

FEBRUARY 23, 2016 DAY 2



- Biometrics are set to make securing mobile devices easier, and facial recognition is expected to be the next major development in the field.
- The 21st century could be “the mobile century,” as the definition of mobile continues to evolve, even encompassing virtual reality and augmented reality.
- The Internet of Things (IoT) is not confined to consumer product markets, as it has utility in industrial applications, from planting seeds to measuring elevator movements.

BIOMETRICS BRING CONVENIENCE TO SECURITY

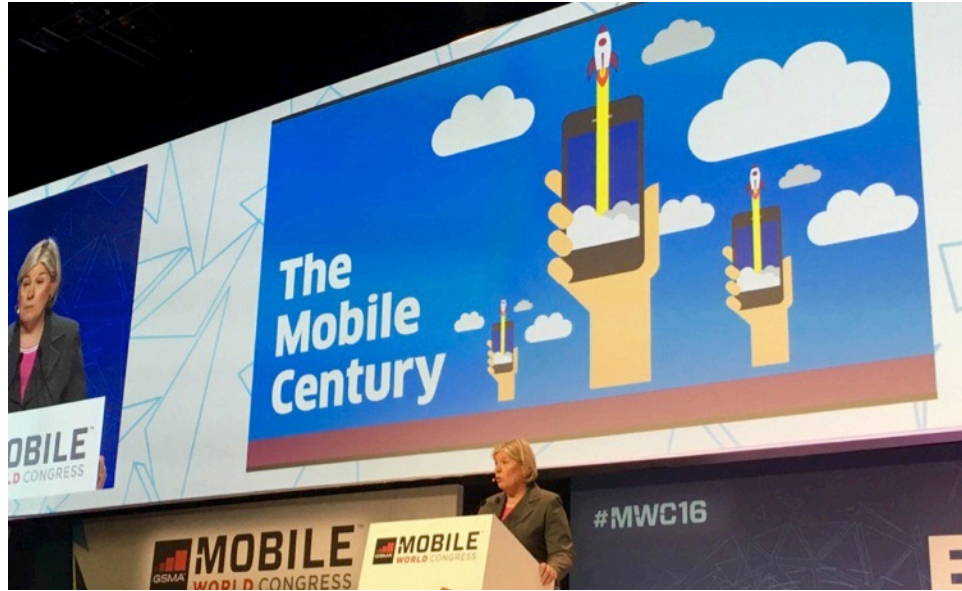
Security was the big theme on day two of the Mobile World Congress (MWC) 2016. Simon Segars, CEO of semiconductor IP company ARM, noted that the risks associated with connected devices span everything from healthcare to toys to the Internet. Data breaches are already a problem, he said, citing the 2014 hack of US Target customers and observing that there were 112 million healthcare data breaches in the US alone in 2015.

But the IoT is still developing, Segars noted, which means we are at a crucial stage, where security protocols can be defined and developed. Security cannot be added to the IoT as an afterthought, he said, and he concluded with two recommendations for IoT companies: First, before you deploy it, break it—hire a hacker to test security. And second, support interoperability between IoT standards, rather than focusing on proprietary standards.

Morpho CEO Anne Bouverot (who previously worked for GSMA, the organization behind MWC), continued the security discussion with Michael O’Hara, GSMA’s Chief Marketing Officer. Bouverot talked through security for smartphones, noting that passwords add too much friction for consumers: the average person uses their smartphone around 220 times a day and does not want to type in a password every time, she said.

Biometrics add convenience, Bouverot noted. She said that Apple found that only 50% of its smartphone owners formerly locked their phones, but that the figure grew to 80% once the company introduced Touch ID. Bouverot predicted that the future of biometric recognition is selfies—i.e., facial recognition—which she showcased for the audience, demonstrating how technology from firms such as Morpho distinguishes between a real person and a static image.

THE MOBILE CENTURY?



Laura Desmond, CRO at Publicis and CEO of Starcom Mediavest Group, asked if this is going to be “the mobile century.” It may well be, she concluded, given that “mobile” is being redefined rapidly, and now refers to virtual reality, video and augmented reality. Desmond’s compelling presentation was based on this being a century of “more” for mobile:

- First, more devices: There are already 3.7 billion mobile phones in use, and the figure is projected to rise to 6.5 billion in 2020, with no plateau in sight. Uptake is not just for tier 1 or tier 2 cities, or for developed markets, she noted, and many people in emerging economies have said they would prefer to give up their television before giving up their mobile phone.
- Second, more attention: People are spending more time on mobile; the average owner uses his or her mobile device for seven hours per day.
- Third, more commerce: Global m-commerce is expected to rise by 200% by 2018. Furthermore, one-third of US shopping on Black Friday 2015 was conducted on mobile devices, as was 70% of Chinese shopping on Singles’ Day.
- Fourth, more global: 4G coverage continues to expand in developing markets, meaning more consumers are coming on-stream to the kind of mobile experiences enjoyed in developed economies.

All this adds up to people having “connected freedom,” Desmond said. This changes how they behave and what they expect. More immediacy and greater personalization are among mobile consumers’ expectations. But for publishers, brands and advertising agencies, this connected freedom makes life harder: ad-blocking technology, for instance, poses challenges. Desmond’s advice to companies is to work together to focus on what is valued by millennials: content that involves storytelling, that is shareable and that is participatory.

Desmond concluded by proposing three things that advertising-related companies should be doing in a mobile world:

- Using opt-ins and push notifications for good, to add utility.
- Making walls, such as password barriers, as invisible and seamless as possible.
- Stitching it all together. Companies should stop thinking about separate platforms for advertisements or for branding, for example: mobile is an “everything platform,” spanning media and commerce.

INDUSTRIAL IOT

The theme of this year’s MWC is “Mobile Is Everything,” and the focus of the conference goes beyond consumer technologies to how the IoT is pushing technological frontiers and business models in business-to-business contexts. The same changes may soon be taking place in consumer IoT as well.

In a panel discussion on the IoT, Ronald Zink, Director of On-Board Applications at John Deere, described how machines are able to plant seeds at the precise distance of 2.5 cm (1 inch) thanks to geolocation technology and numerous sensors.

Mats Myrberg, Senior Director of Business Development, IoT & Research at Microsoft, talked about data collection through the IoT. He cited a case study about ThyssenKrupp collecting and analyzing data on its elevators in order to be able to predict upcoming parts replacement needs and service disruptions. This allows the elevator company to plan staffing levels and logistics ahead of time.

The IoT is also propelling a change in business models, whereby the sellers of physical products are increasingly offering services. Zink predicts that industrial equipment may be moving toward a recurring revenue model, in the same way that more consumer software companies are offering monthly subscriptions.

DIGITAL PAYMENTS

Panelists at a session called “Financial Transactions: The Rise of Digital Money” agreed that security issues, privacy concerns and a cumbersome user experience are the three main obstacles to wider adoption of m-commerce.

The potential for mobile payment is undeniable. Hiroyuki Sato, CEO of Docomo Digital, the London-based m-commerce company, illustrated this with numbers. There are roughly 5 billion mobile devices in the world, he said, and a global population of 5 billion. Only 2.3 billion people have a bank account. That means those who currently use their mobile devices for e-commerce transactions make up only 1% of the world’s population. That implies there is room for phenomenal growth in the mobile payment sector.

With regard to security, Yair Finzi, Co-Founder and CEO of SecuredTouch, said that fraud and cybercrime are a real threat to the growth of digital payments. Finzi developed



biometric authentication and data science technology that he hopes will be part of the solution. His company, SecuredTouch, based in Israel, tracks over 100 parameters on how consumers interact with mobile devices through touch. These include finger size, touch pressure, swipe speed and gesture boundaries. The company’s technology builds consumer profiles based on these data, and Finzi said that a real-time validator could block a transaction and trigger an alert if needed.

Samee Zafar, Director at Edgar, Dunn & Company, a management consulting firm, added that the digital payment trend is irreversible. Only one-third of millennials in the US have credit cards, and therefore fintech startups such as SoFi hold particular appeal for that generation.

F1 MEETS MOBILE

Further cementing the concept that “mobile is everything,” day two ended with a keynote session featuring members of the Mercedes-Benz Formula 1 (F1) team. Lewis Hamilton, a driver for Mercedes-Benz, offered some insights into F1 racing:

- F1 can generate 7–10 billion data points in one race weekend. The Mercedes-Benz team uses a live telemetry system to monitor engines, and it monitors tires using thermometric data.
- Racing drivers need technical knowledge to drive well; they must understand their cars.
- Industrial espionage is rife in F1, since many teams seek to imitate their rivals’ technical innovations.



ONE-LINE TAKEAWAYS

Finally, we share three of our favorite one-line takeaways from day two of MWC:

“Three huge trends are converging: mobile, social and video are all becoming the same thing.” –Jonah Peretti, Founder of BuzzFeed

“The UK is the most Internet-dependent economy in the G20, with the widest penetration and highest take-up of superfast broadband in the G20.” –Gavin Patterson, CEO of BT

“Payment solutions will extend beyond credit cards and wallets. Tokens placed into a pair of sunglasses or gloves could turn these items into highly secure payment solutions.” –Sherri Haymond, Group Head of Digital Payments, MasterCard



FLASH REPORT

Deborah Weinswig, CPA

Fung Business Intelligence Centre
New York: 917.655.6790
Hong Kong: 852.6119.1779
China: 86.186.1420.3016
deborahweinswig@fung1937.com

Filippo Battaini
filippobattaini@fung1937.com

Chim Sau Wai
chimsauwai@Fung1937.com

Rachael Dimit
rachaeldimit@Fung1937.com

Marie Driscoll, CFA
mariedriscoll@fung1937.com

John Harmon, CFA
johnharmon@fung1937.com

Aragorn Ho
aragornho@fung1937.com

John Mercer
johnmercer@fung1937.com

Shoshana Pollack
shoshanapollack@fung1937.com

Kiril Popov
kirilpopov@fung1937.com

Freda Wan
fredawan@fungretail.com

Jing Wang
jingwang@fung1937.com

Steven Winnick
stevenwinnick@fung1937.com

HONG KONG:

10th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 2470

LONDON:

242-246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

NEW YORK:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

FBICGROUP.COM