

Editor's Pick

Shopping Changing With Mobile Pay

Ease of hits Bangladesh with MFS

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One day when I was ready to go out to attend a dinner outside, my homebell rang suddenly. I found few of my friends making a surprise visit to spend some good time with me. I welcomed them with a sullen face, having a sense of worry in my mind. Actually, my family members were out to attend a

social event and I didn't know how to prepare food to entertain my guests.

Right at that moment, my youngest son Nirjash, called me with his mobile phone to know what I was doing all alone. "I am really at an awful situation right now", I replied explaining my inability to prepare food and didn't find anybody to buy food for my visiting friends from nearby restaurants.





Nirjash, a new generation customer

"Don't worry dad, you will get food to entertain your friends", he replied and hung-up.

After half an hour, my doorbell rang again. This time, a young Pathao rider handed over to me a big packet of KFC with fried chickens, French fries and other food items, with a smile. He informed me that Nirjash dropped at the KFC and ordered and paid for the items including delivery charge through his bKash account. I became joyful and realized how Mobile Financial Service (MFS) is changing the shopping experience and positively impacting on our lives.

It is inevitably noticeable that shopping culture is changing. For new generation consumers like Nirjash,

shopping is a very different idea compared to what my generation had in mind. Shopping, to a great extent is now done on mobile, and payment is all virtual. This innovation has enabled consumers to search for the required goods and services and shop at their convenience; anytime, anywhere. People now can pay through bKash against their purchased goods, pay utility bills and settle payment for riding cars/motorbike with as many companies, merchants and vendors who have adopted bKash, i-pay and Rocket in their payment model.

In every corners of Dhaka city, consumers now can buy foods and goods with mobile account by visiting stores and making payment using QR code. After payment is made, sellers send purchased foods or goods through their delivery men or courier services like Pathao with very minimum cost. Small businesses and online shopping sites are also taking this advantage. Taltola, Baily Road area and most parts of Gulshan, Bonani, Uttara and Dhanmondi remain crowded with young



customers who use mobile accounts to make payment for get a firsthand taste of western and Chinese food.

MFS is driving global consumers to a new payment modality for shopping thereby facilitating a multidimensional experience. Some retailers are already welcoming these consumers with open arms, for more secure payment with lower transaction costs and increased customer engagement. A new wave of shopping through mobile wallet has hit the world with China in the forefront that has prompted shopping behaviors and technology platforms to evolve differently.



magazines and pints down the pub with nothing more than a swipe of mobile phone as a payment revolution hits Britain's highstreets.

As a part of this new shopping wave, the ways we pay is changing dramatically. Payment services and products are being created, deployed, and used in line with the trends reshaping the payments ecosystem. Restaurant owners don't trail far behind the big players. With the emergence of quick service restaurants

In China, every month, 500 million consumers are buying on mobile phones mostly with AliPay and Wechat. Chinese e-payment company Alipay is now the world leader, with platforms in 27 countries and regions, supporting direct payment in more than 10 currencies. People already use their phones as public transportation cards, to rent on-demand bikes and to order food. Even the street food vendors and beggars are using QR-code payments.

This is a new revolution in shopping landscape that has already crossed the Chinese boarder. In the USA, mobile payment brings the online payment paradigm to offline shops. The major players are Paypal, Google or Apple. And 34% of online retail purchases now happen on mobile devices. In the UK, about 40 percent of all online grocery purchases made are done using a mobile phone. Most Britons now pay for sandwiches,



(QSRs), customers can get their meals fully prepared without going to the restaurant, visiting the nearest ATM, and taking out a wallet.

Another trend that is promising to change how we pay in the future is voice commerce. Though yet it's labeled as 'coming soon', it has the potential to transform the entire fintech landscape. According to a trusted source, more than \$150 billion will be spent via voice commands in 2018. Over the next 2 years, 30 billion IoT and connected devices will join the internet and create new payment channels. Nearly 8% of US people already use voice commands to buy something online or make a money transfer. By 2022, this number is expected to grow into 31% of U.S. adults.

This way, voice commerce represents one of the top trends in payments. It opens a serious discussion on how businesses should use the voice commerce. Chatbots, in-home, and connected devices are already out there. Thus, voice-enabled commerce is a new major interface. It takes the latest trends in payments to a whole new level.



Convenience leads to speedy of adoption

But it is not just about the scale of the e-commerce, it is the speed of adoption and the aggregation of the payment ecosystems. Nowadays, an average American customer spends 11 hours online daily, taking the most out of 'instantism' put right at his fingertips. Since technologies always move forward, credit cards are no longer enough for an average user. That's the reason card-to-cloud transition may happen in the nearest future. The question is no longer where credit cards are accepted, but how they are accepted: via a smart device or a digital account.



In 2017, Visa supported this trend by releasing an innovative solution - mVisa. This app allows customers to pay for whatever they wish with no need to take your credit card out! By scanning a QR code on your smartphone, you pay straight from your digital account into merchant's card. This is what means convenience for the future-driven trends in payments.

So, it took China less than five years to become a country of mobile commerce, and that is largely because of the two technology platforms, Alibaba and Tencent. They own 90% of the e-commerce -- pretty much the whole market - 85% of social media, 85% of internet payment. And they also own large volumes of digital content, video, online movie, literature, travel information, gaming. When this huge base of mobile shoppers meets with aggregated ecosystems, chemical reactions happen.

And the new shopping experience through mobile wallet is a revolution in global consumers' landscape which is gaining momentum day by day thanks to robust growth of global mobile payment market, which is expected to reach approximately USD 3,371.6 billion

by 2024, at a CAGR of 60% between 2018 and 2024, according a recent report. The simplicity and swiftness provided to consumers by means of consistent technological advancement in the mobile payment industry along with lucrative cash back offer by service providers, quick adoption by consumers and quick acceptance by retailers are driving the growth.

In Bangladesh, this shopping extravaganza has created a wave among young consumers who have smart phones in their pockets and adopted bKash, the leading player in the country that holds near about 70 percent market share. Adoption of QR technology has enabled more consumers to use this innovative technology for real-time payment as fast as that of card payment for their daily shopping. More than 50 million customers are using MFS to meet their daily needs.

Not only young people, middle-class consumers particularly women are now seen favoring the new shopping experience at these superstores as they feel more comfortable making payment through mobile wallet using QR code. Of course, during festival shopping, most of them love to use bKash/Rocket for their shopping to enjoy lucrative cash back offers.

In the Ekushe Book Fair of 2019, nearly 40% book sales were done through bKash, which was 30% in 2018, according to a survey conducted by Bangladesh Journalists' Foundation For Consumers & Investors. In Eid shopping, consumers use mobile wallet for buying



A customer paying through bkash at Ekushey Book Fair-2019

goods from shopping malls, retail stores and even footpaths. As a result, the volume of digital transaction is growing rapidly, according to Bangladesh Bank.

People are already accustomed with using mobile payment tools and regulators have already created conducive environment and policy promoting this payment innovations to boost financial inclusion. As the number of smart phone users is growing rapidly, Bangladesh is likely to be a mobile-fueled shopping landscape, like China within a few years.



Carnivalin 2016 that notched up a sales record of 120.7 billion yuan (over 18 billion US dollars) on the last "Singles' Day". More than 200 countries and regions participated in this shopping event with mobile phone and online channels. On 15 February 2018, Chinese New Year's Eve, 688 million people - roughly half of China's population - used WeChat to send and receive virtual hongbao (traditional red packets used to gift cash).

By 2025, it is predicted that 65% of all transactions will be settled via smartphone and it's easy to see why with

Likewise, millions of young consumers are avoiding cash and using cards to buy foods in restaurants and shopping malls, which has pushed up credit card transactions to BDT 1007.1 Crore as on September'18, according to Bangladesh Bank. The volume of e-commerce has exceeded approximately BDT 3000 Crore in 2018 thanks to world standard payment services offered by MFS operators like bKash, Rocket, U-Pay, i-Pay under a supportive regulatory environment.

MFS driving consumers

When people shop, their smartphone is now their go-to advisor and assistant. For retailers, this means big opportunities to capitalize on. So, this new experience of shopping is changing global shopping behavior both in the case of offline and online payment.

In China, this wave has taken by storm and changing daily commerce. China organized the 11.11 Shopping

big brands and retailers increasingly embracing contactless, mobile payment devices and apps. Such technology is seen as a way to foster loyalty and increase the convenience of the shopping experience. For example, Edgar, Dunn & Company has revealed that 74% of respondents to a recent survey believed large retailers will continue to move away from traditional point of sale (POS) terminals to those of the mobile variety. Alipay has already entered in the UK and Europe. By taking over a UK company, Chinese internet giant is taking a major step into Europe. European merchants accept Alipay payments from Chinese shoppers.

Ali Pay's Hema retail store is the biggest digital retail store where consumer with a mobile phone can buy every things any time. According to China Channel, over 90% of Chinese consumers have adopted WeChat as a method of payment in offline purchases. That compares with a 32% adoption rate for debit and



credit cards. And this shopping wave has already crossed the Chinese boarder.

In the USA, a person today might make a buying decision about a \$15 tube of sunscreen, a \$300 camera, or a \$3,000 handbag on a smartphone while on her commute to work, as she walks the dog, or waits to pick up her son in the carpool line. During the holiday season last year, more shopping was done in the UK on mobile devices than desktops. In the USA, study shows that foot traffic in retail stores has declined by 57% in the past five years, but the value of every visit has nearly tripled.

The spending habit is changing

In many countries, consumers today are more interested to make digital payment through mobile wallet. So, consumer spending habit is changing fast with an inclination towards both offline and online payment.

The main reason is spontaneity and ease in making the transaction and in current shopping habits, consumers wish to enjoy both with mobile payment, according to a Chinese fashion study made few years back. The study identified that the impulsiveness was the main reason behind this shopping craze through mobile wallet. A lot of the Chinese consumers are still very new in their middle-class or upper-middle-class lifestyles, with a strong desire to buy everything new, new products, new services. The study observed the same level of desire for spontaneity and ease in everything, from grocery shopping to buying insurance products.

Another reason is that paying for a cup of coffee with a smartphone instead of a credit card is gaining prominence among consumers, according to new research co-written by a University of Illinois expert who studies operations management. By studying data from Alipay, the research explores the mechanisms behind mobile payment adoption and how the mobile payment channel affects other traditional payment channels.

The study shows that paying for goods with a smartphone not only increases the overall transaction amount and frequency of purchases by consumers, it also effectively replaces the actual, physical credit cards in their wallets. The study found that, on average, the total transaction amount increased by 2.4% after the adoption of the mobile payment channel, and that the total transaction frequency increased by more than 23 %.

A major factor driving the mobile payment market is that they can be easily integrated with loyalty and incentive programs. The consumers are not required to keep cards or cash as all the necessary information gets stored in the app with every purchase they make. Payment from mobile wallets is contactless without having customers to pull out their credit cards, cash, or write out a check.

Retailers see big opportunities

As the consumer spending habit is changing with mobile payment, retailers see big opportunities for them. If you've ever bought a new car, you'll appreciate what New Retail is doing for the experience in China. Instead of visiting one dealer at a time and spending hours perusing mega-lots and facing pressure from a salesman, Alibaba is rolling out "auto vending machines." It recently launched its first with Ford in the bustling southern city of Guangzhou and plans more in the near-future.

Women customers at love to pay through mobile phone





However, 'New Retail' is not just supermarkets and convenience stores. It's much bigger and more-sweeping than this, "wrote Jeffrey Towson, a Peking University professor and private equity investor who closely follows the development of China's retail sector, in his blog earlier this year".

Internet companies opening offline stores will be a major trend of 2019, with "integrated retail" being the buzz word. Offline retailers are looking at how they can blend consumers' online and offline experiences. So, another major part of daily life will be swallowed by the digital revolution - grocery shopping.

However, brick-and-mortar stores are not going to vanish soon. After all, 85% of all sales still happen in physical stores, according to Boston Consulting Group. Amazon, the US retail giant, opened up its cashier-less stores in January. The stores are equipped with cameras that automatically charge a person's Amazon account for the products they choose.

Bangladesh moves fast with mobile wallet

The shopping trend with mobile wallet that has made storm in China and other countries has hit Bangladesh with MFS providers thanks to bKash in particular. Here mobile wallet usages are driving consumers to quickly learn and accept innovation for all kind of payments quickly.

A big number of Bangladesh population have already adopted MFS as a convenient payment enabler. Policy makers are also promoting this payment innovation to boost financial inclusion. So, Bangladesh is likely to be a mobile-fueled shopping landscape, like China within a few years, led by bKash, the

leading mobile financial service (MFS) operator of the country with more than 30 million customers across the country and Rocket the second in the lead.

The new shopping wave is visible as volume of mobile payment and e-commerce is increasing leaps and





bounds day by day. This wave will turn into a surge when the technology innovations will facilitate Bangladeshi consumers in their shopping taste in line with global experiences through bKash. People are already accustomed to using mobile wallets for different payments. To promote the mobile payment, bKash is enticing the customers by

offering various attractive discounts and cash back offers. These cash back offers promote repeated purchases among customers which presents mutual benefits for both customers and mobile wallet providers.

When the mobile payment operation picks up in Bangladesh, industry experts see young people who have grown up with mobiles will not think twice to enjoy new shopping experiences with bKash/Rocket/i-pay which ultimately will encourage older consumers to embrace this new shopping experience with MFS payment tools. bKash has launched a customer App, making financial transactions easier and simpler with the use of smart phones. For its simple, user-friendly, and useful features, bKash App has been recognized as the best financial innovation at the Bangladesh Innovation Award 2018.

Adoption of QR technology has enabled more consumers to use this innovation. Recently, six



scheduled banks have extended facility to their customers to integrate respective bank account with bKash account for fund transfer. More banks are in the pipeline to offer the opportunity to their customers in line with the provision of the MFS Regulation recently published by Bangladesh Bank. This would remove the dependency on agent

point 'Cash In' considered as an impediment by most middle class MFS customers.

The easy and real time 'push and pull' arrangement of fund to and from bank account/bKash account would greatly facilitate digital payment options. To ensure due roles and responsibilities of MFS providers, BFIU has formulated prudential guidelines to protect consumer rights and the digital transaction records retained at MFS platform can help trace any attempt money laundering for appropriate action.

As the ATM booth is not available in everywhere in Bangladesh and impossible to set up in remote areas, MFS is likely to lead the new shopping journey in Bangladesh in the days ahead. The journey will gain speed by changing customer behavior, conducive regulatory environment, lucrative cash back and attractive discount offers by mobile financial service providers, according to a daily. And this will reshape the retail industry of Bangladesh that has been witnessing a



fast-changing retail payment behavior over the last few years with many modern 'superstores' and rising new generation of customers who use mobile wallet in their shopping payments.

In recent times, traditional supermarket chains like Aarong, Shwapno and Meena Bazar and many more have joined the fray, providing more options to online grocery shoppers who pay through mobile account. In these super stores, more than 40 per cent transactions on average are made with bKash and plastic cards of banks and other payment service providers.

Not only super stores, e-commerce sites are also propelling shopping with bKash/Rocket/i-pay. There are around 100 e-commerce sites - such as chaldal.com, rokomari.com etc. that deliver almost all groceries and accepting payments through mobile wallets. A 2018 pi STRATEGY study found that e-commerce increased to over \$200 million in 2017 from \$25 million in 2014. This study forecasted that online sales will reach \$1 billion by the end of 2021. Currently, according to the e-Commerce Association of Bangladesh (e-CAB), an average of nearly 25,000 orders are placed online every day. The e-commerce market is growing especially fast in rural areas; in 2017, e-commerce grew 127 percent in urban areas and 167 percent in rural areas where MFS payments are available.

Collaboration is urgent

In the coming years, Bangladesh has a great potential for foreign-investment-led growth. As the ATM booths are not available everywhere and customers often blame for poor service for technical faults and cash shortfalls, a big number of bank customers remain short of cash for shopping and other expense related activities. New generation consumers are getting more accustomed with technologies and their behavior is continuously changing in favor of digital payments.



Financial service providers need to satisfy their changing needs and meet diverse consumer expectations.

The government has been encouraging mobile payment in line with its policy to drive economic growth boosting financial inclusion and women empowerment. Regulators have created a conducive environment that stimulates business/shopping with mobile wallets. But still a lot of things are yet to be done. Adoption of e-KYC, provision for interoperability and opportunity for



SIM and biometric authentication would help boost customer acquisition. In order to address all of these issues, collaboration between banks, MFS providers and the regulator is of great essence. Therefore, all involved stakeholders should make a risk based approach with openness to supportive innovations.

Lack of financial education is a barrier to improving financial inclusion. Here both financial institutions and mobile money providers have vital roles to play. Regulators have to provide a level playing field for all participants (banks and non-banks alike), while at the same time fostering an innovative, secure and competitive financial market that must work well for all segments of consumers.