Operators Need to Look at the Bigger Picture for NFC

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Much has been made of the market for mobile payments and ticketing services using NFC; but is there more to the market for NFC-enabled services than this? IMS Researchâ€™s latest reports on NFC ICs and Mobile Wallet Services see good potential for multiple new revenue streams, supported by a long trail of NFC-based applications but they are at risk if the operators are unable to agree a suitable business model with their new financial partners.
Research Director, John Devlin, commented on the situation saying, â€œOperators, who are under various competitive pressures, such as flat rate tariffs, and external forces such as the EU regulatorâ€™s agenda etc. So operators are looking for new revenue streams and see these services as a way of expanding their coverage. This is expected but a degree of perspective has to be maintained. Network operators have to look at the bigger picture, as banks and credit card companies are not going to just hand over a slice of the pie.â€•

Rightly so, contactless payments and ticketing are seen as the lead-off NFC-based services: they are easily understood by the consumer, have mass market appeal and can be showcased in highly concentrated urban areas. These initial deployments can be achieved without the wider costs of nationwide rollouts. IMS Researchâ€™s own forecasts show a combined total of 884 million users and growth of over 600% when combined with mobile banking. However it identified that part of the delay in launching these services is due to the extended negotiations in setting up the business models that must be agreed between the traditional market players such as the banks and credit card companies and the new entrants, i.e. the mobile operators.

Devlin continued, â€œThe operators have to engage their prospective partners, bringing to the table added benefits and making the most of the mobile phoneâ€™s interactivity and connectivity. This will give the operators an edge and help them promote these services to their customers.â€• However, on a cautionary note he warned, â€œIt should not be a case of how much money the operators can make from these initial services. If they try and skim too much off in service fees the market will stall before it gets off the ground, crippled by a lack of input from all stakeholders. Instead the operators should see these lead-off services as their way in, boosting the footprint of NFC handsets and educating their customers about the benefits. They will then be well placed to make money from a wider spread of exclusive applications, such as mobile coupons and mobile marketing using smart posters. These can be offered in partnership with flagship stores, movies, album launches and the tie-ins may be even more lucrative in the long term.â€•

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