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A report produced by Ingenico
April 2024

SoftPOS:
Where are we now?

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01. SoftPOS: Where are we now?

SoftPOS is on the verge of creating a major disruption in payments. This technology, also called "tap to mobile" or "tap on phone," allows a merchant to accept contactless payments with software on smartphones or tablets rather than investing in PIN pads or card readers to enable this payment method.

The concept of accepting payments on consumer off-the-shelf (COTS) devices isn't new. The first solutions launched in 2012, about six years ahead of standards and controls. In April 2018, the Payment Card Industry Security Standards Council (PCI SSC) published the Software-Based PIN Entry on Consumer Off-the-Shelf (SPoC)™[1] standard, which required an external card reader to accept payments with a consumer mobile device. PCI followed with Contactless Payments on COTS (CPoC™)[2] in 2019, which enabled consumer devices to use near-field communication (NFC) to capture payment data from a contactless card or mobile wallet. However, this standard didn't facilitate secure PIN entry.

But that isn't where the Soft POS story ends. PCI published the Mobile Payments on COTS (MPoC) standard in 2022. This guidance, which builds on SPoC and CPoC, provides more flexibility in how providers can develop, deploy, and maintain soft POS solutions. It also includes security standards for PIN entry on the same device that captures cardholder data.

With the publication of the MPoC standard, interest in soft POS grew, both from device manufacturers, including Apple4 Fintechs, and payment companies, expanding SoftPOS options available to retailers and making them easier to use.

Furthermore, the SoftPOS space is changing quickly – what you knew about this technology before the MPoC standard publication in 2022 is vastly different than what's available today. This white paper provides the facts you need to stay current with SoftPOS innovation and make an informed decision about the value this revolutionary technology can provide to your business.

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1   New PCI Software-Baed PIN Entry on COTS Standard, PCI SSC, January 24, 2018.
     https://blog.pcisecuritystandards.org/new-pci-software-pin-entry-on-cots-standard

2   Contactless Payments on COTS (CPoC™), PCI SSC, December 2019,
     https://listings.pcisecuritystandards.org/documents/Contactless_Payments_on_COTS-Security_and_Test_Requirements-v1.0.pdf

3   PCI SSCI Publishes New Standard for Mobile Payment Solutions, PCI SSC, November 16, 2022,
     https://www.pcisecuritystandards.org/about_us/press_releases/pci-ssc-publishes-new-standard-for-mobile-payment-solutions/

02. Why it's time for you to consider SoftPOS

Several industry and consumer trends are converging to set the stage for SoftPOS adoption.

Contactless payments

Contactless payments adoption, which grew incrementally before 2020, gained significant momentum during the COVID-19 pandemic when consumers began looking for touchless, cashless ways to pay. A 2022 Mastercard survey[4] found that more than half of U.S. consumers use some form of contactless payment, with 51% saying they use less cash (or now never use cash) since the pandemic began. Additionally, based on Visa's last earnings call, 45% of all U.S. transactions are now contactless6. Considering that two of the largest retailers in the country do not accept contactless payments and contactless transaction volume is still small at the pump for fuel sales, it's apparent that the rest of the market is meeting demands for easy-to-use, convenient contactless payments.

Flexibility

SoftPOS gives merchants greater agility to create competitive, in-demand experiences. Retail operations that primarily accept payments at a checkout counter can begin to add mobile point of sale (mPOS) transactions within a few minutes. SoftPOS also gives retailers an easy way to add a lane during the high-traffic holiday season or other peak times. Additionally, merchants aren't limited in their choice of the device they use to accept payments, as long as they run operating systems that support the softPOS solution. They don't have to wait for a specific tablet with a payment device and enclosure to become available before they can optimize customer-facing processes. SoftPOS allows them to choose from a range of smartphones, tablets, and other mobile devices. Furthermore, SoftPOS gives merchants a convenient failover option during network disruptions; mobile devices can continue to operate on the cellular network.

Total Cost of Ownership

Historically, embracing digital payments meant buying a payment device, keeping it operational, and frequently updating it to align with evolving regulations and security standards. Mobile POS solutions add even more complexity. Merchants must support multiple items, including a tablet, enclosure, and payment device, and ensure sales associates can easily and consistently connect them via Wi-Fi or Bluetooth. Merchants must also maintain the ability to track payment devices to stay in PCI compliance. Asset tracking, from the time merchants order devices and go through configuration management and key injection, until they're shipped and deployed in merchant locations, can be time-consuming and costly.

Conversely, with SoftPOS, a merchant installs an app on a company-owned smartphone or tablet, and, using credentials from their payment processor, can begin accepting payments, typically within minutes. Additionally, vendors will soon be able to push updates using a management solution, decreasing the time that merchants spend managing their payment solutions. The merchant is only responsible for the mobile device and accessories, like chargers, or docks. Overall, SoftPOS minimizes or eliminates many of the challenges merchants now face with solutions for accepting payments at various locations throughout their operations.

Over five years, retailers will find a significant decrease in total cost of ownership (TCO) based on the lower upfront investment, quicker to market, and lower maintenance costs of SoftPOS solutions.

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4   More than half of Americans now use contactless payments, according to a Mastercard poll, CNBC Select, November 14, 2023, https://www.cnbc.com/select/mastercard-survey-contactless-payments/

5   Visa, Inc. (NYSE:V) Q1 2024 Earnings Call Transcript, Yahoo!finance, January 27, 2023, https://finance.yahoo.com/news/visa-inc-nyse-v-q1-162917308.html

03. How retailers of all sizes are using SoftPOS

While there's no denying that SoftPOS lowers the barriers to entry for micro-merchants and small businesses without contactless payment acceptance or mobile POS capabilities, this technology delivers value to businesses of all sizes, including Tier-One merchants.

Large and enterprise retailers benefit from SoftPOS in numerous ways. It's an easy way to equip every sales associate with the ability to accept payments as they're assisting customers in the aisles. Similarly, restaurants can use SoftPOS as a convenient pay-at-the-table solution. With a fast, streamlined way to accept payments on any mobile device a restaurant may choose, employees can devote their attention to customers, listening and responding to their needs and personalizing service. By focusing on the customer, not payment technology, enterprise customers can build relationships and customer loyalty, which can lead to increased revenues and customer lifetime value.

Furthermore, SoftPOS is the ultimate line-busting tool. It allows associates to quickly set up a new lane or assist customers with only a few items, moving lines more rapidly and increasing customer satisfaction.

SoftPOS also has the potential to help increase sales. Retailers can use one device for an "endless aisle" solution. Instead of losing sales when an item isn't in stock at a particular retail location, a sales associate can locate the item in the right size, color, and style and accept payment on the spot with SoftPOS. The retailer can then ship the item to the customer's home or to the store for pickup, saving the sale. This use case is an excellent example of how SoftPOS can help retailers bridge the gap between online and in-store shopping, giving customers access to the merchant's entire inventory and an easy way to pay.

When you can't use SoftPOS

Although SoftPOS is appropriate for a wide range of use cases, it isn't right for accepting payments in every circumstance. For example, it's not permitted for unattended self-service, which is best configured to allow customers to make payments with cards, cash, or mobile wallets with an unattended payment device.

Additionally, SoftPOS can't accommodate certain contactless card transactions, for example, purchases in the U.S. that total more than $250. However, SoftPOS can support high-value transactions with additional verification, such as signature or PIN. . SoftPOS also cannot accommodate magstripes, so it may not be an option if a customer wants to pay with a gift card or run a physical loyalty card with a purchase. SoftPOS can, however, accommodate mobile wallet transactions that hold gift card or loyalty card data. Of course, some consumers still don't pay with contactless methods. So, it's necessary to make other types of payments available, including facilitating transactions using contact cards, cash, or alternative payments, to provide the experiences that customers want.

SoftPOS also requires merchants to adjust their approach to security. Merchants should engage with their merchant services provider to learn how they and the SoftPOS vendor work to secure transactions.

04. SoftPOS FAQs

Because SoftPOS solutions with all of the features and security controls retailers' needs are just emerging in the market, you probably have numerous questions about how they work and how they would integrate with your current point of sale (POS) and payments environment.

Here are the answers to some common questions:

Can you use any mobile device to accept SoftPOS payments?

SoftPOS is available for NFC-enabled Android and iOS iPhone devices with NFC contactless support. The SoftPOS vendor will provide guidance on the operating system versions that work with their products. It's likely that SoftPOS could transform the smartphone in your pocket right now into a payment device.

How hard is it to change devices with SoftPOS?

Your account isn't tied to a single device you use. You can upgrade devices or use several devices with one account.

Are you required to use a certain acquirer or payment processor to use SoftPOS?

Although some solutions are tied to specific payment processing services, you can find SoftPOS solutions that are processor-agnostic. There is a contactless EMV certification for SoftPOS, which some acquirers have today – with more to come.

Does SoftPOS have to replace the current payment technology we use?

No. SoftPOS can complement the payment technology your business currently uses on the in-lane, countertop or in mobile applications. You can leverage SoftPOS to expand payment capabilities at the drive-thru, curbside, and pop-up shops – anywhere your customers engage. Using the SoftPOS software development kit (SDK), your ISV can fully integrate SoftPOS with your current solution.

Is SoftPOS secure?

SoftPOS is based on the PCI MPoC standard and security is a key piece of these solutions. SoftPOS also uses the same secure payments infrastructure as contactless EMV payments. Additionally, you can benefit from security features built into mobile devices, such as encryption and tokenization. However, note that PCI SSC doesn't have standards for PCI-validated P2PE for SoftPOS at this time, but it does remove payment card data from PCI scope, similar to Validated P2PE solutions

How can retailers handle PIN acceptance on a COTS device?

SoftPOS is PCI PIN-certified and allows secure entry of a PIN on the company-owned devices used for payments. Encryption keys for SoftPOS are runtime only – they are sent from the solution provider when the merchant logs on and deleted when the merchant logs out.

03. Future of SoftPOS

SoftPOS gives businesses a way to elevate employee and customer experiences by repurposing devices for a high-value purpose.

With SoftPOS enhancing customer experiences, meeting the demand for contactless payment acceptance everywhere in a retailer's operation, and making contactless payment acceptance available to more merchants, payment industry analysts are predicting growth.

Fortune Business Insights predicts the global soft POS market, valued at $248.5 million in 2022, will reach $1077.4 million by 2030, an astronomical 20.4% compound annual growth rate (CAGR)7.

Furthermore, Juniper Research expects the global SoftPOS user base to grow from 6 million in 2022 to more than 34.5 million by 2027, a 475% increase8.

The inevitable rise in SoftPOS adoption is more than the next tech advancement. It's an indication that consumers are ready for a new way to make payments that's faster and more convenient than the methods they use now SoftPOS adoption also demonstrates that merchants of all sizes want to meet those demands.

Retailers who want to continue to compete on the experiences they provide will reimagine their checkout processes. They won't require all customers to line up in a queue and wait for service. They'll have their teams simply hold out a company-owned mobile device and allow customers to tap a contactless card or mobile wallet to pay. Furthermore, this new capability comes with the advantage of requiring less of an investment than with traditional payment technology to enable contactless payment transactions.

There is little doubt that SoftPOS will become ubiquitous in the payments landscape in the near future. Explore how it can help you optimize customer experiences and capture revenues everywhere your customers engage.