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How mobile payment affects Swiss banks

Illustration of the current mobile payment landscape
in Switzerland and the role that Swiss banks play in it

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Executive Summary

This thesis aims to illustrate the mobile payment landscape in Switzerland and what role the banks play in it. To understand the current dynamics of the mobile payment market, this thesis provides an overview of the past and how the different payment solutions have been established over time. Additionally, strengths and weaknesses of banks in such an innovative market will be investigated, including the approach of collaborations between banks and other market participants.

Mobile payment is not a new technique. This innovative payment procedure based on mobile phones does actually exist since the early 2000s. But as at that time the technology was not so advanced yet and only few companies were convinced from the payment method's potential success, mobile payment solutions did not enjoy much attention. With the emergence of other contactless payment techniques and more evolved devices, mobile payment solutions became more practical and popular over time, resulting in increased mobile commerce.

Besides mobile payment services, there are nowadays other solutions such as credit, debit and electronic money (e-money) cards as well as the traditional cash that do hold a bigger share of the payments market. However, mobile phones are nowadays ubiquitous and the willingness to integrate mobile phones during stationary shopping is high amidst the consumers. These facts indicate that a suitable framework is given for the establishment of mobile payment solutions. But who has the prerequisites to provide such solutions?

Several actors come into question. Alone from the segment of financial institutions there are two representatives, namely banks and card issuers. Although both are known for their financial expertise, banks do enjoy unique assets such as their good reputation as well as the client accounts they hold. But with the emergence of mobile payment, a new type of client data can be accessed by technology companies and mobile network operators (MNOs) via social media or other platforms. This new insight into the customers' buying patterns can help the providers to develop better business strategies. Another resource missing from the banks is their lack of technological background. These challenges, combined with a growing pressure from the retailers in regard of a standardized solution, tempt banks to consider collaborations with other market participants. But such collaborations between different business fields may be challenging. Which solutions banks sought in the Swiss market and to what extent other participants are competing against, will be explained in more detail in this thesis.