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Don't Go Soft, Google!

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There are multiple unsubstantiated rumors in the press at the moment regarding the potential acquisition of Softcard (formerly Isis) by Google. TechCrunch and the WSJ have “sources” that Google intends to pay $50 to $100 million for the beleaguered mobile initiative - a veritable fire-sale. But what would Google gain from this? In my opinion, **nothing. Not technology.**

In the early days of Softcard / Isis vs. Google Wallet, there was a very clear technological advantage to being a mobile operator. In the initial iteration of NFC, Single Wire Protocol (SWP) specifications meant that the NFC antenna was directly connected to the SIM - own the SIM, and own the access to any contactless activity. Host Card Emulation (HCE) eviscerated the SWP model and any chance for an upper hand that the mobile operators wanted to maintain, killing their business model of charging issuers for access to the secure element on handsets. Press cites some 120 patents that Google would acquire, but the advantage of these patents has thus far not done Softcard much good. Would they really be worth $100 million?... **Not strategy.**

Even before the truly unfortunate situation of being associated by a terrorist group with a better social media presence, Softcard’s days as Isis can be characterized as flip-flopping from one business model to the next, with lackadaisical pilot tests punctuated by periodic unimpressive press releases. With over four years in business and hundreds of millions of dollars of spending thrown at making Softcard stick, there is still no coherent vision of what Softcard could look like if and when it grows up and more importantly, how their MNO backers would generate revenue in the wake of HCE. And with ApplePay now in the mix, the juxtaposition of how it could be done is all the more stark. **Not fans**.

Despite the media hype, POS mobile payments are in their infancy in the US, with just $7.2 billion forecast to be spent in 2015. That’s a drop in the ocean of spend made by cards, cash and even checks at the checkout. Of that $7.2 billion, the lion’s share will continue to be through existing schemes like Starbuck’s immensely successful mobile payment app and high profile newcomers like ApplePay and (potentially) MCX. Given the lacklustre performance of Softcard to date, poor consumer awareness and the formidable array of competitive offerings, Google’s potential acquisition of Softcard could conceivably cost them thousands of dollars per active user.

On the retailer side of the payments equation, drawing a Venn diagram of Google Wallet’s retailers comparing those of Softcard, you’ll see a 100% overlap - Softcard essentially piggybacked on the merchant acquisition work of Google (so did Apple - the merchant acquisition component of mobile retail payments is arguably the weakest link in initiatives to date). So what should Google do to regain the mobile payments crown? The monumental shift underway to upgrade the US card payments infrastructure for EMV acceptance is a godsend for mobile initiatives based around NFC, since upgrading merchant POS terminals comes with the added gift of contactless capabilities.

Rather than purchase Softcard for the alleged $50-$100 million price tag, Google would be far better using the money to embark on an educational campaign to drive awareness of this little known technological windfall. Working with the card brands, issuers, acquirers, POS vendors, etc., this messaging could viably move the needle on mass adoption of NFC. They may even get Apple to join the party in a consolidated effort to block acquisition inroads from the latent threat of MCX. As for Softcard, it would appear that their demise is imminent. Sad, but an inevitable thinning of the herd as mobile proximity payments evolve and consolidate.