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POS Gets Smart



Tomorrow's payment options may bear little resemblance to those in use today. Consider the popularity of the Starbucks Card Mobile application, which the coffee company announced was downloaded more than 3 million times in its first three months.

"Our hope was that customers would take to it quickly," says Brady Brewer, vice president of brand loyalty and Starbucks Card. "But actually, they've taken to it faster than we expected."

The adoption rate of this app, which allows customers to pay for items with their mobile device, points to a significant shift in customers' desire for mobile payment options.

Still, the popularity of such payment options depends on the needs of each brand's consumers.

"Starbucks had some things going for it that made the likelihood of success much greater than the traditional mobile payment solutions that you see," says Drew Sievers, CEO and cofounder of mFoundry, developers of the Starbucks application. He says factors like Starbucks' complete control over the point of sale, the use of a closed-loop system, and smartphone-toting customers who are loyal and often make daily visits to the brand are reasons the app has been so successful.

Starbucks customers were also already using their Starbucks loyalty card for 20 percent of in-store purchases.

"We said, 'Hey, what if we could create an application for our customers that gave them the benefits of the Starbucks Card, but actually enabled the fastest way to pay using a device they're already using?'" Brewer says.

Other large quick serves have found success with a variety of mobile-ordering tie-ins, too. Pizza Hut recently launched a mobile-ordering application and ran a promotional partnership with Foursquare.

“Adoption curves are getting steeper,” says Chris Fuller, spokesman for Pizza Hut. “Today’s fringe payment method could be tomorrow’s mainstream ordering solution.

“If history is any future indicator, [quick-serve] customers are quick to embrace new technology.”

With companies as big as Starbucks rolling out these solutions, increased awareness is likely to prompt quicker customer adoption, says Doug Thielen, manager of nontraditional marketing and public relations at Qdoba Mexican Grill, which rolled out a contactless payment method with its loyalty program in January.

“And as more people become familiar with mobile options, I think you will begin to see an increase in the adoption of platforms among all restaurant segments, as well as other retail locations,” he says.

Chris Cox, vice president of mobile solutions at First Data, a payment solution provider, sees today’s environment as a turning point.

“Now is the time, especially from a merchant’s perspective, to define what their mobile strategy is going to be—what mobile means to their customers and what kinds of mobile services they can provide to [them],” Cox says.

By Julie Knudson