

## SA not ready for NFC technology yet - Nashua Mobile

South African banks and retailers are likely to be slow to adopt near-field communications (NFC) technology for mobile payments because of the high costs of installing point-of-sale terminals and other enabling infrastructure.



That's the word from Tim Walter, executive head of marketing at Nashua Mobile, who says that there is little appetite among institutions to drive adoption of yet another new point-of-sale payment technology just as the end of their protracted rollout of the EMV credit card standard is in sight.

NFC is a short-range wireless technology that will eventually allow people to use their mobile phone as a wallet. It will enable consumers to make secure payments to compatible point of sale terminals or to another user's smartphone. NFC has proven itself to be a viable technology in field trials in countries such as the UK and South African banks are reportedly also trialling NFC. But, as yet, there are not enough NFC compatible handsets in the market, nor is there a compelling commercial model for the rollout of the technology in South Africa, says Walter.

### Sales of NFC handsets are minimal

"Most of the major handset manufacturers are bringing NFC to market in the latest models of their mid to high-end smartphones. Yet we are still a long way off from the critical mass that would really justify massive investment in the technology by banks and retailers." Walter notes that despite the many experiments with NFC as a payment technology in the international market, it still is an immature technology far from the mainstream. According to research by Berg Insight, global sales of handsets with NFC increased ten-fold from 2011 to 30 million units. Shipments are forecast to touch 700 million units in 2016.

"With just 30 million NFC handsets sold in 2011, these devices represent a tiny fragment of the overall mobile phone market. The growth is exponential, but even in advanced markets, NFC looks like it could be two to three years away from mainstream adoption," says Walter. In South Africa, it is the capital-intensive process of rolling out point of sales terminals by stores, hotels, restaurants, services firms and other merchants that will be the big barrier to adoption. It took a good ten years from when banks first started talking about EMV until it became common in South African shops - and even now the rollout isn't 100% complete.

### Various role-players will have to cooperate

Says Walter: "Retailers and banks will need to see some clearly defined benefits in security, convenience and cost-reduction before they adopt NFC in a big way. We will need to see big retail groups, mobile operators and banks cooperate closely to nurture an NFC ecosystem based on a sound business model that works for all of them - and that could take some time."

That doesn't mean that we won't see other applications for NFC-enabled phones in the next two to three years, says Walter. The technology can be used for applications such as pairing devices to establish Bluetooth or WLAN connections, electronic ticketing, loyalty programs and coupons, parking payment, buying goods for vending machines, and more.

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