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## Mobile Wallet Adoption Slow to Take Off!

### Prediction from an Article in June 2012

In April 2012, some 48% of U.S. consumers surveyed online said they are very interested in mobile wallets.

### Fact

As of today, only 13% of U.S. adults have actually installed a mobile wallet application on their smartphone and 76% of those who have it, have never used the application.

### **As Winston Churchill said so eloquently:**

*"I always avoid prophesying beforehand because it is much better to prophesy after the event has already taken place."*

The many early predictions about mobile (digital) wallets have yet to become a reality. After initial high interest in the technology among consumers, today the extent and level of consumer and merchant adoption and enthusiasm thus far has been rather muted. Digital wallets, which were supposed to store and combine credit cards, debit cards, cash, loyalty cards and coupons, have not been readily accepted by U.S. consumer base. *Only 13% of US adults have installed a mobile wallet application on their smartphone AND 76% of those who have a digital wallet on their phone, have never used it.* Who would have thought there would be such a low level of consumer adoption at this point? Yet, despite these statistics, Apple, Google, major banks and others continue to heavily invest this area of commerce.

The Gallup organization recently released some interesting facts about mobile wallets, and two overarching themes emerged from their research: Consumers want easy access to their payment history and past transactions and they want to dispense with having multiple credit and debit cards. Most importantly, they only want ONE digital wallet to do all of it. This is the main problem now confronting the payments industry. There are too many options and too many closed loop or limited use mobile wallets out there and they are all competing for the same consumer. The consumer wants one fully integrated wallet and merchants do not want to have multiple acceptance systems for different wallets.

Consumers want a mobile wallet that exhibits ALL, not just one or two, of the following attributes:

- Security of their payment information
- Ease of use and technology
- Ubiquity of any payment type/brand
- Ubiquity to by all merchants

- Rewards tied to all spending (not just for one merchant)
- Transactions as fast as ones done with a plastic card.

So far, no company has been able to deliver all of this. Moreover, consumers are clear on this: They do not want multiple, different mobile payment applications on their devices, as they see a 'Payment' as the same process everywhere.

Merchants, for their part, want to be able to accept any and all types of mobile payments, just like any payment method, but their needs are different than those of the consumer. Likewise, mobile acceptance technology must exhibit ALL, not just one or two, of the following attributes:

- Security of their payment information
- Ease and speed of payment acceptance
- Ubiquity to any payment type/brand
- Seamless technology that integrates into their current POS platforms
- Transactions as fast as those via a plastic card.

Currently, no solution delivers all of this. Merchants are clear on this: Just as they now scan ANY plastic payment card on one device, they do not want to invest in and install multiple mobile acceptance equipment and technologies. Just like consumers, they want a 'Payment' to be the same process everywhere.

The Gallup research points to Apple Pay as an example of the problems encountered by digital wallet providers. Apple Pay has been heavily marketed, not just by Apple, but by the credit card networks, card issuing banks and retailers who accept Apple Pay. *Astonishingly, only 6% of mobile phone users (in the Gallup survey) stated that they are likely to start using Apple Pay in the next 12 months.* Additionally, for actual iPhone users, representing a 48% share of the mobile phone market, only 21% of them have used Apple Pay, according to the Gallup research. With that being said, Apple Pay still has a much higher adoption rate than PayPal or Google's application.

There seems to be little urgency among consumers to use mobile wallets on a regular basis. As a result, merchants have been hesitant to commit to any one mobile wallet. However, as stated earlier, this has not stopped technology companies, banks, credit card companies and others from investing substantial assets into mobile wallets. They all seek the same outcome: consumer AND merchant adoption. Every new entrant into the market believes that they have solved the Rubik's cube of mobile wallet adoption, but no one truly has at this stage.

There is no doubt mobile and digital wallets will continue to emerge and be integrated into our economy and commerce systems. However, they will not revolutionize the retail landscape. We exist in a world where any payment type is accepted almost everywhere. *Consumer preferences are not driven by how a payment is made; they are always determined by the product and service being offered by the merchant.*

The necessary flushing out in the mobile and digital commerce space is yet to be completed. Many payment platforms and applications have come and gone and many more will likely share the same fate. Companies like Google, Square and many others can attest to the challenges that still exist to mobile and digital wallet adoption.

As a merchant who may be evaluating whether to accept mobile wallets and/or which digital wallet they should accept, it is important to evaluate this decision within the context of their own individual payments and business environment and how that may evolve in the future. What may seem to make sense now may turn out to be a poor ROI decision a year from now. Patience and trepidation should guide your mobile payments-related decisions at this time.