

EY Innovalue

Voice – A New Channel for Commerce and Payment

Is voice going to trigger a new revolution in commerce? According to **Forbes Magazine**, one of the first voice commerce transactions dates back to the 1970s. Then, a USD 7 pizza was ordered via telephone and paid by cheque. More than 40 years later, after eliminating the necessity for both a phone call and the physical payment, technology-driven commerce is slowly re-discovering voice as a convenient and efficient means of placing orders.

Voice – a new channel for commerce

With the above example, we can present the way in which the commerce has developed over the last decades. Nowadays, consumers want the pizza to be delivered to a location of their choice, to compare prices of several providers and to complete the transaction's payment seamlessly – ideally enabled through a mobile device.

Throughout the history of commerce and its channels (POS, ecommerce and mcommerce), we have found two main drivers that affected its evolution: convenience and technology. We assume that consumers are perceiving the current process as increasingly inconvenient: turning on their devices, looking for a restaurant online, selecting their preferred pizza and checking out with payment and address information. Digital personal assistants, such as Echo, Siri or Assistant, are trying to address this lack of convenience by providing user-focused, voice-based frontends. By doing so, the opportunity for a new channel of commerce emerges: voice commerce.

Payment methods evolve with commerce channels

What we have discovered in the past is that payment methods usually evolve alongside the development of new channels of commerce.

At the POS, the dominant payment method has been cash for a very long time. Due to matters of convenience and security, a new technology evolved, namely the payment cards. To improve the ease of use, cards evolved alongside the stationary channel with increased functionalities such as “contactless”.

With the commercialization of the Internet, online retail giants like Alibaba, Amazon and eBay emerged. Simultaneously, the need for appropriate payment methods came up. While payment cards had to assimilate into the ecommerce channel, specialised online payment providers, such as PayPal, were created and placed their technology where it was supposed to be, in the frontend of the Internet.

In line with commerce, payments increasingly moved into the mobile world. Since some organisations took the importance of “mobile first” seriously, payment through or within mobile devices became attractive to customers. Due to some technological developments such as NFC, payment data stored on a mobile device can now be used to purchase goods and services.

We conclude that, if market players want to take full advantage of the “v-commerce” channel, they will have to provide appropriate payment solutions that fulfil consumer requirements in terms of convenience and security.

Key questions for the payment industry

Although v-commerce is a new channel of commerce, it has only been addressed by a few prominent tech players, which incorporate own payment methods in their voice commerce frontends. This leads to the first key question:

How to place payment methods in the walled garden of a voice ecosystem?

Big players, such as Amazon, Apple, Google and PayPal, engage in different strategies regarding their voice commerce systems. Amazon's ecosystem, with its voice frontend Echo, can be seen as a closed platform (walled garden). Echo just takes the client's standard payment method, which is usually a credit card, debit card or direct debit. In comparison, Apple, Google and even Facebook, which also have voice recognition on their platforms, recently signed strategic partnerships with PayPal. This step is probably not only due to the remarkable reach of more than 200 million customers, but rather due to PayPal's ability to provide a convenient payment method worldwide. →



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About Jan Lettow and Stefan Thomalla: [Jan Lettow and Stefan Thomalla](#) belong to EY Innovalue's payment practice and together look back on more than 10 years of project experiences in the industry. Both have proven expertise across all payment related topics and have worked with the full spectrum of market players.

About EY Innovalue: [EY Innovalue](#) is one of the leading management advisory firms in the payments industry. We have in-depth expertise along the entire value chain within cards, payments, digital commerce and digital convergence. Our clients include market-leading companies as well as suppliers to the industry, new entrants, investors and entrepreneurs.

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What are the key issues to be solved in managing voice payments?

In early 2017, a prime example showcased the immature state of voice commerce systems, when the words of a TV anchor triggered thousands of orders on Amazon. As he reported about a 6-year-old girl asking Alexa to order her a Dollhouse and repeated the girl's words, orders have been falsely placed by thousands of Echo's across the country.

The example unveils the major challenge of voice payment authentication. To this day, digital personal assistants still lack the capabilities to properly identify the person speaking. While striving for a high degree of ease of use, providers need to ensure that the transaction can only be triggered by the person that is authorized to do so. The process of authentication requires the use of personalized data, which needs to be processed, secured and stored. This in fact raises the need to design an adequate infrastructure which fulfils newly evolving privacy requirements that do not interfere with a seamless customer experience.

In consideration of the players and partnerships mentioned above, it will be interesting to see who, master merchants or payment method issuers, will be the first to develop and manage appropriate solutions for v-commerce that solve the issues on authentication and process the individual's vulnerable payment data securely. If traditional payment providers (acquirers, issuers, schemes etc.) want to avoid falling further behind, they will have to come up with good answers to these key questions in the very near future.