

Upaid gears up to succeed in the emerging market for mobile payment services.

Overview

■ **Business Challenge**

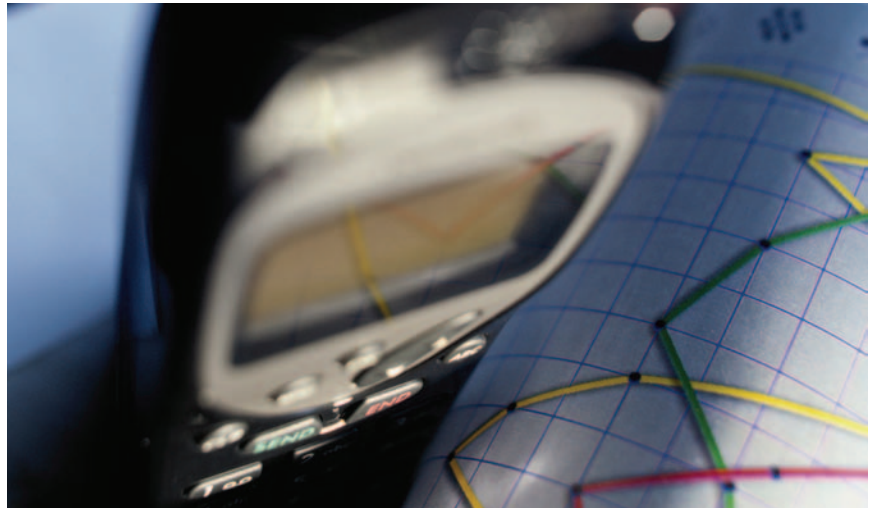
To succeed in selling to large accounts, Upaid needed a service delivery model that would enable their vision of mobile payment on a wide scale. Upaid needed to keep its costs low and flexible, while delivering the high level of service quality that large banks, retailers and mobile providers have come to expect.

■ **Solution**

Upaid teamed with IBM on the creation of a hosted mobile payments service and a go-to-market strategy to gain access to key accounts. The service combines Upaid's leading-edge payment platform with IBM's secure and powerful infrastructure.

■ **Key Benefits**

- Offers customers improved working capital efficiency through an estimated 50 percent reduction in the bill collection cycle
- Stronger customer relationships and higher retention rates



Based in London and Paris, Upaid provides a centralized mobile payment processing platform to which banks, mobile operators and merchants can connect to enable mobile payment services for their customers. The company, which employs 40, counts Visa International and Cofinoga among its customers.

When one thinks of alternative payment channels for consumers, PC-based payment via the Internet has been at the top of the list for going on a decade. In fact, it's so deeply entrenched in consumer commerce that it's easy to forget the pieces of the puzzle that had to fall into place for Web-based payments and e-commerce to make it to the mainstream. First, of course, was the need for consumers to be enabled—through PC ownership and Web connectivity—on a large scale.

“The large banks, retailers and other accounts we were targeting needed to know with absolute certainty that our solution would deliver to their standards of security, performance and reliability. That’s the reason we selected IBM.”

— Terry Trench, Senior VP,
Sales and Marketing, Upaid

Business Benefits

- Ability to offer value-added services that support competitive differentiation
- Flexible cost structure, enabled through the use of IBM's hosted service delivery platform, fit with Upaid's evolutionary business model
- Improved ability to penetrate major global accounts by virtue of the reliability, resiliency and security of IBM's service delivery infrastructure

Upaid customer benefits

- Improved working capital efficiency through an estimated 50 percent reduction in the bill collection cycle
- Stronger customer relationships and higher retention rates
- Significant reductions in administrative overhead

“People are looking for payment options that are flexible enough to adapt to their lifestyles, while on the other side, companies are trying to tap into that desire to strengthen relationships and improve their operations. We’re well positioned to meet this emerging opportunity – and do so faster and more effectively than anyone else.”

– Terry Trench

Next was the requirement that merchants, banks and other players in the payments chain set up the institutional and technological linkages needed to support Web-based payments. The final factor was behavioral in nature, namely that consumers got past the issues of security, usability and inertia that had been a barrier to widespread adoption. It was the eventual alignment of these factors that made PC-based purchasing and payment the critical channel it is today.

A new frontier for payments

The broad use of PC-based Internet payment obscures a similar dynamic at work in the mobile phone market. Despite its surface similarity to the PC model, the capability to conduct transactions by mobile phone offers a unique value proposition, both to the consumers paying the bills and to the companies that capture the business benefits. Mobile phones are not only more ubiquitous but also more accessible than PCs, which effectively provides consumers with a greater ability to transact where and when they want to. For companies, the biggest yield of mobile phone-based payments is in combining the “anytime-anywhere” culture of mobile phone usage with the inherent operational benefits of self-service and automation that have become so clear in traditional Web-based services.

While the use of mobile phones as an alternative payment channel is in its earliest stages, the factors likely to expand it are beginning to align. As with PC-based commerce, a broad base of device ownership is an essential foundation for adoption. With mobile phone penetration at extremely high levels in much of the world—in some cases nearing 100 percent—this condition clearly exists. Add to this the fact that a growing number of consumers use their mobile phones for games, text and multimedia messaging and the downloading of content such as ringtones, a trend that shows how entrenched mobile phones are in everyday life. Still another is a steady increase in mobile handset functionality that is designed to support a future generation of mobile services. What’s in a much earlier, more formative stage, however, are the technology solutions that link banks, merchants and wireless network operators to enable mobile payment on a wide scale. But this too has begun to change, as providers like London and Paris-based Upaid (www.upaid.net) have begun to bridge the gap and enable a new generation of mobile payment solutions.

Upaid's goal at founding was to translate its specialized mobile billing expertise into a versatile platform for advanced, transactional services over mobile phones. Upaid knew that success relied on selling big accounts—not only the strength of its core offering, but on its ability to deliver the offering with world-class performance and reliability, explains Sales and Marketing VP Terry Trench.

“The large banks, retailers and other accounts we were targeting needed to know with absolute certainty that our solution would deliver to their standards of security, performance and reliability,” says Trench. “That made our selection of a strategic technology partner—to deliver the service and help us go to market—one of the most important decisions we would make. That’s the reason we selected IBM.”

Enabling anywhere, anytime payment

Teaming with IBM, Upaid launched a managed, end-to-end mobile payment service known as HiPAAS (Highly Intelligent Payment Authentication and Authorisation Service). While the service’s main thrust is the ability to use mobile phones to authorize bill payment, its most compelling aspects are seen in the details. Consider, for example, a mobile subscriber whose electric utility—although it could be any bill-issuing party—has deployed the HiPAAS solution. When that utility generates the bill, the solution automatically sends a text message to the subscriber that includes the amount owed on the bill as well as a prompt to pay the bill. If the subscriber chooses to pay the bill, he simply types “OK,” types in a PIN code and the system automatically handles the backend processing all the way back to the subscriber’s bank. The most compelling aspects of this example are the speed with which transactions are processed and the flexibility and control it affords users—the ability to pay the bill immediately upon receipt, no matter the time, place or situation. While evocative of PC-based bill paying at a high level, the reality of HiPAAS is that it represents a whole new model for alternative bill payments, since it effectively takes the burden off the user to initiate a bill paying “session.”

That’s a huge difference—not just for the consumer, but for the billing party as well. Like the PC-based payments model, mobile payment channels deliver the cost savings associated with self-service, including the streamlining of administrative processes. Where mobile payments extend these efficiencies is the speed of the overall collection cycle which, by getting cash into the hands of providers faster, drastically improves working capital efficiency. For companies such as utilities, whose monthly billings typically run into the millions of dollars, the potential savings from faster receivables turnover are enormous. This, in turn, leads to the solution’s next major attribute—its versatility. Because of the solution’s open, flexible architecture, it can be easily adapted to nearly any business model based on recurrent billing, including credit cards and mobile phone bills. Its versatility is also evident in the range of complementary services that can be delivered around mobile payment. In retail, for example, potential services range from SMS-based notification of the arrival of a special order to the ability to download a digital coupon to get an instant discount at the point of sale.

Key Components

Software

- IBM Tivoli® Storage Manager
- IBM Tivoli Identity Manager
- IBM Tivoli Monitoring

Hardware

- IBM System x™

Services

- IBM Global Business Services
- IBM Global Technology Services—Strategic Outsourcing
- Deep Computing Capacity On Demand Center (Montpellier, France)

Time frame

- Infrastructure setup and implementation: 2 to 6 months
 - Infrastructure management: ongoing
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Why it matters

Having developed a groundbreaking alternative payment solution by combining the reach of mobile phones with a high level of security and usability, Upaid was able to bring a robust service to market ahead of the competition by teaming with IBM to deliver the solution.

Banks using the HiPAAS solution can notify customers of upcoming bills. When customers are about to deplete their prepaid accounts for mobile phone or any other kind of service, the solution alerts them and enables them to increase, replenish it, or “top-up,” at the touch of a button. In all cases, a key strategic benefit for service providers is the ability to strengthen customer loyalty by offering “stickier” services whose core value derives from their mobile delivery and ease of use.

Teaming to open doors—and satisfy customers

As a small company with a big idea, Upaid needed a way to deliver its service that fit the imperatives of its business model—chiefly to support flexible, cost-effective growth—while accommodating its customers’ need for world-class reliability. To that end, it established a close relationship with IBM that covers the design, building and hosting of the service platform (on IBM’s Deep Computing Capacity On Demand Center in Montpellier, France) as well as cooperative go-to-market activities. IBM Global Business Services managed the implementation, while IBM Global Technology Services—Strategic Outsourcing manages the application environment and infrastructure. Running on a highly manageable and scalable cluster of IBM System x servers (chosen for its superior scalability, manageability and cost-efficiency), the solution employs a range of IBM Tivoli products for performance monitoring, systems management and security functions. Customers can also choose to deploy the solution in their own environments, with implementation assistance from IBM Global Technology Services and Upaid. The fact that Upaid’s solution employs the same powerful and resilient technology mix that powers some of the largest financial solutions in the world is a major reason that such high-profile customers as Visa International and Cofinoga have adopted its service.

With the markets for mobile services and alternative payments continuing to evolve, Trench believes that Upaid’s decision to team with IBM has positioned it favorably to capitalize on the next phase. “People are looking for payment options that are flexible enough to adapt to their lifestyles, while on the other side, companies are trying to tap into that desire to strengthen relationships and improve their operations,” says Trench. “By combining our mobile payment and services capability with IBM’s flexible delivery model and industry expertise, we’re well positioned to meet this emerging opportunity—and do so faster and more effectively than anyone else.”

For more information

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Armonk, NY 10504
U.S.A.

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