APPLE PAY
A Case Study Analysis

MKTG 5606 | JENNIE NGUYEN
TRUE OR FALSE

Apple Pay will forever change the way all of us buy things

Tim Cook
Tim Cook’s Vision to “Replace the Wallet” via Apple Pay

**CURRENT STATE OF SPENDING VOLUME in the US**

➢ Credit & Debit transactions account for $12 billion in spend every day, which is over 200 million transactions per day
➢ Of this, $1 billion spent every day in online purchasing alone = five million transactions per day.

**SURGE IN MOBILE PAYMENTS**

❖ Increase in smartphone penetration
❖ Increase in retailers adopting m-commerce

**CREATING A SEAMLESS CONSUMER EXPERIENCE**

➢ Cumbersome for users to complete long forms on a small screen for every app (credit card information, billing, shipping)
➢ Users can complete the checkout process within apps with a single touch that links their preferred credit card to the merchant

**COMPETITOR SPACE**

Softcard/Google Wallet, Android Pay, Paypal/Paydiant, CurrentC, Samsung Pay
Challenges in Launching Apple Pay

★ No consumer testing despite consumer-centric focus
★ High cost of upgrading POS terminals with NFC reader capability
★ Rivalry from Merchant Customer Exchange (MCX)
★ No advertising from Apple
★ Issues during purchase - delay in transaction
★ No training from employees to use software

**Bottom Line:** Not enough emphasis was placed on the benefits of using Apple Pay over physical cards.
Most companies start with the economics, we start from consumer’s point of view. If we solve a consumer’s problem, then someone will pay for it.
Apple Pay from a **Consumer Point-of-View**

1.) **Ease of Use**
NFC Technology: wireless technology used to communicate with near field communication-equipped merchant point-of-sale terminals. (when in near vicinity, would turn on automatically without unlocking screen)

2.) **Security**
Touch ID: fingerprint reader to authenticate transactions (no need to enter CVV or passcode / password)

3.) **Privacy**
An “element”: a chip on which sensitive information was stored separately from the rest of the device. (prevent data breach or fraud)

**Bottom Line:** The three core ideas provide Apple with a distinguishable product that is centered around the interests of the consumer.
Apple Pay’s Functional Structure

BENEFITS

- Cross-functional consumer focus team
- Each group contains experts
- Collaborative culture reduces friction experienced by most companies

DRAWBACKS

- Ill-defined responsibility
- No consumer input prior to launch
- Only Apple employees were providing input and testing

Core Functional Groups Of Apple Experts

- Wireless technology
- Server technology
- iOS
- Retail
- Human Interface
Why Apple is Losing Share ...

❖ **Low adoption rate**
- Only 1 out of 20 iPhone users utilized Apple Pay

❖ **Poor Marketing**
- The problem that Apple Pay solves (safe, secure, mobile payment) is never advertised to the consumer
  - 34% don’t understand the value that Apple Pay software seeks to bring

❖ **Not widely-accepted**
❖ **Not all iPhone users have Apple Pay-capable devices**