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Simplifying loyalty brings rewards

Payments

Christopher Niesche

Australians are enthusiastic joiners of loyalty schemes. In fact, there are 60 million separate loyalty memberships spread across the population of 25 million.

Despite the huge numbers of people signing up, loyalty is a cumbersome process, both for the shopper and the retailer, says Terry McMullen, chief executive of loyalty start-up OpenSparkz.

For the shopper, a purchase becomes a two-stage process, requiring them to fish around in their wallet for their loyalty card or find its digital equivalent on their phone.

For the retailer, it means added complexity. They usually have to install some kind of data capture system at the point of sale to recognise the card and capture the valuable customer data.

OpenSparkz has built a loyalty platform that allows consumers to link their loyalty schemes to their credit card.

"Then they pay with that card and get the reward automatically. So it turns a two-step process that's high friction into a one-step process," says McMullen. "They simply pay, get a real-time message to their phone to say, you are entitled to a discount or some frequent flyer points, whatever it might be."

OpenSparkz, based in Sydney's Stone & Chalk start-up hub, is not in itself a loyalty scheme. Rather, it is a platform that allows merchants to participate in any existing loyalty program or offer without having to integrate a new scheme or system into their own sales system.

"Instead of organisations having to build these vastly expensive loyalty and offers systems that are very clunky if they work on offer codes and coupons they can simply plug into our platform, configure it to their particular program and away they go,"

McMullen says. The platform integrates directly with global payment schemes. So far, Visa and MasterCard have signed on and more integrations with large global and some large domestic payment schemes are coming on shortly, the company says.

Merchants pay a fee per transaction. "We are a scale business, so it's a very, very small fee per transaction."

■ The platform allows consumers to link their loyalty schemes to their credit card.

For most retailers, data is one of the most important if not the most important reasons for a loyalty scheme. McMullen says OpenSparkz provides more data than most retailers now get.

"But data in and of itself is a means to an end. It's to enable better decision making through better analytics, and also better communications with consumers and merchants – more sophisticated, more targeted communications to drive changes in behaviour," he says.

"When a consumer spends we know who they are, we know where they've spent and we get that information in real time."

McMullen says real-time location and spending data are the two most powerful data sets for retailers and allows retailers to send offers to customers as they shop. "You can know if they bought fuel at 11:30 and then if they incurred a parking expense in the CBD at 12:15, it might be relevant to send them an offer for lunch or a shopping offer for the location that they happened to be at," he says.

McMullen founded the business in 2016 with three co-founders. They spent two



Ambition. "Our vision is to be the go-to platform for loyalty and offers," says Terry McMullen. PHOTO: LOUIE DOUVIS

years building the technology and undergoing the rigorous certification process required for card payment operators.

They have been marketing the scheme for several months and next month an Asian shopping centre owner with 30 malls and about 10,000 merchant locations will launch a loyalty scheme using the OpenSparkz platform.

The company raised around \$1 million in seed funding from Hong Kong-based payments company EFT Solutions in 2016, about the same amount from high net worth individuals based in Singapore last year, and is shortly to embark on another \$1 million capital raising, before seeking about \$5 million from investors in the middle of next year.

"Our approach to funding thus far has been to do small raises because when you're a start-up you've got to get the balance right between enough cash to create runway, but also you don't want to sell more equity than you have to," McMullen says.

None of the funding so far has come from Australia and he says there aren't enough angel investors or high net worth individuals in Australia.

McMullen and his co-founders buck the stereotype of the start-up entrepreneur being a hoodie wearer in their early 20s and he says it worked to their advantage.

"You need to have a really good founding team, which we did.

"We've all got at least 25 years' experience in payments and loyalty," says McMullen, who worked at loyalty company Pinpoint for 23 years, from the time it was an early-stage company until it was bought by Mastercard in 2014.

"Our vision is to be the go-to platform for loyalty and offers. So what Intel is to the computer, we want to be that for loyalty and offers.

"We want to focus on our Asian expansion in the very, very near term, but then realise our vision to be a global platform." AFR

Smartphones key to future of finance

Digital wallets

Hannah Tattersall

People aged 18 to 25 spend three hours a day on their phones, searching, sending, swiping, reading, booking services, splitting bills and accruing stuff they plan to pay for later. You'd be hard pressed to find an 18-year-old who can remember a time when smartphones didn't exist.

It's easy to see how, in the not too distant future, digital wallets will replace leather ones in this generation's pockets. Certainly across Europe and North America, Juniper Research predicts consumer spend via digital wallets will increase 40 per cent this year to almost \$790 billion. In the US, Apple is about to launch its own credit card – a partnership with Goldman Sachs. Across Asia, Chinese online payment platform Alipay has 1 billion users.

In Australia too, the highest growth area for fintechs is in the payments, wallets and supply chain category. The arrival of open banking and the fallout from the royal commission have laid ground for new companies to grab a portion of the market, according to the 2018 EY FinTech Australia Census. Furthermore, tap-and-go has been part of our banking technology for years so switching to digital money wasn't that big a deal. By comparison, in America it's still commonplace to pay with cheques.

Fintechs are already cashing in. For

example, cross-border payments start-up Airwallex became the quickest in Australian history to achieve unicorn status with a \$US1 valuation. Foreign currency exchange app Revolut has just launched in Melbourne and neobank Volt is ready to compete with the big four after APRA granted it an unrestricted banking licence.

"People use their mobile to get things done on the go or in available downtime and that lends itself to things you can consume easily or get done effortlessly," said Angela Clark, chief executive of Beem It. "That means you want really great interfaces, UX and an understanding of the context in which you're operating in, which is why I think the payments experiences have boomed here and overseas to a more social lifestyle interface, much like Uber. I think we'll see that continue to grow."

A digital wallet joint venture launched in June last year by shareholders CBA, Westpac and NAB, Beem It enables users to make or request instant payments. Initially aimed at Gen Z and Millennials, it's main use so far has been for splitting bills and paying for things like rent and transport.

Ms Clark said the company had built an identity service application programming interface (API) and was exploring partnerships with other businesses. It plans to launch a number of digital payment experiences in the next 12 months that can be embedded in third party apps or websites.

"As we build the functionality into our



Easy switch. Tap-and-go has been part of our banking technology for years so switching to digital money wasn't that big a deal.

■ You can make payments anywhere without needing a credit card or ID.

app, then we're building a service that people can consume and embed in their own experience, so you can split with Beem It and check out with Beem It on someone else's website. Rather than logging in with Facebook, you can log in with Beem It."

Beem It's monthly transaction value has more than tripled in the past six months and the app has been downloaded 800,000 times. The company is expanding its focus to the 35-plus demographic and has lifted its daily transfer limit from \$500 to \$1000.

Kids who have grown up paying for clothes and taxis with their phones expect the same ease when it comes to booking a holiday or buying a car or house. Plus, the

appeal of paying for something with your phone is consumers can make payments anywhere without needing to pull out a credit card or form of ID.

Banks are on board. From June 2018 to May 2019, ANZ customers used mobile payments for more than 98 million transactions worth over \$3.1 billion.

"In the past year, ANZ has seen the number of mobile payment transactions increase by 103 per cent," ANZ's lead for everyday banking Narelle Charity said.

ANZ customers can also access any ANZ ATM in Australia by tapping their smartphone or watch. Aside from the fact that paying with your watch is super cool, one reason for the uptake is digital wallets provide an improved shopping experience – and a safer one.

"Mobile payments also offer an increased level of security with biometrics, like facial or fingerprint recognition required to authorise a payment in many cases," Ms Charity said.

ANZ was the first of the big four to partner with Apple Pay (as well as Samsung Pay, Google Pay, Fitbit Pay and Garmin Pay) in 2016, with CBA and Bankwest following suit in January this year. Chinese tourists can make instore payments here via CommBank's Albert terminal after it formed a partnership with Alipay. Business-only bank Tyro also offers an EFTPOS solution with Alipay for Tyro merchants.

But fintechs are taking things a step further by linking banking services to other offerings. Ms Clark said the trend was less around mobile devices and more to do with experiences.

"An experience that makes your life better and easier and that is personalised and open and that has a social and human element to it and clear value back to the customer," she said. AFR