



Soon everything will be a payment device.



Consumers are set to spend
us\$620 billion
on their mobiles in 2016, rising to
\$1.08 trillion
in 2019.

Trendforce, 2016

More than
50 billion
devices are expected to be
connected to the internet by 2020.

Cisco, The Internet of Things, 2011

By 2020,
up to 90%
of new cars could be connected.

Machina Research, 2013

Imagine a future where cars automatically research and renew their insurance, use onboard driving and performance data to find a deal tailored to the driver's history, and where insurers offer discounts to good drivers travelling shorter distances in urban areas.

Or a world where connected kitchens automatically re-order groceries as they are consumed, then link to a Fitbit to report on weekly diet and exercise performance.

The connected world of the much-discussed Internet of Things (IoT) is not only possible – the technology to create it is already here.

Powered by increasingly inexpensive and ubiquitous connectivity, all that remains is to deploy it at scale.

The potential benefits for governments and business are even greater than for the end consumer. According to McKinsey&Company, B2B applications are likely to account for 70% of the value of the IoT, estimated at US\$11.1 trillion by 2025.¹

Take the transport sector as an example. In the future, smart vehicles will not only pay for their own petrol and insurance, they will revolutionise fleet management.

This transformation is being spearheaded by telematics technology, which uses a combination of communications, sensors, navigation systems, the internet and more, to monitor and manage fleet vehicles.

In Australia, 76% of companies with fleets of more than 25 trucks are already using telematics.² Across the Asia-Pacific region, it's predicted that the telematics market will reach US\$15.2 billion by the year 2020, representing a compound annual growth rate of 11.6%.³

Telematics provides a distinct advantage to fleet managers, enabling them to precisely track vehicles and their cargoes, remotely monitor key performance metrics like time on site and in transit, improve maintenance safety, and even automate record-keeping and tax compliance.

By combining telematics-enabled vehicles with other connected devices – from smart storage racks to smart buildings – businesses and governments will be able to automate purchasing,

inventory management and stock control. The result: better customer service at lower cost, with a smaller warehousing footprint driven by just-in-time ordering and inventory management.

Industry impacts 1: Healthcare

The impact of the IoT is particularly profound in healthcare, where real-time sensors can enable carers to monitor a larger population of patients while still responding rapidly to even subtle changes. The new generation of connected monitoring devices include ingestible sensors like Proteus Digital Health’s Heliuss, which looks like a grain of sand; smart contact lenses, under development by Google; and even smart bras, like Cyrcadia Health’s iTBra, which can help detect breast cancer.

At a time when our population is ageing and healthcare costs are rising, the potential benefits are enormous. For example, one estimate suggests that the value of improved care for chronic disease patients through remote monitoring could be \$1.1 trillion per year globally by 2025 – cutting the cost of treating chronic disease by as much as 50%.⁴ As public healthcare budgets come under further pressure, that could make a significant difference to our quality of life.

The Internet of Payments

The IoT enables a new generation of rapid and intuitive payment methods, from mobile smartphone wallets to wearables. That will see traditional POS systems become obsolete as payment technologies are integrated into an increasingly wide range of devices and experiences.

Amid this global transformation, it’s not hard to imagine that cash will become defunct. ATM withdrawals have already fallen among Australians

since peaking in January 2009 at a monthly average of just over \$600 per person. The number of transactions per ATM has been in decline for almost 20 years.⁵

In a world where watches, cars, fridges and coffee machines are payment-enabled, organisations that can harness the new technologies to deliver a better customer experience at a lower cost could gain an earlier competitive advantage.

Action points

1 Explore how the IoT could open up new opportunities for your business.

2 Consider whether in-app payments for services could provide more convenient experiences for customers.

3 Explore the potential of wearables to interact with customers and facilitate seamless transactions.

About the author



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About Cash-flow & Transaction Services

A specialised team with CommBank's Institutional Banking & Markets division, Cashflow and Transaction Services helps Australia's leading companies manage their working capital, international transactions and cash payments more effectively, driving business efficiencies and lowering their overall cost of capital.

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- 1 McKinsey&Company, The Internet of Things: Mapping the Value Beyond the Hype, 2015.
- 2 ACA Research, Telematics Adoption and Compliance Management in the Road Freight Transport Industry, 2015.
- 3 Future Market Insights, Asia Pacific Automotive Telematics Market Analysis and Opportunity Assessment, 2015.
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- 5 The Evolution of Cash – An Investigative Study, Australian Payments Clearing Association, 2014.

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