The rapid adoption of mobile technology has resulted in a highly empowered and demanding end consumer. Meeting those demands can be daunting, but also presents tremendous opportunities for merchants, financial institutions, and technology suppliers.

The Innovation Exchange, sponsored by First Data, is a group of industry thought leaders who provide perspectives on the growing requisites and impacts of successful Universal Commerce.
Value Exchange Redefined

One reason consumers are eager participants in Universal Commerce relates to the changing nature of how we define and exchange value in our increasingly digital world. Money has been around for about 3,000 years and certainly works as a yardstick to measure value. But as we digitize our commercial relationships, we can make value exchange more flexible and interesting than swapping money for physical items. This creates new possibilities for consumers and businesses.

How does digitizing the consumer relationship make value exchange more flexible? Universal Commerce effectively frees "trapped value" and increases purchasing power. To realize this, however, it’s necessary to think more abstractly about value so we can embody it in things other than money. One idea centers on loyalty points. Forward-thinking consumers are asking, "Why can’t I carry these points with me on my mobile device and use them to buy at your point-of-sale?" Better yet, I’d like someone to aggregate points for me across all the companies I buy from, and let me interchange them in a foreign-exchange-type system where I understand my hotel points are worth X and I can use them to buy an airline ticket, groceries, or a restaurant meal." It’s interesting to ponder what role banks could play in this type of value exchange.

Another emerging idea has to do with consumers’ realizing they have value beyond money to offer businesses. For one thing, their time is valuable. If consumers spend time "liking" a business on Facebook, posting reviews, or making Pinterest notes, that should create value they may be able to exchange for goods and services. In addition, consumers’ data is valuable. We tend to think of companies saying to consumers, "Tell me about yourself so I can serve you more relevant offers." But if consumers realize the value of their data, why not turn that around and create an ad words-type model for personal information? They could say, "Here’s my market rate for data related to me." Instead of worrying about privacy, consumers could actively drive the value exchange.

From a business perspective, two interesting new approaches to value can drive prosperity. First, Universal Commerce makes it easier to fully understand the "total lifetime value" of each customer, not just from the lens of what they buy, but also with respect to who they influence. Second, you can use insights and technology to personalize not just your marketing, but also your products and services, to create unique value that’s harder to duplicate.

While changing the value equation opens up creative possibilities, the big game-changer for Universal Commerce is broader global adoption of standards such as Near-Field Communication (NFC) for enabling contactless transactions and sensor-enabled mobile applications, and Europay, MasterCard, and Visa (EMV) for global payment flexibility and security. Recognizing that payments are "the lubricant of commerce," we also need to re-think prohibitive and outdated constructs such as card-not-present fees and initially-not-as-described charge-backs. When these structural developments become embedded with new perspectives of value, we’ll start to see transformational adoption of Universal Commerce by consumers and businesses.
Access to and adoption of a constantly-expanding array of technology, including mobile, social, and cloud have “democratized” commerce by leveling the playing field. Today, making a product or service available to anyone, anywhere is as easy as creating a simple website or mobile app. Addressing niche markets is no longer cost prohibitive. As a result, consumers understand they don’t have to settle; Universal Commerce makes their options global and virtually limitless.

Consumers are choosing businesses that deliver exactly what they are looking for, and enable them to transact on their terms; when, where, and how they want. Increasingly, that means online and on-the-go. The explosive global growth in mobile devices and usage is well-documented, and the growth in online sales is increasing, as well. Researchers advise retailers to expect online sales growth to out-pace store sales growth by two or three times.\(^1\) More people will shop online, and the average online shopper will spend more. Here’s a view of the U.S.: In 2016, 192 million consumers will shop online, up 15% from 2012. On average, each will spend $1,738 online, up 44% from 2012.\(^2\)

What can companies do to capitalize on the host of new opportunities generated by always-connected, digitally comfortable, globally-aware consumers? First, companies must ensure their commerce platforms are equipped for a world of commerce. The analyst firm Forrester noted in the third quarter of 2012 that more than half of companies surveyed plan to change business-to-consumer commerce platforms within 24 months.\(^3\) This is important since 87% of U.S. multi-channel consumers say that a website that’s “easy to use and useful” is important to very important for them to recommend a retailer to other consumers.\(^4\) Second, they can adopt a “Chief Executive Customer” attitude. The convergence of all types of commerce enables a two-way flow of ideas between companies and consumers, so give consumers a seat at the decision-making table. When asked how they would most like to engage with their favorite retailers via social networks, 51% of those 20-39 and 65% of those 13-19 said it was important to collaborate with the retailer to share ideas on how the retailer could improve.\(^5\) Today, consumers have information about your company, products, and services as well as those of your competitors at their fingertips. They can compare and switch their loyalty in an instant. Success in this new ‘democracy’ requires businesses to use insights from online as well as offline behavior to improve product development, tune their supply chains, and market, sell to, and serve customers in a way that deepens the brand relationship, strengthens loyalty – and builds advocacy. At IBM, we call that taking a Smarter Commerce approach; putting the customer at the center of your business processes.

The emergence of these new tools and technologies enables businesses to run as if they always have great salespeople alongside customers, whether online, in-store, or on-the-go. Data analytics and real-time marketing execution can serve up recommendations on things a person is likely to want, when they will want them. You can deliver convenience as your customer defines it and incorporate feedback to keep improving in ways that matter most to your customers. Anyone willing to serve customers on their terms can win, and anyone who isn’t can expect to be replaced. Technology, mobility, and data have “democratized” commerce by leveling the playing field.

\(^1\) International Data Corporation (IDC) Press Release, April 12, 2012
\(^2\) Forrester Research, Online Retail Forecast, 2012-2016 (US)
\(^3\) Forrester Wave: B2C Commerce Suites, Q3 2012
\(^4\) Smarter Commerce Consumer Advocacy Study; IBM; 2012
\(^5\) Ibid.
People have a fundamental desire to connect. Technology has made it fast, easy, and relatively inexpensive to connect with those we care about, and this has fueled our passion for all sorts of other connections. We connect with people we don’t know but who share our interests; we connect with information; we connect with companies; and we connect with experiences. Universal Commerce has enabled each of us to form a tapestry of “curated” relationships that reflect a smaller, more intimate world from which we have grown to expect incremental benefits.

Generic relationships no longer satisfy us. Our loyalty transfers to those we’ve invited into our ecosystem who relate to us in ways that are convenient from our perspective, whether we want broader choice, personalized service, lower prices, instant gratification, or something else.

Merchants have led and capitalized on the natural link they have with consumers, and they have sharpened loyalty practices beyond transactions by using a variety of personalization and engagement strategies. While financial institutions haven’t been as active as retailers, there is plenty of opportunity to participate in Universal Commerce. One natural role financial institutions can own is using the “always-on” nature of Universal Commerce to help consumers become more involved in their budgets and understand their finances in real time. “Can I afford to take advantage of this personalized offer from my retailer, or should I hold off? What’s the best decision I can make about my money right now, given my goals?”

Traditionally, consumers have said, “I don’t want to be involved in my budget every single day,” but banks can play a huge role in turning that around, tremendously aiding consumers as they navigate the complexity of offers coming at them from every direction.

An intriguing opportunity is for financial institutions to become aggregators of loyalty as merchants and service providers offer increasingly valuable and personalized loyalty programs. Financial institutions could play a role that spans across all of these programs, helping consumers manage various points and rewards accounts, and even brokering their use among partnering organizations. Imagine card, wallet, or other services that store points and rewards from a variety of programs and facilitate relationships among them.

Financial institutions also could play a role in helping consumers build “personalized buying groups” based on attributes important to those consumers. As facilitators of these trusted ecosystems, financial institutions could help consumers be confident that they are making the decisions that are right for them as they earn, browse, spend, and sell within that structure.

Regardless of which strategy they enact, financial institutions can leverage Universal Commerce principles to reinforce their relevance in a world where consumers and businesses are increasingly demanding more personalized, real-time, and continuously connected relationships.
At the heart of this question is the opportunity Universal Commerce provides to tie innovations that improve the customer experience back to operational solutions that reduce costs, improve efficiencies, or enhance brand relevance. On the consumer side of the equation, mobile devices play an important role by enabling us to use our time differently.

These portable, convenient mobile assistants in the form of smartphones and tablets help us answer our questions, get where we want to go, entertain ourselves, and access services that don’t have to be delivered in person. We also gain the power to organize our activity “at scale.” The world has exponentially more people, options, and density, which has spurred the creation of more complex systems to manage everything. Universal Commerce enables complexity because it enables choice, but it simplifies the experience of interacting with complexity. Increasingly, this is the art of service design: To marry control, choice, and convenience in complex systems we access through experiences that seem simple.

Universal Commerce delivers this perception of simplicity in fundamental ways. It helps us create shortcuts by establishing relationships. Systems remember what I’ve bought in-store, online, or on my mobile, and serve that up to me when I’m trying to remember what shade of makeup I use or what size sweater I bought for my father. I can bypass checkout lines and pay for merchandise with a tap of my mobile phone because you know my payment credentials. I can pre-order my dinner on my mobile phone so it’s ready for pick-up when I arrive, and redeem a digital coupon when I pay.

With respect to control over choices, Universal Commerce enables us to sift through much broader product assortments with greater effectiveness than we could in a physical dimension. We can slice and dice movie options on Netflix, or search online for the perfect pair of shoes and locate inventory in a store nearby.

While Universal Commerce delivers many advantages, it also enables consumers to undermine existing methods of control in some cases. Consumers can use retail stores as “showrooms,” coming in to touch and feel products but then scanning them to find cheaper prices in another store or online. They can find, download, and share music online without paying for it, and do it so easily that it doesn’t feel like stealing. From a positive perspective, Universal Commerce makes it possible for the first time to truly understand what customers want through two-way information exchange. Traditional systems tell us how many people will buy X when it’s made this way and priced at Y. They don’t point to latent demand, indicating how many more people would buy X if it were different in some way. Universal Commerce reveals these opportunities by blending data across systems. It also enables more effective testing, narrowing distribution channels for novel products or services to experiment and learn before making them broadly available.

These possibilities start as opportunities and become competitive pressures as they become assimilated into business practices. By opening up degrees of freedom and choice within a product or service, you can observe how selections evolve. Market advantage will go to companies that are best at creating openness and transparency between customer preferences and provider options.
The thrill of “beating the system” has been at the heart of what buyers want from commerce since the beginning of time. Universal Commerce gives us information at our fingertips at a moment’s notice, which builds our confidence that we’re getting the best deals and receiving the appropriate advantages for our patronage.

An interesting byproduct is that consumers are becoming less loyal to brands and more loyal to relevance. As a result of smartphones and an always-on/connected lifestyle, we are more likely than ever before to shift our shopping allegiance to whoever gives us what we want, when we want it, reinforcing our belief that we’re receiving special and preferable treatment.

Universal Commerce heightens the importance of establishing partnerships – particularly ones involving mobile strategies – that broaden value by creating a sense of membership to sweeten consumers’ perceptions of being special. For example, a financial institution, a retailer, and Foursquare might join to offer loyalty points, discounts, or merchandise premiums when a consumer uses Foursquare to check in at a store. The partnership might also allow consumers to unlock bonus advantages when a certain card or payment type is used at checkout.

Point-of-sale systems must transform into point-of-service systems that understand consumers are armed with smart mobile devices with the ability to convey far more than payment accounts. Systems need to be able to interact with mobile devices to exchange more diverse forms of value, whether debit, credit, points, coupons, shopper data, or some other credential. Consumers may come to prefer shopping at stores that digitally recognize their arrival and reward them for their patronage through special treatment from store personnel and by loyalty credits that automatically appear in a mobile app for redemption.

Having a digital strategy is essential in a Universal Commerce world. Survival may depend on creating unique mobile experiences that consumers enjoy as they find information, manage access to their wealth, and trade currency for goods and services. Interfaces and web services need to be more flexible in how they accept and transmit data, and technology solutions need to consider how they can simplify links among all players in the value chain who might be partnering to deliver combined value.

Possibilities that emerge through Universal Commerce depend on your perspective. Payment providers have the opportunity to extend value beyond the confines of the transaction – before to influence it, and after to service it or reward it. For example, seamlessly and instantly linking varying types of consumer credentials to redemption at the point of service can play a pivotal role in shaping the future. Retailers can re-imagine their worlds, shaking off old notions of store footprints and point-of-sale, and replacing them with “endless aisle” thinking to blend access to merchandise across stores and online, and points-of-service that do far more than transact payments. Consumers gain the power to know with surety what they’ve always wanted to know: Whether or not they’re beating the system and getting the best deal, however they define it.
One of the major consumer needs underlying Universal Commerce is the need for control over one's time. That need feeds into two higher-order desires, first for an integrated experiences and then for personalized attention. One can think of these as working together in a system analogous to Maslow's Hierarchy of Needs.

First we want to satisfy our need to control the time we spend finding and acquiring things or getting tasks done, and feel that we’re efficient and wise. Once we’re confident in this, our desire expands to include blending experiences across in-store, online, and mobile interactions, so that my history and preferences are known across these channels, and I can choose when and where I interact without limits. Once we’re offered these experiences and adopt them, we begin to desire more personalized relationships: products and services tailored to us; loyalty programs suited to how we interact; personalized offers; information sent at just the time we are thinking of a topic.

When it comes to building advantage through Universal Commerce, any solution that can lower the friction between buyers and sellers in a commerce relationship delivers more value for all participants. For example, take a coffee store that rolled out a Universal Commerce solution for its customers: The store is now able to provide a better shopping experience for its customers by enabling them to pre-order and pre-pay for customized products; in return the retailer is able to create a personalized relationship with its shoppers and better understand its customers. In addition, once the store knows how I like my drink and whether or not I want any food, I’m much less likely to grab a coffee from a different shop. The value exchanged has become about the experience and personalized service, rather than about the isolated coffee purchase. I’d need to set up that whole shopping experience with someone else to get the same or better value, and that takes time and effort.

For example, Square has done a great job of creating completely integrated experiences for both consumers and merchants, delivering value to retailers and consumers beyond just processing the payment transaction. They’ve used Universal Commerce principles to blend point-of-sale, payment, and interactions across online, in-store, and mobile touch-points into a unified, personalized experience. Instead of offering consumers just payments, they deliver relationships: purchase history, digital receipts, picking the right card to pay, activating loyalty points or rewards, finding a restaurant or retailer and ordering ahead, and a host of other options. So for merchants and retailers, rather than just offering a payment solution, Square delivers to the retailer and its customers an integrated solution to create a better, personalized shopping experience, customer and inventory insights, as well as an integrated marketing and loyalty solution.

Similarly, the challenge – and the opportunity – Universal Commerce presents to retailers is to help them turn transactions into relationships. Payments providers can play a transformative role in this process, as can financial institutions, by not only focusing on the transaction, but helping retailers create a faster, more convenient and personalized shopping experience for their customers.
Large organizations as well as the proverbial young entrepreneurs in their garages are working right now to figure out new ways to use Universal Commerce tools beyond what’s been imagined. The seemingly limitless potential promises huge transformations. No one knows exactly how that will play out, but the changes will almost certainly beget more focus on consumer protection and financial safety.

Many questions will emerge from the widespread implementation of Universal Commerce opportunities. Personalized marketing, enabled by advanced data capture and analysis technologies, is the subject of one of the most immediate questions: To what extent will pricing and availability of products or services become more individualized through widespread, more frequent use of rewards, and as a result, likely more and more economically regressive?

This is an example of effective personalization: As Jill pulls into the parking lot of her favorite electronics store, she receives a text – it’s an offer for 15 percent off a new TV. The retailer designed the deal specifically for Jill, based on knowledge gained from personalized marketing techniques. Jill walks in and buys the model she has had her eye on.

While undeniably effective in inducing consumer adoption and utilization, targeted discounts or other sorts of ‘rewards’ involve aggregated increases in systemic costs. The added expense to develop and extend the personalized TV offer to Jill is built back into the overall system, and, indirectly, all customers pay for the benefit received only by Jill.

The benefits from personalized marketing will flow, almost inevitably, to better educated, typically more affluent consumers. So, if a structural systemic change – such as that which resulted from the offer to Jill – primarily benefits someone like me, but entails more aggregated costs, that will mean other, less educated, less affluent consumers will miss the benefits and advantages (or, at least not enjoy them to the same extent). Indeed, they may be disadvantaged by the system through higher systemic prices or reduced availability of choice.

That outcome could hardly be expected to be welcomed unanimously, especially in an era all too often characterized as the 1 percent vs. the 99 percent, and it will likely add further fuel to the fire when it comes to expanding regulatory reach (essentially a political reaction) in the Universal Commerce world.

The phenomenon of Universal Commerce is the unknown – how will the new technologies, the new prioritization (‘targeting’?) of consumers improve our lives (and whose lives)? The possibilities directly intersect with privacy, data security, and/or financial safety and close review of consumer-focused policies and regulations are a given. One big unknown? The extent and focus of regulatory reach in an effort to minimize the potential outcomes and developments.