

MOBILE

## Why the mobile wallet will reign in 2013

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By RIMMA KATS

Technologies such as Google Wallet and Apple's Passbook are replacing traditional forms of payment. With consumers increasingly becoming more comfortable making purchases both big and small, there is no doubt the mobile wallet will make an even greater splash this year.

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**Luxury Daily**

The mobile commerce space took great strides in 2012. Although there will probably never be a universal mobile wallet, companies such as ISIS, Apple and Google are investing a lot of dollars into the space.

"Consumers increasingly trust their smartphones, and apps will allow consumers to replace payment and store-specific loyalty cards they carry in their traditional wallet or purse," said Wilson Kerr, vice president of business development and sales at Unbound Commerce, Boston.

"A single repository, as long as it is secure, makes a lot more sense than carrying around the typical mess of loyalty cards, credit cards, gift cards, debit cards and ATM cards," he said.

"Saying that your phone will replace cash or talking about a cashless society hurts the cause, as this turns people off to the concept, as it's an extreme stance that's a long way off in the future."

### Mobile payments

According to Perception Research, 76 percent of smartphone owners use their devices while shopping, and showrooming shows that consumers view their smartphones as a tool for discovering product pricing online.

Smartphones are becoming the norm.

Consumers are using their mobile devices to not only price compare while in-store, but to also make purchases.

Furthermore, marketers such as Starbucks, McDonald's and Dunkin' Donuts are seeing the importance of mobile and have unveiled their own mobile payment apps to drive consumer engagements.

"Mobile payments in-store are likely not far behind," Mr. Kerr said. "Still, physical credit card usage is a deeply entrenched behavior.

"The shift from mobile discovery to in-store payments will take some time, but we can look to online purchases as a lesson in how fast this can occur," he said.

"Consumers did not trust a Web site to store their credit card information not too long ago."

It is because of companies such as Amazon, PayPal, Google and Starbucks that consumers are getting comfortable using their mobile devices to make purchases.

These companies are providing single-click online checkout services that speed the process for consumers for both mobile and standard Web sites.

This is a key piece to the mobile wallet puzzle.

"If you can make something easier, consumers will adopt the behavior change," Mr. Kerr said. "Starbucks is the gold standard in this regard and Google, PayPal and others are coming on strong.

"The credit card companies need to step up and lead, as these names are trusted and the point-of-sale equipment is in place," he said. "As long as retailers and brands infuse utility and obvious time-saving tools that serve as the tip of the spear, the mobile wallets concept will advance.

"If, on the other hand, the public is buried in an avalanche of mixed messages from start-ups all seeking to capture a rev-share by serving as the app-based intermediary or preached to about a cashless future, adoption will slow. Watch for NFC to play a big role."

On trend

According to RSR Research's latest survey on payments and mobile, 44 percent of respondents report that their current primary form of payment accepted is credit card, but 20 percent of respondents expect that some form of digital payment, including mobile, will be their primary form of payment in three years' time.

Furthermore, retailers report that their top two business challenges around payments are the current uncertainty that exists around digital payment standards – including mobile, 64 percent – and the speed at which consumer mobile technology changes and the implications that has for payments – 63 percent.

Additionally, 75 percent of survey respondents anticipate that the biggest internal barrier to mobile payment adoption is going to be integration with their legacy point-of-sale systems in stores.

"The payment networks get the most credit for leading innovation in payments, followed by Google and PayPal," said Nikki Baird, managing partner at RSR Research. "But the payment networks are also overwhelmingly tagged as the biggest inhibitors to innovation, followed by mobile network operators such as AT&T and Verizon.

"Over two-thirds of respondents say that they are waiting for the dust to settle from fights among bigger players like Google and Apple before they'll feel comfortable making any significant investments in digital or mobile payments," she said.

"And 50 percent of respondents say that they either have no plans to invest, or they would like to make some investments in mobile payments, but don't have any budget allocated to it yet."

There probably will not be a mass mobile wallet adoption happening in 2013, but the industry will definitely see growth, per Tom Nawara, vice president of Acquity Group,

"There are still too many hurdles to consumer and merchant adoption," Mr. Nawara said. "Consumers continue to be confused by options and nervous of the security issues and for those systems that require it, necessary hardware is still not at a critical mass in either smartphones or POS systems.

"Also, the value-add of current mobile wallets hasn't overcome the relative simplicity of a credit card transaction," he said. "Although there will continue to be many players in the mobile wallet space in 2013, we will start to see consolidation as players drop out or get bought up.

"Based on current momentum, I believe Apple's Passbook is going to be the primary mobile wallet that consumers see and use in 2013.

"Consumers will become more and more comfortable with the idea of mobile wallets through the use of things such as initial Apple Passbook functionality and the Starbucks mobile app, and we'll see mobile wallet technology and the accompanying user experience continue to evolve. Look for mass adoption to happen sometime around 2015."

Final Take

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