

FINANCIAL SERVICES

Why universal mobile wallets will eventually overtake retailers' offerings

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NFC will reign in the United States, according to Javelin.

By [Brielle Jaekel](#) of [Mobile Commerce Daily](#)

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Mobile wallets are slowly gaining adoption, but retailers' offerings are currently the winners because they can be easily integrated with loyalty programs, providing an incentive to use them.

Many experts believe that mobile wallets will continue to grow, and by the end of the decade, be universally adopted. Retailers such as Dunkin' Donuts and Starbucks are leading the charge in terms of brand-led mobile wallets and are seeing significant adoption rates while platform-led services such as Apple Pay and Android Pay mobile wallets are lacking in comparison, but will likely see more users in the coming years.

"For merchant wallets, the vested interest in making them work and the ancillary benefits around marketing data garnered from wider use creates a broader demand in an organization to put incentives to put them in place and the mobile wallet investments successful," said Joseph Walent, senior analyst of emerging technology advisory service at [Mercator Advisory Group](#). "In my opinion, the main reason for the drag in universal wallet space remains lack of acceptance, be it real or perceived, coupled with a lack of marketing effort beyond the initial setup the phone.

"While merchant specific wallets will likely top out in the next couple years, the usage of universal wallets will expand dramatically by the end of the decade," he said.

Loyalty and mobile

Retailers can leverage mobile wallets to shape consumer behavior by prompting them to come in stores and purchase with rewards and the process of earning rewards. Mobile wallets and loyalty offer incentives for using the program, therefore consumers are more likely to leverage retailers' mobile wallet programs as they have more to offer.

starbucks2

Starbucks mobile pay

The mobile wallet applications are highly beneficial to retailers beyond just rewards programs. Retailers now have the ability to garner a wide range of data to better serve consumers and have the capability to send push notifications and keep them fully connected.

"Mobile wallets are a highly effective customer engagement tool," said Danielle Brown, vice president of marketing at **Points**. "Through mobile wallets, marketers can reach consumers at the point of sale, through a channel that is most convenient and relevant to them.

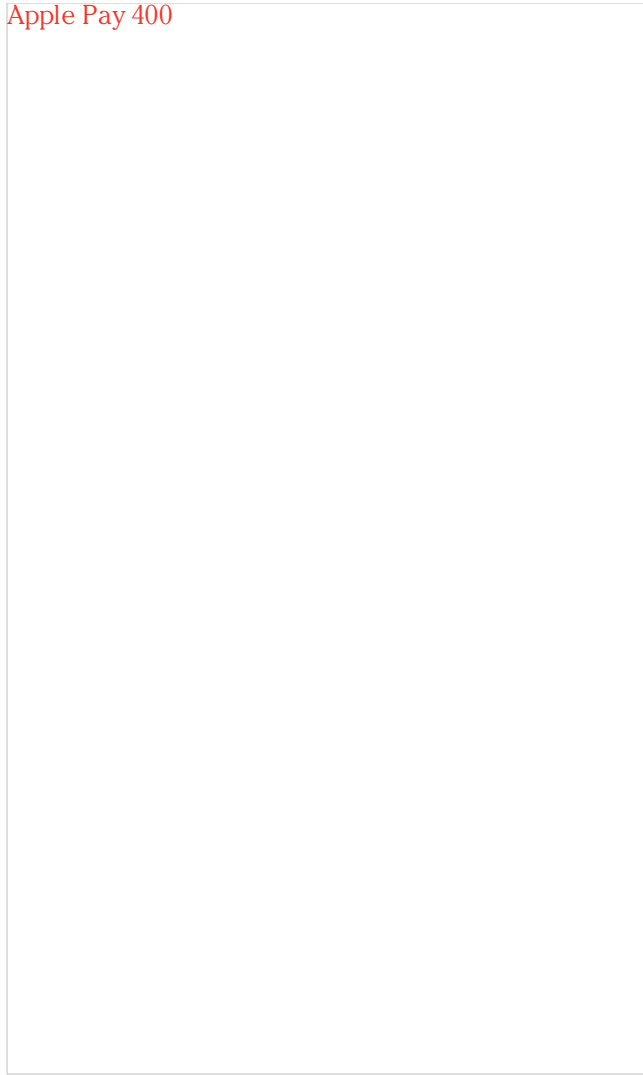
"Not to mention, the convenience of being mobile' enables marketers to target consumers with greater precision and deliver hyper-relevant offers through geo-location targeting," she said. "Additionally, when loyalty rewards are integrated with mobile wallets, they can be used to drive specific consumer behaviors.

"For example, marketers can incentivize mobile wallet use by incorporating existing loyalty programs and making targeted offers."

Millennials and mobile

Mobile wallets will likely see an uptick in consumer usage once all retailers have accepted NFC terminals and more NFC-enabled phones arrive on the scene. Apple is seeing growth with Apple Pay numbers, but mainly outside of the U.S.

Once consumers in the U.S. have gotten used to mobile payments and mobile wallets, there will be a drastic change with bricks-and-mortar retail. For now, the growth is steady and will likely see significant usage by 2020.



Apple Pay on iPhone

Another significant factor for mobile wallet adoption is millennials and their spending. Millennials are not spending and valuing deals and savings rather than purchasing, but they are the demographic most likely to take on mobile wallets as they are more comfortable with technology.

As millennials grow older in age and become more comfortable with spending, mobile wallets will likely see greater adoption.

"Mobile wallets are growing steadily, Apple just reported some fairly strong results, particularly in non-U.S. markets," said Thad Peterson, senior analyst at [Aite Group](#). "Growth will continue as the next generation of NFC-enabled phones come online and as NFC-capable terminals are installed. It's not going to be a hockey stick' growth rate, look for steady growth until around 2019-2020, then usage will ramp up.

"We need three things to enable mobile wallets," he said. "Critical mass of NFC-capable terminals at POS, critical mass of NFC-capable smartphones and millennials to move into a spending phase of their lives.

"Once those pieces are in place, mobile payment growth will accelerate."