

IOT PAYMENT DEVICES ARE POISED TO TRANSFORM RETAIL

Sept 4th, 2019 • CMS Wire • Kaya Ismail

As consumers increasingly prefer to pay without manually checking out online or physically stopping at a counter, invisible payment experiences are starting to become a consumer expectation rather than a nice-to-have convenience. As a result, wearables and Internet of Things (IoT) devices that simplify the shopping experience are set to change retail for good, according to recent data from Visa.

For retailers, however, there are security challenges when it comes to managing these devices. They are also tasked with assuring consumers that their data is safe using IoT devices that track locations and link to bank accounts. It doesn't help that 90% of consumers lack confidence in the security of IoT devices, according to recent data.

We've turned to the experts to learn what IoT payment devices are, the security issues they present and why IoT payments matter for retailers.

What Are IoT Payment Devices?

An IoT payment device refers to any device that can process payments through the internet. These transactions can occur on cellular networks or through Wi-Fi networks, enabling purchases to occur nearly anywhere from customer's homes to traditional brick-and-mortar stores. "With IoT devices such as smartphones, smart watches, smart carts, toll payment devices and voice-enabled products," explained Kevin Beasley, CIO at VAI, "users have the ability to complete frictionless transactions using their everyday technology." These devices are fully integrated with payment processing and tracking capabilities to make purchases painless for consumers.

Along with the many new IoT devices becoming available, mobile payment is still an emerging technology. "Opinions will likely differ on whether or not mobile payments count as IoT payments," said Lauren Fram, market research analyst, ecommerce and

retail at G2, "but I think mobile payments are important to at least acknowledge in this space." The use of phones to send and receive payments is growing, and it's another payment device retailers need to be aware of.

The Risks for Retailers Supporting IoT Payment Devices

The main challenge retailers are facing with IoT payments is handling security and managing consumers' perceptions of security risks. "As with any new technology, integrating payments with IoT devices comes with its own privacy and security challenges," said Beasley. Retailers need a highly secure back end with an encrypted database and automated software updates for vulnerability patches. These tactics and other standard security procedures are critical for reducing the risk of a data breach for retailers.

"Security is a huge concern for both mobile and IoT payment devices," said Fram. A variety of

measures can be taken on mobile phones that make them easier to secure, such as using a VPN and installing more secure software. IoT devices and payment terminals, on the other hand, rely on the security of the software that the device vendor has built. Many IoT devices also have hardware like mag strip or chip readers that could pose additional security risks.

Along with security best-practices for IoT devices, retailers need to assure consumers that their payment data is safe. “By providing transparent terms of service,” suggested Beasley, “brands can make sure users feel secure before providing their information freely.” If customers know where their data is stored and how it’s being used, they’ll feel more comfortable saving their credit card or bank information to IoT devices.

Why IoT Payment Devices Matter for Retailers

IoT payment devices can change the way retailers do business, they can transform the way retailers reach consumers. Whether it’s through voice-activated devices like Amazon Echo or smart home appliances, customers can make purchases in a more convenient way. “This kind of interaction is effortless for the user and has been a way for companies like Amazon to build brand loyalty in the homes of many customers,” said Beasley.

In addition, there’s a huge amount of data available with this growing number of connected devices. “Companies are also able to better serve customers by using the connected devices to streamline information gathering and increase purchasing and restocking efficiency,” added Beasley. If done securely, IoT devices can collect

enormous amounts of data that companies can leverage to manage inventory, personalize products and provide better shopping experiences for customers.

It’s not just about creating completely new experiences either, but transforming traditional retail experiences as well. “To bring people back in stores,” said Beasley, “many retailers are utilizing IoT payment devices to create easy and unique in-store experiences.” These in-store experiences include contactless checkout, so customers can automatically pay for items using wearable devices when they exit a store.

Retailers can see enormous benefits from adopting IoT device payments. For retailers looking to provide innovative customer experiences IoT device payments may be a great next step.