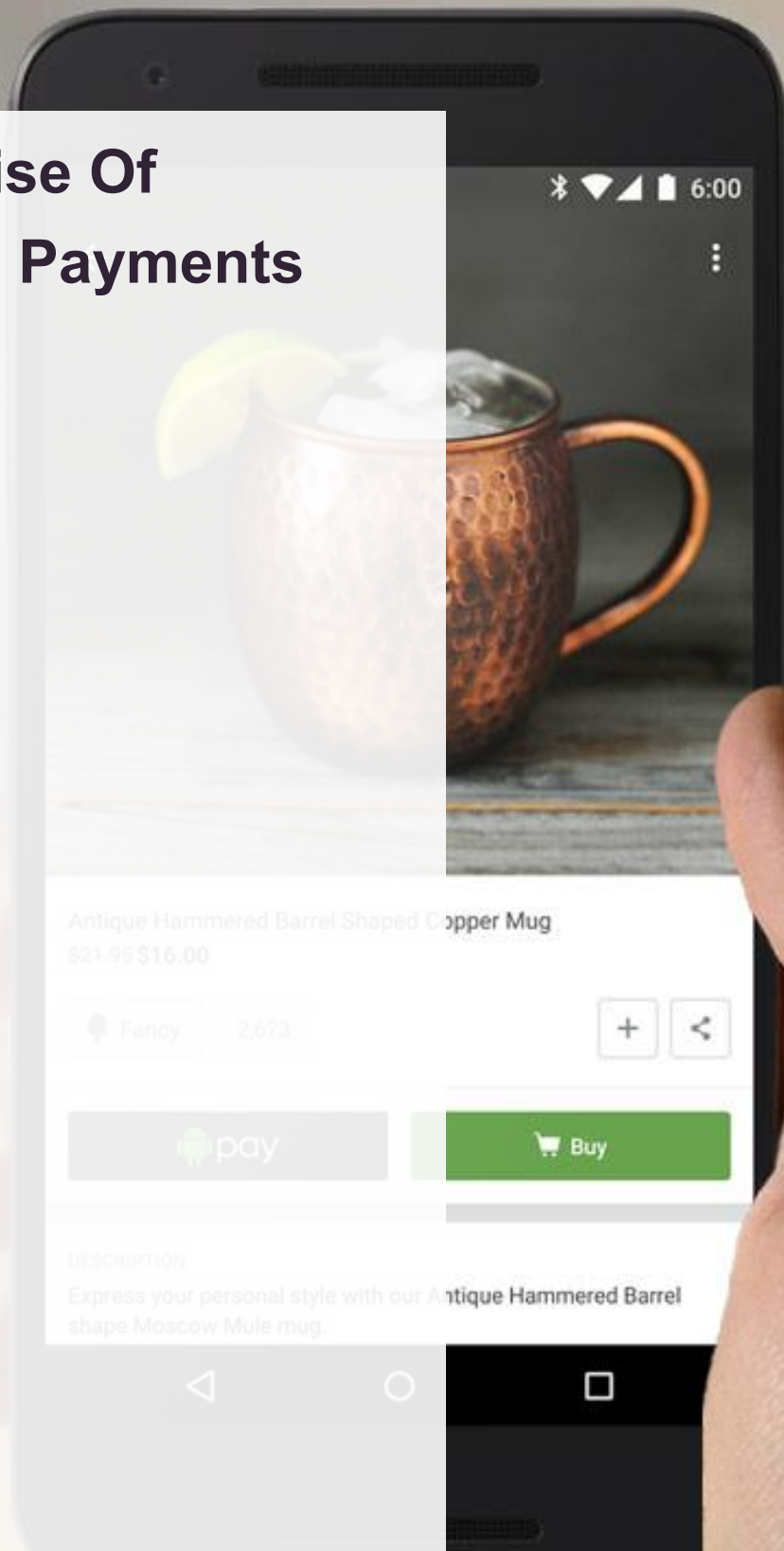# The Rise Of In-app Payments

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The Initiatives Group

In app payments

The ability to browse and purchase products or services without having to go through a checkout or Point of Sale (POS) system is appealing both from a customer and merchant perspective. Customers experience a seamless transaction process and merchants can achieve a greater insight into customer analytics. If payments are easier to make, it is more likely that consumers will make them.

The need to accept new forms of payments has become more pronounced for merchants, especially given the massive increase in online and mobile payment transactions. Mobile commerce is growing at a rapid pace due to rising smartphone adoption, customer preference for online shopping and improvements in network bandwidth. Mobile commerce accounted for almost half of all digital retail sales globally in 2017 and is forecast to reach 70% (USD4.6 trillion) by 2022[1]. In the USA, mobile commerce accounted for 66% of sales during Black Friday and Cyber Monday in 2018[2].

In-app payments are essentially purchases made for goods or services within a smartphone or tablet app, which has usually been downloaded onto the device sometime previously. In-app payments use payment credentials already held on file (also known as "card on file"), where the cardholder has explicitly authorised the business to store the payment details (e.g. card number, expiry and CVV) and permits the business to charge the credentials for future purchases. In-app payments are used for digital content such as entertainment (e.g. films, TV shows and games) or additional functionality in apps, as well as mobile shopping, ridesharing and food delivery services - and an ever growing range of activities. For example, video game revenue, which includes in-game purchases and subscriptions, reached USD35.8 billion in 2018[3].

What do in-app payments look like?

There are several successful in-app payment integrations across a variety of merchants and service providers. Many implementations have solved traditional pain points in the transaction process and have added features that enhance the customer experience by making the payment process simpler.

Uber – invisible payments

When Uber was established it improved two key areas of taxi-style transportation: access to cheap on-demand transportation and creating frictionless payments. Uber's use of in-app payment is a key point of difference to more traditional taxi competitors, where payment is processed manually by cash or card after the ride is completed. Beyond the payment itself, Uber has resolved other traditional pain points by integrating them into the Uber app, such as the hailing of a car, destination input and fare estimation.

From a user perspective, Uber works quite seamlessly. When registering to use the service, riders must provide a payment credential of either a credit or debit card or PayPal. After a rider has completed their journey, the driver marks the ride complete using their driver app. The fare is then automatically

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[1] https://www.mckinsey.com/~/media/McKinsey/Industries/Financial%20Services/Our%20Insights/Global%20payments%20Expansive%20growth%20targeted%20opportunities/Global-payments-map-2018.ashx

[2] https://www.pixelunion.net/blog/mobile-ecommerce-stats/

[3] https://techcrunch.com/2019/01/22/video-game-revenue-tops-43-billion-in-2018-an-18-jump-from-2017/

charged to the stored payment credential. Shortly after finishing their trip, riders are prompted to rate the driver and the ride itself, which includes the option of giving the driver a tip. Uber has also linked to outside loyalty programs – in the US, American Express Cardholders can use their Membership Rewards Points as part of the in-app payment for an Uber service.

In 2018, Uber's gross bookings (total dollar value for ridesharing, Uber Eats meal deliveries, other services) were almost USD50 billion, 87% of which was paid by either credit or debit card [4]

Uber is reportedly making moves into financial services, which would follow a similar path of several Asian ridesharing companies. Ola (India) developed the standalone Ola Money service in 2015, Go-Jek (Indonesia) established Go-Pay in 2016, and Grab (Singapore) made a move into financial services in 2017 (in 2018, Uber ceased operations in Southeast Asia and merged with Grab).

Grab's initial business, like Uber, was providing users with on-demand taxi, car and motorbike ridesharing using in-app payments to pay drivers electronically rather than with cash. In 2017, Grab developed its standalone payment app, GrabPay, expanding the company's payment system to smaller businesses such as retail and food merchants and enabling them to accept mobile payments. Uber would be well positioned to enter financial services market with its estimated 93 million users worldwide and may hope to achieve what companies such as Grab have done in Southeast Asia.

Starbucks – order ahead

Starbucks has historically been a strong player on the digital front. In 2002, the company launched in-store Wi-Fi; in 2007, it provided free access to Apple iTunes Music; and in 2008, it launched a program to let customers download free music tracks using cards available in-store. Starbucks launched its mobile payment app to US customers in 2011, following a two-year pilot. At the time, the app allowed users to pay for goods by scanning an on-screen barcode at the POS, drawing payment from the Starbucks Card account preloaded with funds from the user's credit or debit card. By using the app to pay for their purchase, users can earn or redeem points in one step.
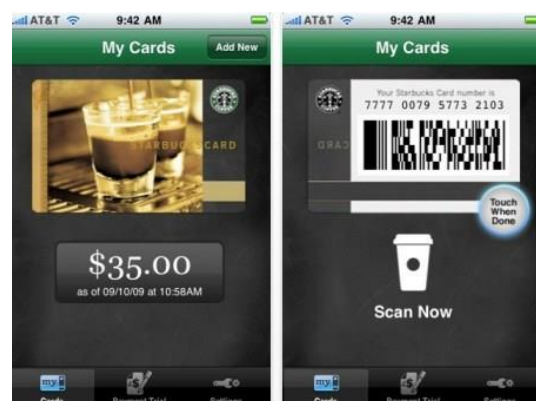
Starbucks introduced the ability to order and pay using the app in 2015, letting US-based customers order ahead, and pay in advance, of visiting an outlet. The order ahead feature has since rolled out globally, most recently in May 2019, when Starbucks enabled the feature in 300 stores across Beijing and Shanghai.

Starbucks has over 16.8 million active mobile app users and in 2017 mobile payments accounted for 30% of all transactions in US stores [5]

[4] https://www.sec.gov/Archives/edgar/data/1543151/000119312519103850/d647752ds1.htm

[5] https://www.pymnts.com/earnings/2019/starbucks-mobile-app-users/

The Starbucks app is a good example of marrying a frictionless payment method with a merchant loyalty program. In order to pay and order ahead by app, users must be members of the Starbucks Rewards program. Members earn stars for every dollar spent (which expire) and, when stars are about to expire, the app prompts them to make purchases to retain their loyalty status. The app also develops personalised suggestions based on previous orders and is used to promote new items when customers go to make an order.

Starbucks Rewards saw a 14% growth in member accounts in the second quarter of 2018 and loyalty members represent up to 40% of gross purchases in the US[6]. The combination of an app, which allows users to order and pay how they want, with a developed loyalty program that encourages repeat purchases, is a good case study of how to effectively integrate in-app payments to benefit both the user and the merchant.

Amazon Go – cashless to cashier-less

Amazon Go, Amazon's entry into the physical convenience store space, first opened in 2018. As they enter the shop, customers scan through turnstile gates using the dedicated Amazon Go app on their smartphone. Computer vision from an array of cameras attached to the ceiling and shelves tracks the customer through the store, detecting what products they pick up. Once a customer is ready to leave, they again scan their phone on the turnstiles to exit and purchases are charged to the customer's saved credit or debit card or bank account.

Each store has over 300 ceiling and shelf mounted cameras, in addition to shelf weight sensors and Bluetooth beacons that track each mobile device, all work in concert together to do what is traditionally done by the cashier: identifying the purchased products, historically by scanning each item's barcode. While this may seem excessive, it provides Amazon with a wealth of information on consumer behaviour and creates an invisible checkout process to the user.

While the Amazon Go stores are designed to be completely cash free, Amazon has been forced to develop a method to accept cash payments. This move was to address complaints that cash-free businesses discriminate against unbanked, lower-income shoppers who do not have bank accounts, credit or debit cards. While cash-free stores have become more common (see Pablo and Rusty on page six), some regulatory bodies have responded by legislating bans on the practice - Sweden is a key example of somewhere going "cashless", as it is legal for a Swedish merchant to not accept cash (the legal tender) as long as the buyer is informed prior to the purchase.

Walmart – instore QR codes

Walmart, the largest retailer in the USA, does not accept any of the NFC wallet platforms such as Google Pay, Apple Pay or Samsung Pay, and has instead opted to establish its own proprietary payment service called Walmart Pay. Customers sign into the app and add a credit or debit card funding source to their account. At the checkout, after the

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[6] https://www.essentialretail.com/news/starbucks-sales-and-loyalty/
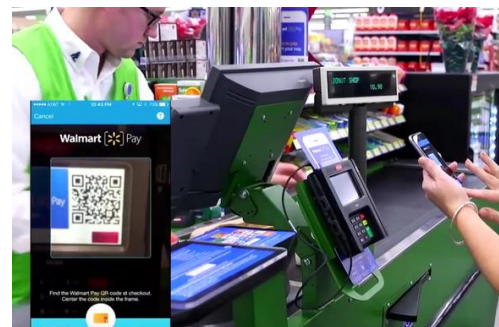
cashier has tallied all the goods, customers pay by scanning a QR code dynamically generated by the POS to complete the transaction, receiving an electronic receipt once the payment is finalised.

> **A survey of Walmart Pay users in December 2018 indicated that 52.5% of respondents used the app "every chance [they] get" [7]**

Walmart has incentivised use of its Pay app by running sign up offers (e.g. free eGift card on sign up) and providing richer app functionality, such as being able to scan product barcodes to access reviews and extra details. Part of the retailer's effort to promote its mobile app includes requiring customers to use the Pay app to access the Savings Catcher feature, which compares prices at rival stores and offers cash back for the difference.[8]

In May 2019, Walmart Canada began a "Fast Lane" checkout pilot. After customers have scanned all the goods that they wish to purchase using the My Walmart App and they are ready to check out, they enter the fast lane checkouts where they scan a dynamically generated QR code from their phone. This final step triggers the order to be charged to their credit or debit card and generates a receipt for the user to show a store attendant on departure.

Netflix – the cost doing of in-app payments

Netflix is a subscription based streaming service that offers online streaming of film and television programs. As at April 2019, Netflix had 148.9 million paid subscriptions worldwide and generated USD4.9billion in the first the first quarter of 2019[9]. Netflix is available on a range of devices and platforms including smart TVs, game consoles, PC and laptops, and mobile platforms, including Android and iOS. Billing for the service is monthly and can be paid by card, PayPal, and until recently, iTunes.

When Apple first launched the iOS App Store, it announced it would take a 30% commission from all apps sold. Developers responded largely by switching to free apps which charged in-app purchases or subscriptions to unlock certain features. This prompted Apple in 2011 to implement a 30% commission on all in-app transactions for the first year, dropping to 15% in subsequent years. The App Store maintains strict terms of service that are designed to keep subscription and in-app payments within its ecosystem, reading "[developers] must not directly or indirectly target iOS users to use a purchasing method other than in-app purchase, and your general communications about other purchasing methods must not discourage use of in-app purchase".

> **Apple charges a 30% commission on in-app subscriptions, dropping to 15% in subsequent years**

Shortly after dropping in-app payments via Google Play, Netflix disabled in-app subscription sign up on iOS devices, effectively disabling all in-app payments for the service. New customers must subscribe via a desktop browser, which allows Netflix to avoid paying any commission to Apple or

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[7] https://www.business2community.com/mobile-apps/can-qr-codes-make-a-comeback-as-a-payments-technology-02211075

[8] https://www.pymnts.com/walmart-pay-adoption/

[9] https://www.netflixinvestor.com/financials/quarterly-earnings/default.aspx

Google. It was estimated in 2018 that Netflix grossed USD853 million via the iOS App Store, meaning Apple's commission could have been up to USD256 million[10].

Netflix joins several other companies in bypassing app store billing systems to avoid paying commissions. Amazon restricts TV and movie rentals to its desktop website, and Spotify discontinued in-app payment options for its Premium streaming service, instead directing users to a browser to sign up. It is worth noting that commission on in-app payment only applies to content and features that are delivered as an in-app purchase. Businesses such as Uber and Airbnb, which provide physical services external to the app, and retail ecommerce merchants are exempt from the commission. The decision by Netflix to disable in-app payments highlights the risks developers and services face in being captive to the terms and conditions of app store ecosystems.

In-app payments in the Australian context

Large Australian retailers have seen considerable growth in online shopping, much of which is via dedicated apps. Coles Online, which includes online ordering for delivery and in-store pick up (click-to-collect), grew by 30% in 2018[11]. Online shoppers also appear to spend more, particularly in grocery: market research suggest shoppers who bought groceries from Woolworths online spent an average of AUD186 a week, compared to AUD103 for those buying from instore[12]. While growth in revenue is significant for the major supermarkets, profit margins have remained thin due to the additional costs associated with picking products and delivering them.

Both Coles and Woolworths have pilots of in-app shopping systems and alternative delivery methods. In 2018, Woolworths began a "Scan&Go" pilot, developing an app that allows customers to scan items using their phone, pay in-app, and walk out of the store. The Woolworths app, like Walmart's Fast Lane offering, still requires customers to "check out" by scanning their phones when they depart the store, in most part to allay customer fears that they are walking out without paying.

While Coles has not made public any checkout-free services, they are exploring alternate methods of picking and delivery. In 2019, Coles made available a limited range of products to the Uber Eats delivery platform at select Sydney stores. Customers can buy, albeit at a premium, a range of products including essentials like milk, fruit and vegetables. Goods are picked by store staff and collected by an Uber delivery driver or rider to deliver to the customer. Payment is charged to customer's stored card details on the Uber Eats platform and incurs Uber's $5 delivery fee (it is not known what commission,

if any, Uber takes out of the total transaction). Coles has also partnered with Sydney-based Airtasker to effectively outsource both picking the goods and delivery. In the pilot, customers can upload a

[10] https://sensortower.com/ios/au/netflix-inc/app/netflix/363590051/overview

[11] https://www.wesfarmers.com.au/docs/default-source/asx-announcements/2019-first-quarter-retail-sales-results.pdf

[12] http://www.roymorgan.com/findings/7945-australian-online-grocery-shopping-december-2018-201904120647

shopping list onto the Airtasker platform with a delivery time and address, a "Tasker" then bids on the job to pick and deliver the order. Payment is charged to the card on file within the Airtasker app.

The actions that Coles and Woolworths are taking to explore new payment methods are worth monitoring, as the two major supermarkets have significant influence in encouraging (or discouraging) certain ways to pay. For example, the adoption of contactless payments in Australia was greatly boosted by Coles and Woolworths when they enabled the payment method in 2012.

Order-ahead apps have also gained traction in Australia, providing users with a clear value proposition of skipping the queue. Sales on order-ahead apps are expected to reach USD38 billion globally by 2020, representing a five-year CAGR of 57%[13]. Large quick service restaurant chains, such as McDonald's, use promotions to encourage customers to download their apps; for example, the MyMaccas app can access discount or free meals (e.g. $1 Big Mac, only available through the app), prompting users to place their card on file. By registering users via the app, McDonald's creates an additional avenue to deliver advertising directly to customer's phones - having previously no direct method of identifying, or communicating with, individual customers. Smaller restaurants, for whom the prospect of developing, marketing and supporting a proprietary app is not feasible, may elect to sign up to a range of order-ahead marketplace apps, such as Ritual, Hey You (originally known as Beat the Q), Skip, and MealPal. Apps that have previously focused on food delivery now offer order-ahead options, such as UberEATS and MenuLog, where the user picks up the meal themselves.

Anecdotal evidence suggests some order ahead apps take up to 4% of the transaction value as a commission, a relatively high merchant service fee (MSF). However, this higher cost of payment acceptance may be palatable for most cafes, as anecdotal evidence from one café suggests that at least 40% of daily business is driven by order ahead apps.

> *Sales on order-ahead apps are expected to reach USD38 billion globally by 2020, representing a five-year CAGR of 57% [14]*

While Australia has one of the highest penetrations of cashless payment systems in the world, it does not have the dominant mobile payment providers as exist in China. Chinese users have been fast to adopt mobile payments, with the value of mobile payment transactions estimated to be USD41.5 trillion in 2018 (this figure includes all mobile payments, including in-app payments)[15]. Chinese mobile payments are dominated by two providers: Alipay by Alibaba and WeChat Pay by Tencent Holdings, which together account for over 90% of China's mobile payment segment[16]. This popularity has enabled the two platforms to become de facto banking systems, enabling users and merchants to transact and completely bypass traditional banks. Chinese user preference for digital channels is clear:

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[13] https://www.businessinsider.com/mobile-order-ahead-market-forecasts-adopters-trends-quick-service-restaurants-2016-9/

[14] https://www.businessinsider.com/mcdonalds-joins-the-mobile-order-ahead-craze-2017-3/

[15] https://www.caixinglobal.com/2019-03-22/chart-of-the-day-chinas-mobile-payment-transaction-volume-hits-4151-trillion-in-2018-101395789.html

[16] https://www.scmp.com/business/companies/article/2130400/china-moves-further-towards-cashless-society-payment-giants

more than 87% of banking transactions were completed online or by mobile in 2018, compared to 45% in 2010[17].

Given the popularity of card-based payments, and the existence of a reliable and low-cost Direct Entry system that many Australians are content to use for transferring money (plus the arrival of the New Payments Platform), it's unlikely that Australia will see a similar ubiquity of mobile app payment providers. Apps such as Beem It, which allows P2P payments, have seen limited uptake, in part because it does not solve a significant problem that Australian consumers have.

In-app payments assisting the transition to cashless

Pablo and Rusty, a small Australian-based coffee roaster, opened Australia's first cashless cafe in Brisbane in 2016, later including a Sydney café in mid-2019. Owner Saxon Wright noted the benefits of going cashless include reducing cash handling errors, reduced insurance premiums and risk of theft, and reduced cash handling admin (e.g. depositing cash at the bank). While most transactions in the cafe are paid for by card, the restaurant also allows customers to pay in-app by using a branded loyalty app. Users order at the counter as normal then tell staff that they want to pay with the app. The app generates a unique number which matches the order to the user and charges the user's stored debit or credit card.

Pablo and Rusty's latest partnership with Sydney-based me&u[18] is testing a completely in-app experience for in-store dining. Customers download the dedicated app, tap a 'beacon' located on the table (which essentially registers the table number), and order and pay via the app. Sending the order direct to kitchen and paying in-app on demand eliminates friction at the checkout and minimises wait time. The app can also be used to upsell by promoting suggested dishes and personalised menus based on customers dietary requirements.

In-app fraud and security

Although in most cases the payment card linked to the app is tokenised after loading, protecting it from future hacking attacks and cybercrime, the loading of cards as payment credentials into apps has proven to be a target for fraudsters. The Initiatives Group has undertaken a number of fraud mitigation projects in Australia on behalf of merchants, who have launched their own apps only to find that a deluge of chargebacks has subsequently occurred, due to stolen card credentials having been loaded up by thieving fraudsters. This problem arises when insufficient authentication processes are in place to ensure that the owner/holder of the smartphone is also the owner of the payment card.

Many app developers (supported by their merchant clients) have wanted to keep the download and sign up process as seamless and frictionless as the ensuing payment regime. However, seamless sign up can often be as good as hanging out an "open for fraud" sign for the criminal fraternity. A few more steps in the sign-up process can save significant pain later on; steps could include –

- using 3DS on sign up or on the first transaction;

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[17] https://www.bloomberg.com/news/articles/2018-10-09/china-s-banking-showdown-wechat-vs-3-million-bank-tellers

[18] https://www.meandu.com.au/

- another form of 2-factor authentication;
- test transaction of a small number of cents and verification of amount by the app user.

This upfront authentication was an issue for Apple Pay when it initially launched in the USA, with many smaller card issuers not ready to undertake any secondary authentication process and therefore becoming subject to an outbreak of fraud - a failing that was quickly corrected.

Businesses and app developers should also consider how subsequent in-app payments are managed. Much has been publicised of children making in-app purchases within games, incurring significant costs for their unaware parents[19]. Businesses must strike a balance between easy purchasing abilities and preventing unauthorised purchases, especially with apps that children are more likely to use, such as games. Most smartphone operating systems have parental controls that can limit or block in-app purchasing on devices, but these are often disabled by default. While inadvertent purchases may not have the same financial impact on businesses as fraud, they can cause bad damage to brands and reputations. Ensuring adequate safeguards for in-app purchases can mitigate this risk.

What's next for in-app payments?

Social Media

Businesses have long used social media to advertise and promote services and products, and now approach social media as a key channel to reach their intended audiences. Social media is often integrated into business marketing strategies, to create a seamless shopping experience for consumers. Social media companies have made inroads into ecommerce, including adding the ability to make in-app purchases with varying degrees of success. Social media is becoming the primary tool customers use to find products and brands, with market research suggests 38% of people typically now discover brands via social media[20].

In 2015, Snapchat added functionality to purchase additional app features, such as lens filters and the ability to reply to messages, only to remove the feature seven months later. Snapchat reintroduced in-app payments in 2018 by launching the "Snap Store" filled with branded apparel and toys. This was followed by integrating new services that allowed advertisers to promote product ads, with the ability to purchase without leaving the Snapchat app. In 2018, Snapchat partnered with Amazon to offer users image-based shopping features, which allows users to snap a photo of an item and bring up options to buy the product directly from the Amazon US store.

Snapchat added in-app purchases only to remove the feature seven months later.

Instagram is also entering the ecommerce space. After launching enhanced shopping solutions that enabled brands to directly link to products in their online stores, the company rolled Instagram Checkout, a service that allows companies to sell products directly within Instagram app. The service is currently in closed beta, available to 20 large brands (such as Uniqlo and Nike), and eliminates the need for customers to navigate to an external browser if they wish to buy products. Contact details, shipping and payment information are entered via the app and saved by Instagram. Instagram is

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[19] https://www.bbc.com/news/technology-48925623

[20] https://wearesocial.com/blog/2019/06/can-social-commerce-be-the-next-wave-of-retail

promoting the service to merchants heavily, claiming that the platform's 200 million+ users visit at least one business profile daily[21].

In-app on the road

Apps, and in turn in-app payments, are no longer restricted to the domain of smartphones and tablets. Car manufacturers such as GM, Ford, Jaguar and Honda have all announced in-car payment services using the existing infotainment system. GM developed a marketplace ecommerce platform that was available in some 2017 model cars for services including parking, fuel, and car care and accessories. Ford bought start up Autonomic in 2018 to help build car applications that can use real-time data and connectivity in cars and to accept payments for car services. Honda has demonstrated their "Dream Drive" prototype, a new passenger information and entertainment system designed to integrate ecommerce and services into Honda car infotainment systems. Among other features, the Dream Drive system adds the ability to make restaurant reservations, order food for pickup or delivery, and share the driver's location.
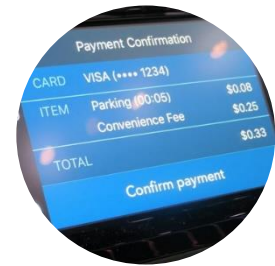
> *75 percent of commuters surveyed indicated they would shop more if the ability was integrated into their car [22]*

By 2020, the number of vehicles with some form of internet connectivity is estimated to be more than 250 million worldwide[23]. Paying for fuel at the pump is a natural fit for in-car payments and is already in market for smartphone users. In Australia, fuel retailers have developed branded apps that allow customers to pay at the pump without having to enter the outlet or use a fuel pump card terminal, such as FuelPay by Caltex FuelPay and BPme by BP. Issues with the BPme app have provided an example for why businesses need to ensure the payment experience is seamless and functional: early adopters experienced repeated errors when using the app, and in 2018 a user was followed up by police after the BPme app took 48 hours to process a payment[24]. While in-car payments may be developing one step at a time, it is conceivable that we will see in-car payments being combined with voice activation to allow different types of purchases to be made whilst driving.
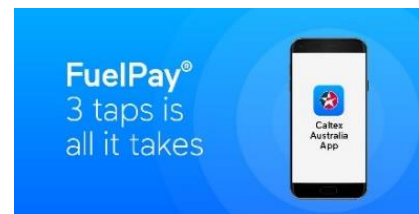
Deciding to implement in-app payments

In-app payments can help customers shop, reduce payment frictions and can be integrated with loyalty. However, it is not necessarily the case that every merchant should enable in-app payments. While it is desirable to have as many payment options available to the customer as possible, there are a number of factors merchants should consider before enabling in app payments.

[21] https://business.instagram.com/getting-started

[22] https://www.tsys.com/news-innovation/whats-new/Articles-and-Blogs/nGenuity-Journal/driving-commerce-inside-the-connected-car-yes-you-can-pay-from-the-dashboard.html

[23] https://www.tsys.com/news-innovation/whats-new/Articles-and-Blogs/nGenuity-Journal/driving-commerce-inside-the-connected-car-yes-you-can-pay-from-the-dashboard.html

[24] https://which-50.com/bps-petrol-app-sends-police-after-adma-chief-he-did-nothing-wrong/

- **Size and type of business**
  - Larger merchants who want to drive omnichannel sales may be inclined to enable in-app payments, but customer behaviour may not lend itself to in-app payments.
    - For example, retailers that rely on a high level of interpersonal contact with shoppers may not be suitable for in-app payments.
  - Small merchants, such as cafes and restaurants, may be better served by using aggregator-style apps that manage the ordering and payment aspects.
  - Developing and maintaining mobile applications requires an initial investment and ongoing costs. Further, as in-app payments are effectively Card Not Present (CNP) transactions, they can have higher fees compared to Card Present transactions.
- **Product type: physical or digital**
  - If a product or service is digital or a subscription, purchases may be subject to the various App Store commission structures (for both Google and Apple App Stores, this can up to 30% in the first year).
  - Customers may be less inclined to make large purchases through an app and prefer the feeling of using a full browser or making purchases instore. However, this may be changing, for example, services like Fair enable users to browse and buy cars, organise financing and complete transactions within the app.
- **Security and liability**
  - Enabling in-app payments will mean the app will need to be PCI DSS compliant.
  - Failing to comply with relevant security and privacy standards, and / or suffering data breaches would decrease confidence with customers.
  - Penalties for PCI-noncompliance can be significant and devastating to businesses, especially smaller merchants.
  - A major appeal of in-app payments is the ability to hold payment credentials on file to make recurring purchases even easier, but increases risk associated with data security
    - For the above reasons, smaller merchants wanting to enable in-app payments may want to use a larger service provider better equipped manage security requirements.
- **Integrating with existing platforms**
  - Merchants with existing ecommerce platforms or in-store payment acceptance may choose to go with existing providers, which can ensure consistency between channels (e.g. Merchants using Square to accept payments in-store may choose to use Square's in-app payment service for consistency).
- **Measuring key analytics**
  - Understanding customer behaviour such as shopping cart abandonments and transaction time are important in discovering pain points in the transaction process, various service providers may have different options for customer analytics.

Service providers

For most merchants who would not have in-house capability, there are a variety of major payment gateway providers that offer in-app payment services, including the ability to store card on file. These payment gateways can offer merchants greater security, by handling aspects such as PCI compliance, and seamless integration into existing apps using APIs.

Conclusion

The growth of in-app payments in recent years has been significant across digital purchases, content and services subscriptions, and retail ecommerce. Indications are that this growth is likely to continue and more probably accelerate.

Smartphone ownership continues to grow while new computer sales, including desktop and laptops, is slowly shrinking. Further, smartphone users are accustomed, if not expectant, to making purchases using their devices.

While users may already be able to browse and shop from their mobiles, the integration of in-app payments can make the checkout process fast and friction-free by reducing the time users need to fill out forms and payment details. Reducing friction at the checkout can encourage repeat purchases and reduce shopping cart abandonment.

If implemented well, in-app payment offers users better convenience and an enhanced customer experience. Combining in-app payments with customer loyalty programs, as done by companies such as Starbucks, allows businesses to learn more about their customers (through richer data collection) and opens a new marketing channel that can promote new products and services directly to users.

While there are benefits and advantages of implementing in-app payments, it may not be the path for everyone. Businesses should consider the nature of their business and customers, and be aware of the additional requirements, such security and compliance, before deciding to implement in-app payments.

The Initiatives Group

The Initiatives Group - we help participants across the payments sector to generate more value from their markets and customers.

The consulting team at The Initiatives Group has advised participants in the payments market since the 1990's - including issuers, acquirers, third-party processors, technology providers and associations. We help solve many of the financial industry's most significant issues, such as payments strategies, customer profitability and retention, credit and fraud risk, leveraging new technologies, and assessing new market and product opportunities.

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