

COMMERCE

Why mobile wallets are the new credit card

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By RIMMA KATS

Technologies such as NFC and mobile applications including Google Wallet and Passbook are changing the way consumers pay for goods and services, and many times, making shoppers reach for their smartphones to pay rather than their credit card.



Over the past year, more consumers have been using their mobile devices to not only comparison shop in-store, but also shop via their handset. Furthermore, this has been recently evidenced during Thanksgiving Day, Black Friday and Cyber Monday.

“The new mobile wallet enabled by smartphones is more than just a credit card – it can improve your entire shopping experience,” said Peter Olynick, card and payments practice lead at Carlisle & Gallagher Consulting Group.

“Our mobile wallet survey found that 48 percent of consumers are interested in alternative payment options and 27 percent are interested in using technology such as smartphones and tablets to enhance their overall shopping experience,” he said. “Within five years, half of today's smartphone users will be using mobile wallets as their preferred payments method.

“There has definitely been an increase in the number of the mobile wallets being offered. At CG, we are currently tracking over 20 mobile wallets, most of which were only introduced in the past 2 years.”

Mcommerce evolution

Mobile wallets are becoming a thing of the future.

Take Starbucks' mobile payments app, for example. The app lets consumers pay for goods and beverages using their handset. It is not only convenient, but popular.

Earlier this month, the coffee giant announced that it has processed more than \$2 million mobile payment transactions.

Furthermore, look at Google.

Although Google Wallet is limited to a small selection of devices, consumers are able to store their credit cards and loyalty cards and then tap-to-pay at the point-of-sale.

"A good mobile wallet has all your credit cards on file. It is simply a more convenient way to purchase and manage payment options," said Chris Mason, CEO of Branding Brand. "Mobile wallets and checkout will continue to gain popularity, if they can increase conversion and convenience.

"Shortening the path to purchase is critical, especially on smartphones, and we've improved conversion as much as 50 percent by doing so," he said. "Customers are becoming increasingly comfortable buying goods and services on their mobile devices. And it's not just small-ticket items. Last weekend, we saw multiple thousand-dollar purchases. On Thanksgiving, someone placed a \$3,213 order via their phone.

"It's currently a land race. Buy-in is one thing, but the mobile platforms are the true gatekeepers. It's all about brand relationships and ability to implement."

Gaining traction

According to Wilson Kerr, vice president of business development and sales at Unbound Commerce, Boston, mobile provides a new engagement tool for smart retailers and brands, but consumers are not ready to start making large purchases via mobile.

"Payment by credit card is deeply entrenched and it is not hard," Mr. Kerr said. "There is no app to download and open, no password to enter and no power source required.

"Until paying with your smartphone is easier than paying with a credit card, adoption will be problematic," he said. "What we have seen is a rise in the popularity of articles about mobile wallets, but not any real change in consumer adoption of the few options that exist.

"Mobile commerce is on the rise, but this is not the same as mobile payments."

Companies such as Square have shown that mobile can be a facilitator regarding the use of smartphones by small retailers as cash registers to collect payments.

"But, again, this is not the same as using your phone like a wallet," Mr. Kerr said.

"Consumers are comfortable using their mobile devices to shop and pay for products via mobile commerce sites designed to meet their needs but, no, consumers are not yet comfortable with using their phones for payment at point of sale for physical goods.

"Again, it's just too difficult to try to change behavior when the shift is to a new behavior that is more difficult than the one in place," he said. "Smart retailers will use the bridge opportunity provided by preloaded gift cards to ease consumers into mobile payments via their smartphone.

“Starbucks is the only large company to do this with any real success and this is likely because the average transaction is in the \$4-\$6 range and consumers are used to loading \$20 or \$30 on a card and then whittling it down. Since Starbucks is an everyday purchase for many, users can become accustomed to opening an app while they wait in line and having credit deducted when they pay. This is very different from actually paying for an item with their mobile phone. The difference is subtle, but these subtleties are important when understanding consumer behavior.”

Final Take

Rimma Kats is associate editor on Mobile Commerce Daily, New York

I thought on “Why mobile wallets are the new credit card”

1. **ΤΕΧΝΙΚΟΣ** says:

February 2, 2014 at 9:11 am

I'm amazed, I must say. Rarely do I come across a blog that's equally educative and interesting, and without a doubt, you have hit the nail on the head.

The issue is an issue that too few people are speaking intelligently about.

I am very happy I stumbled across this in my hunt for something concerning this.

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