

COLUMNS

What will win the day for mobile wallets?

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Josh Glantz is senior vice president of Mobiquity Networks

By A LUXURY DAILY COLUMNIST

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Mobile wallets and mobile payments have been around since at least 2005. That is more than two years before the iPhone debuted for Apple. Bluetooth-based mobile payments were around in Europe even earlier. Why has it taken so long for mobile payments to achieve mass adoption?

The easy answer is that it is a combination of consumer trust or lack thereof, lack of standards, and complexity of platforms on the consumer handset side, the merchant side and the payment provider side. It is a big, complicated bowl of spaghetti, or at least an MC Escher drawing.

Pay off

A 2014 Bain Consulting report showed that mobile in-store payments are growing at 20 percent year on year but are still less than 10 percent in the United States.

Business Insider projects that number to climb to 15 percent by 2019 – almost \$1 trillion in mobile payments.

With that type of growth and its likely acceleration, there is no shortage of big players looking to stake a major position.

Interestingly, virtually none of these companies would have been on a similar list just 10 years ago. The current battle heating up includes a long list of acquisitions that will only continue to grow. The major players and a selection of their recent acquisitions include:

- ☒ Apple Pay
- ☒ Samsung (acquired LoopPay)
- ☒ Visa (acquired TrialPay)
- ☒ PayPal (acquired Paydiant)
- ☒ Google (acquired Softcard assets)
- ☒ Lifelock (acquired Lemon)

Because they control the device, Apple and Samsung certainly have at least one advantage in distributing their wallet solution.

Actual consumer adoption and growth, however, will depend more on the ecosystem within each. That ecosystem will have to include and, for most it, already does:

- ☒ Linkable payment options (credit/debit card linking, carrier billing option and EFT)
- ☒ Car/wallet-linked offers and coupons to drive usage
- ☒ Brand/retailer linked loyalty programs
- ☒ Reminders (nobody likes to make a purchase only to remember later that they had an offer/coupon in their wallet)
- ☒ Retailer adoption (this is not even close to universal yet and is a big hurdle to consumer adoption)

The history lesson aside, mobile wallet providers are rushing to add features and security to appeal to more consumers in this land-grab moment.

That said, mobile wallets in the most basic sense do not pay for products more easily or appreciably faster than cash or a credit card. They do not link to your credit card loyalty program any easier than your credit card does.

What they should be thinking about is what the consumer wants.

Don't discount the wallet

Going back to the list above, consumers want most of all coupons and offers. Mobile wallets are the perfect aggregator of offers. They provide a simple and elegant way to store and present those offers for ease of use. And they at least have the ability to deliver time and location-relevant reminders that an offer is available to claim or redeem.

A 2014 study by ecommerce firm MOZU asked consumers what mobile features they

wanted most when shopping in bricks-and-mortar retailers. The conclusion was that consumers want to receive relevant offer and discounts when they are in a store and even before they walk in a retail location.

Mobile wallets, devices and applications that can deliver on this consumer demand – theoretically in conjunction with brands and retailers – through a combination of predictive analytics and location-based marketing will win the consumer’s attention and grab share of wallet.

Of course, there will be naysayers who contend that trying to win a consumer’s loyalty through couponing and discounts will never breed true loyalty. That is probably true in this instance as well.

UNFORTUNATELY, WE LIVE in a post-loyalty world and mobile wallets and credit card issuers are just as exposed to this reality.

Imagine a consumer reaching for her Citibank Visa card while on a checkout line.

However, because the retailer has a beacon in its store or in the common area of the mall just outside their entrance, the consumer receives a notification on her phone with a reminder that Apple Pay or PayPal will reward them with a statement credit or that they have a linked offer waiting to be redeemed right there in that store.

The Visa card goes right back into the consumer’s wallet and out comes their smartphone.

Josh Glantz is senior vice president of Mobiquity Networks, Garden City, NY. Reach him at josh@mobiquitynetworks.com.

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