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MOBILE WALLETS | *Transaction World Magazine* | February 2014

How Much Will Individual Retailers Get to Control?

by David Parker

So the headline numbers have been published: "The Global Mobile Wallet Market is Expected to Reach \$5,250 Billion by 2020" according to Allied Market Research." And so has the news about Starbucks: "More than 10% of Starbucks U.S. transactions are now made with a mobile device. The Starbucks mobile app processes more than 4.5 million payments a week."

Is Starbucks an exception? In the wallet wars that are coming who will be the winner -- existing schemes, new wallets or single/multi-retailer wallets? In the US we have seen multi-retailer wallets such as MCX launch, although only in the US. We are also seeing new players like ISIS and of course a host of Mobile Network Operators coming to the market with their offerings.

Starbucks is often held aloft by many as a beacon as to "what a retailer can create", much as MPesa in Kenya is held in high esteem as beacon as to what Mobile Money can deliver. Certainly the Starbucks solution is great -- no more digging for change or searching for lost gift cards while standing in line.

The retailer's mobile app offers customers free rewards for using the app to prepay for future coffee purchases by loading a mobile gift card, completing purchases in-store and send e-gift certificates to others through the app. Users can also find stores using a phone's GPS, keep track of favorite drinks, view store hours and see menus. The app was created to reduce in-store waiting time, resulting in higher average tickets and to integrate their loyalty program on mobile and social media, and it has certainly done all this.

But in a recent article I saw posted on "10 great examples of mobile use in retail from around the world," I note that not one of them actually uses a mobile wallet by a retailer to make the payment. In fact most did not use a payment capability at all within them and those that did reverted to the tried and tested providers:

Pizza Express

The app allows the user to pay by PayPal in-store rather than waiting for the waiter.

B&Q

Offers exclusive discounts on various products.

Meatpack

Meatpack is a shoe store in Guatemala and uses GPS technology to detect users of its app when they were in competitor's stores, sending them a message with a discount. It would start at 99% and drop by 1% every second. So, the faster users got to a store, the better the discount.

Walmart

Scan & Go, a feature on the Walmart app, allows users to scan merchandise in certain stores and pay using normal means at a self-checkout counter.

Target

The app has some useful features which are designed to encourage people into stores and make their experience more enjoyable including special offers.

Amazon

Very strong app for shopping with an easy payment (account and payment details are stored so no awkward data entry), synchronized shopping baskets across devices, and a barcode scanner for quick price comparison; but still using existing payment solutions.

Moosejaw

Staff POS-enabled to take card payments on MPos in store with them seeing up to 70% of in-store transactions taking place via the iPod touch devices

Carrefour

French retailer Carrefour recently introduced a mobile app designed to enhance the in-store experience for the Chinese market. The app uses location sensing technology, a social shopping list, and an ad system that enables retailers to engage with their customers while in store.

Parkway Parade/Sprooki

Parkway Parade is a shopping mall. Customers receive proximity-based alerts of the shopping mall then as well as receiving alerts and browsing products and offers, customers can purchase the products and services on the spot, through their phone and redeem immediately at participating stores, using traditional payment mechanisms.

So rather than Starbucks being the example for others to follow, perhaps Starbucks should be recognized as while not unique, one of only a few retail businesses for whom a dedicated mobile wallet just for themselves is worthwhile. If we consider what the Starbucks business it has three key points about it;

- *Low-value transactions, typically sub \$5.*
- *High frequency -- some people I know go there two, three, even four times a day.*
- *Highly loyal customer base.*

There are relatively few businesses that meet these criteria, although it is noticeable that several quick-service restaurants (fast food to you and me) have recently joined the bandwagon: Subway, Checkers/Rally's, Sonic and Taco John's. In the UK and Ireland Kentucky Fried Chicken has ramped up its mobile payment ambitions but through a new initiative with PayPal, not by trying to have their own wallet.

The key questions are how many wallets a consumer will want and how many different places they will want to preload their money? What if the store that they want to go to that day they doesn't have enough money preloaded on that app – as their funds are spread around all their other phone-based wallets? After all in today's economy where money is tight for most people how many consumers want their money spread around the place limiting where they can spend it?

And this, in Polymath's view, is the crux of the issue. Consumers do not mind pre-loading a wallet they use at least once every day if not more like a Starbucks, but will consumers want to load all of these single-retail wallets and end up with money spread around like confetti. Consumers yes want ease and speed of checkout, but they also want acceptance. A simple/single solution they can use everywhere.

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Visa/MasterCard – and to some extent brands like Amex and Discover – have realized this and spend a lot of time ensuring customers can use their products wherever they desire. I know for one searching through twenty wallets or so to find how much I have on each one at the end of the month, to work out where I can go and eat is not my idea of fun. Just give me a single wallet I can use where I want. Make it simple, make it quick, but also make it accepted everywhere. ■

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