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COLUMNS

Carriers blew their chance with mobile wallets. Next up: wearable wallets

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By Drew Sievers

The other day I was thinking about how much – or how little – progress that wireless carriers have made in the world of mobile payments. After all, they have been at it for going on seven years.

Originally – this would be back in 2006 – the carriers dipped their toes into mobile payments via a loosely affiliated network strategy. That lasted for almost three years with essentially nothing to show for it.

Then, in late 2010, the carriers announced ISIS, a joint venture that over time pivoted from a payment network to an issuer platform, and then to a mobile wallet provider. It is now a few years later and ISIS still is not a national program, let alone anything resembling the standard for mobile payments.

ISIS, not crisis

Now, most of us in the non-carrier-affiliated world suspected that the carriers would struggle to pull off their vision.

Simply put, payments are not easy, regardless of whatever technical moat or monopoly you may have. But the lack of carrier progress for the past half-decade has surprised even the most rabid carrier cynics.

So, here we are, nearly seven years later, and I think that carriers had their chance and blew it. Here is why.

As exciting as mobile phones are – and trust me, as a former CEO of a mobile banking and payment company, I have had a decade-long infatuation with the technology – I am here to say that I think mobile phones are not the sole future of payments at all.

Nope. I am going to have to push my money into the wonderfully hyped, bubble-esque world of wearable technology.

Now, I am not interested in devices that count my heartbeats or allow me to create a more meaningful relationship with my dog. Actually, on a personal note I am interested, but not professionally.

Instead, I am fascinated by the promise of value stored inside of wearable technology, or what I like to call the wearable wallet.

Touch of money

I actually thought I coined this term until I did a Google search and it yielded 1.5 million results. Of course, many of those results were flogging a neck tie with a built-in coin purse, so at least I feel good about being somewhat early to the party.

Anyway, with the wearable wallet, identity and value become movable, shifting between your physical wallet, your phone and any number of wearable devices.

Why should I have to whip out my phone when I can just touch a contactless ring, watch, button, cufflink or bracelet to the point of sale to make a payment?

Do not have a contactless point of sale? No problem, my smartwatch displays a bar code that serves as my payment method, using dollars, reward points or even crypto-currencies to settle the payment.

Critics scream that "Someone will cut off your finger or hand to get that payment device." I answer, "No they won't," because I will freely give a mugger these devices the same way I would give them my wallet, phone or laptop.

Besides, lopping off limbs is not an easy way for a criminal to get what they want. One would have to graduate from simple mugging to human mutilation. I do not see that happening en masse.

Capital requirements aside, moving into wearables is a far easier proposition in some ways than trying to break through the carrier-controlled mobile hegemony.

Is it possible that some other company would try to act like the carriers, demanding a piece of a transaction that they do not actually process?

Possibly, but the barriers to entry for wearables are much lower than those held by the carrier monopolies, which means that solutions pushing too much friction into the process will likely never gain mass market adoption.

Watch out

There will be, of course, security concerns in any new technology, but I have no doubt that it is far easier to solve new wearable wallet security problems than it is to solve all the inherent problems with carrier-controlled mobile payment schemes.

Companies large and small are already moving into the wearable wallet space.

Bionym, a Canadian startup, has created a wristband that acts as a secure Bitcoin wallet.

Google, of course, has also moved into the fray with Google Glass, whose price ensures that it will not become a standard anytime soon.

And then there is Apple. There has been plenty of news about its possible move into the emerging smartwatch category.

Most think that Apple's iWatch, as pundits call it, will be a health-focused piece of hardware. That may be true, but a payment vehicle that they can control without involvement from wireless carriers makes a lot more sense to me, particularly if it is tethered to your iPhone and then connects to an iPad point of sale.

ULTIMATELY, WELL-EXECUTED wearable wallets can improve customer security, reduce skimming fraud, increase checkout line throughput, simplify award redemptions and lighten the soon-to-be obsolete wallets we carry today.

By spreading our ID and payment needs across multiple devices, e.g. a ring for credit, a watch for ID and loyalty, and a phone for re-load or balance checks, we reduce our dependence upon a single entity for our mobile payments needs.

And in this case, our gain most definitely comes at the carrier's expense.

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