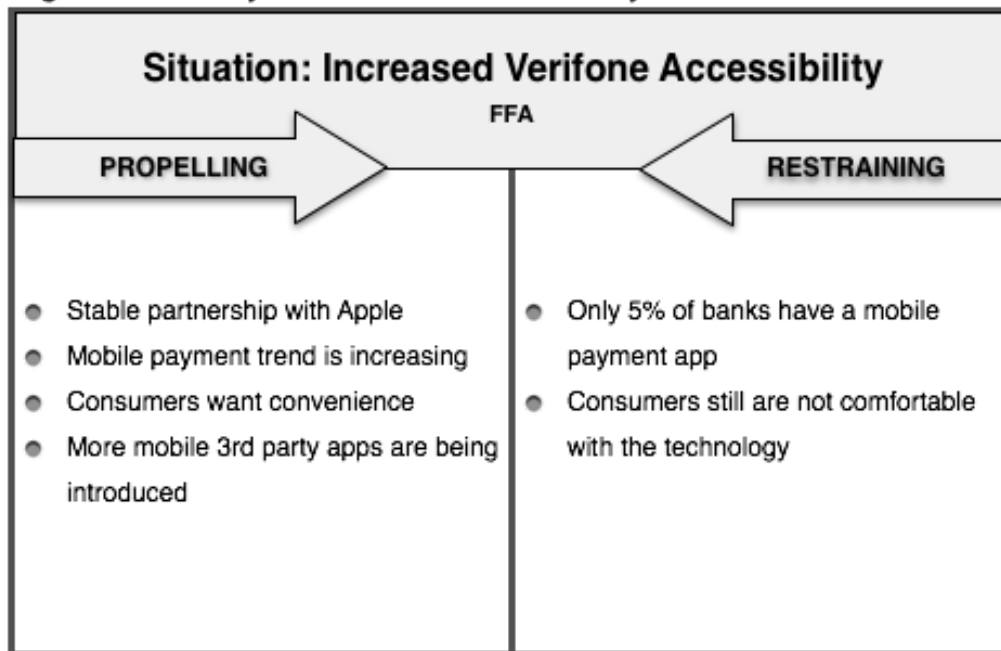
Alternatives

Mobile transactions are a growing trend and it is a necessity to make a strategy to obtain this opportunity. Our team has listed a few alternatives that will help Verifone gain more revenue. The options are 1) Innovated new locations for Verifone technology and manufacture it, 2) do nothing and hope that brick-and-mortar stores continue to buy Verifone machinery and 3) spend money in R&D to find ways to move away from physical machines that read NFC chips and find ways to make the process even easier.

Recommendation

After reviewing the alternatives, our analysis believe the best option in innovating new locations to put Verifone technology. The consumer behavioral change demands for more mobile purchasing and so by finding new places to use Verifone technology it will make the transition from traditional plastic cards and money to mobile payments much quicker. For example, consumers can have the ability to tap their phone to enter the subway or pay for a meal at a restaurant using just their phone. Having the need for more NFC chip scanners will increase the demand for Verifone technology so stores will purchase more machinery, which will increase revenue. Doing nothing, as alternative 2 suggest, will not allow Verifone to increase revenues. Although more brick-and-mortar companies might implement more NFC reading machines, they have a long obsolete lifecycle and, in turn, will not show much growth for the company. Opinion 3 is a good alternative but it is a strategy that should be looked at down the road. Consumers will not be able to pay strictly through bar codes or by just typing in their card information, which means consumers will still have a need to tap their phone against a NFC chip reader. Verifone machinery will still be needed in the near future so moving away from the physical machinery will be a waste of time and money.

Figure 4: FFA Analysis on Verifone and Mobile Payments



The force Field Analysis above illustrates the reasons why and why not increasing Verifone accessibility will lead to higher revenues. Reasons that propel this idea is that Verifone has been working with apple to push out the new Apple Pay. Their relationship will allow them to get into more stores and gain creditability from retailers. As stated before, the mobile trend is growing. Consumers also want their buying experience to be convenient and short and by using 3rd party mobile payment apps, they will satisfy their wants. In addition to that, companies are introducing its own apps which mean more reasons to use Verifone technology. Which also means that Verifone has to be more accessible. On the other hand, the attributes that are restraining Verifone from becoming accessible is the lack of financial apps. Most importantly, consumers are not fully comfortable with mobile payments. The transition will not happen over night and will need convincing, which will cost lots of money.

1. This statistic was gathered from 2015 Payment Industry Trends
2. The information was obtained from Banks Are Ceding Ground to Apple Pay
3. The statistic was taken from Banks Are Ceding Ground to Apple Pay
4. This information is gathered from The Era of a Cashless Future
5. This information was gathered from Trends in the Payment Industry: Mobile

Citation

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