

COLUMNS

## The battle for Mr. Costanza's exploding wallet

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By [Barry Schwartz](#)

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It seems Madison Avenue and Main Street is both converging on Mr. Costanza's wallet.

Everywhere you turn in the press, there are debates on the impending mobile wallet. Free George from his back pain. Free George of his exploding cowhide wallet. Free George of his "filing cabinet" packed with coupons from Florida-area Exxon station, miscellaneous foreign currency and receipts.

But does Mr. Costanza want liberation? There is no question that digital convergence has eliminated much of our wardrobe and 1990s gadget collection. It starting with our wrist watch, it has moved to our instant camera and photo album, calculator, rolodex, pocket diary, dog-eared map, Gameboy, virtual cosmetics bag, and banking ATM.

### Appdom wallets

Apple's application strategy has empowered garage developers worldwide to create a virtual version of nearly all thing-a-ma-bobs known to the consumer. Apple's SDKs have accelerated Apple's dominant position as the aspirational handheld in large part on the back of this rummage sale of digital content.

Some of these apps do emulate various folds of the cowhide wallet: coupon clipping

apps, banking apps, money transfer apps, affinity punch apps, giftcard apps and Starbucks stored value apps.

But unlike George's wallet, this wallet functionality is neatly stored in phonetop folders, one-click away from opening into the digital cloud and beyond.

The solutions are exciting and feature-rich, but studies show that consumers are only prepared to use between five and 10 mobile apps – many of these being game or non-commerce utility solutions. The reality (Mr. Costanza would protest and I would hazard a guess even Jerry would back him up) is that George's existing wallet performs many of these tasks and, in many cases, is closer than a click away.

### G-Wallet

Enter Google Wallet, ISIS (the AT&T, T-Mobile and Verizon payment consortium) and a proliferation of wallet businesses vying for George's attention.

Now the pitch was more focused – one central wallet that can tap on the cash register using contactless NFC technology to pay, redeem store loyalty point, accumulate coupons, and other currency all in one place on your phone.

The phone wallet can securely hold your credentials allowing Visa, MasterCard and Discover to enable card-present transactions. It also allows for your health card, Social Security number and driver's license to live behind this NFC tap. It allows for tap-to-enter at the metro, tap-to-open your front door and tap-to-unlock secure data.

That is the pitch.

Tap-to-buy at the cash register seems one of the most exciting services. Google and ISIS commercials show tap shoppers happily tapping all about town.

The reality is that Tom's Diner, where George and Jerry debate the future of the wallet, will not have a NFC wallet reader for a long time.

Only a miniscule sliver of the U.S. point-of-sale is open for contactless payment. VeriFone and other stakeholders in the value chain are working hard to provide the hardware to allow for Retail America to tap-and-go, but we are years away.

Both Apple and Google and the disenfranchised wireless carriers want to be in the wallet. That is where companies will make their fortunes over the next decade. In a world where media companies are demanding more context and attention on their digital advertising spend, the wallet is the new media mecca.

Battle is not for the wallet . . .

Although pundits debate trading the cowhide wallet for the phone, the 2011 consumer has already more than one wallet.

Every time we store a credit card on a Web site, we are creating a new wallet and a new check-out relationship.

Many of us have an iTunes account, Amazon one-click check-out, PayPal account,

Starbucks app, peer-to-peer e-payment functionality with our bank. Even our carrier bill is a wallet that the consumer can bill against for digital ringtones and virtual chickens on Farmville.

The battle is not for the wallet. The battle is to be the check-out of choice.

Study after study shows that the driver of mobile commerce adoption is convenience and the inhibitor of mobile commerce is trust.

The winning solution will be the wallet that is closest to the mobile consumer's point-of-decision. The winning wallet will allow for an impulse purchase with minimal interruption and ultimate fluidity.

Finally, the winning wallet will debit and credit from trusted brands whose logos are proudly laminated on retail doors across the United States.

Tap-to-buy NFC wallets are superbly elegant, but are in early trials and do not have the ubiquity to be seamless and shopper friendly.

Isolated apps on the desktop are function-rich, but not centralized or standardized and, in many cases, are lost on the phonetop.

Amazon's Kindle Fire is paving the way.

The device is a game-changer as it has bundled its one-click checkout with a commerce portal and made it both affordable and small enough to be carried into the mall. Amazon is perhaps the closest to the checkout-of-choice for shoppers.

Quick check out, unit cost and size are all factors that will drive adoption. And while we wait for the store to read our phones at the cash register, the final factor that will win the shopper is always on, always ready check-out in the digital cloud.

The Cloud is where it is at

☒ Amazon will win because its Kindle Fire wallet is bundled with a store. It has convenient form factor with a frictionless check-out in the digital cloud wherever and whenever you need.

☒ Apple will win because it already has a cloud wallet called iTunes. It will dominate if it can expand this wallet to enable NFC card-present checkout in the digital cloud.

☒ Google will win if it moves its wallet focus away from bricks-and-mortar and focuses on its strength across all screens in the cloud.

☒ Visa will win if it can leverage its investment in PlaySpan to create a quick password-based checkout eliminating the clumsy number entry that leads to abandoned shopping carts on the small screen.

PayPal, CorFire, Billing Revolution, Admeris and countless others will win if they can emulate the impulse nature of the handheld.

Mr. Costanza, what do you think?

*Gary Schwartz is CEO of Impact Mobile, Toronto, and author of "The Impulse Economy" (Simon & Schuster, 2011). Reach him at [gary.schwartz@impactmobile.com](mailto:gary.schwartz@impactmobile.com).*

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