Apple Pay could have been here 15 years ago if it wasn't for boardroom egos

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Squabbling and a lack of compromise among collaborating dominant industry groups has stunted the growth of mobile payment according to Pinar Ozcan, an Assistant Professor of Strategic Management at Warwick Business School, and Dr Filipe Santos, of INSEAD. While in Kenya it has become the number one way of banking, with 80 per cent of cell phone owners using mobile payment according to the World Bank.

In their research paper, "The Market That Never Was: Turf Wars And Failed Alliances In Mobile Payments" due to be published in the *Strategic Management Journal*, the pair point out that in 2006 the mobile payment market had already been in the media spotlight for close to five years. Despite the technology being readily available and a strong demand, however, the market has been incredibly slow to materialise.

Dr Ozcan said: "Finally the Western world will have mobile payment thanks to Apple, but we could all have had this a long time ago if it wasn't for a clash of egos.

"The mobile payment industry is a perfect example of titans in different industries clashing over a new concept. Often firms from distinct industries have difficulty reaching an agreement to launch a new market due to a history of dominance in their own industry and lack of joint collaboration experience.

"This lack of agreement in turn leads to a weak compromise on market architecture with unresolved interdependence. This creates a vicious cycle where other players hold off investments in market infrastructure and, in turn, the disagreeing parties lose any incentive to work on an agreement because the market is not taking off."

The researchers studied the mobile payment market in North America, Europe and Asia between June 2006 and June 2011, conducting 65 interviews with 40 informants.

Interviews across industries including banking and network operators revealed just how difficult it was for the differing industries to see eye-to-eye.

A US-based financial consultant said: "The financial industry is in a defensive position against this proposal. Until now, they owned their customer and whatever payments the customer was making.

"They have a lot to lose from sharing their card payment business with other players because cards are not just a source of revenue, but also a way to create loyalty and an opportunity to cross-sell products and services. So banks are not excited about opening their business to mobile network operators."

Referring to the banking sector another interviewee, a senior sales associate at a US mobile operator, added: "They either don't need us or don't need this market. Because if they needed it, we would be talking right now."

Finally an associate director of mobile payments at a US bank said: "Who would you trust with your digital money, your bank or your wireless carrier, who keeps charging you every time you go over your monthly plan?"

Near Field Communication (NFC) was the preferred choice of technology to get the mobile payment industry rolling, but mobile operators needed access to bank accounts, while in turn, banks needed mobile operators because the user's bank information and the payment software needed to be integrated into the mobile service of the user. But wrangling over who deals with and essentially owns the consumer saw it delayed for almost three years.

Eventually, a technology development known as 'single wire protocol' emerged with the first Nokia SWP phone announced in April 2009. However, Nokia shelved the phone in February 2010 without it ever being launched.

Dr Ozcan said: "Overall, almost 10 years after the first discussions on mobile payments began, and five years after the technology became ready for deployment, the key players failed to agree on the market architecture due to disagreements on who would control the customer relationship.

"This disagreement then extended to the responsibility for securing the transaction, but the companies eventually lost interest and looked elsewhere.

"Our data shows that the longer the players from distinct industries disagree about the market architecture, the more likely they are to invest in alternative architectures within their own industry, further inhibiting market emergence at the convergence of industries at both global and local levels.

"Whether Apple Pay is finally the service which cracks the mobile payment industry and brings the cross-industry squabbling to an end, while at the same time paving the way for a true emergence of a technology touted for years as the next big thing, remains to be seen."

More information: Ozcan, P. and Santos, F. M. (2014), "The market that never was: Turf wars and failed alliances in mobile payments." *Strat. Mgmt. J.*. doi: 10.1002/smj.2292

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