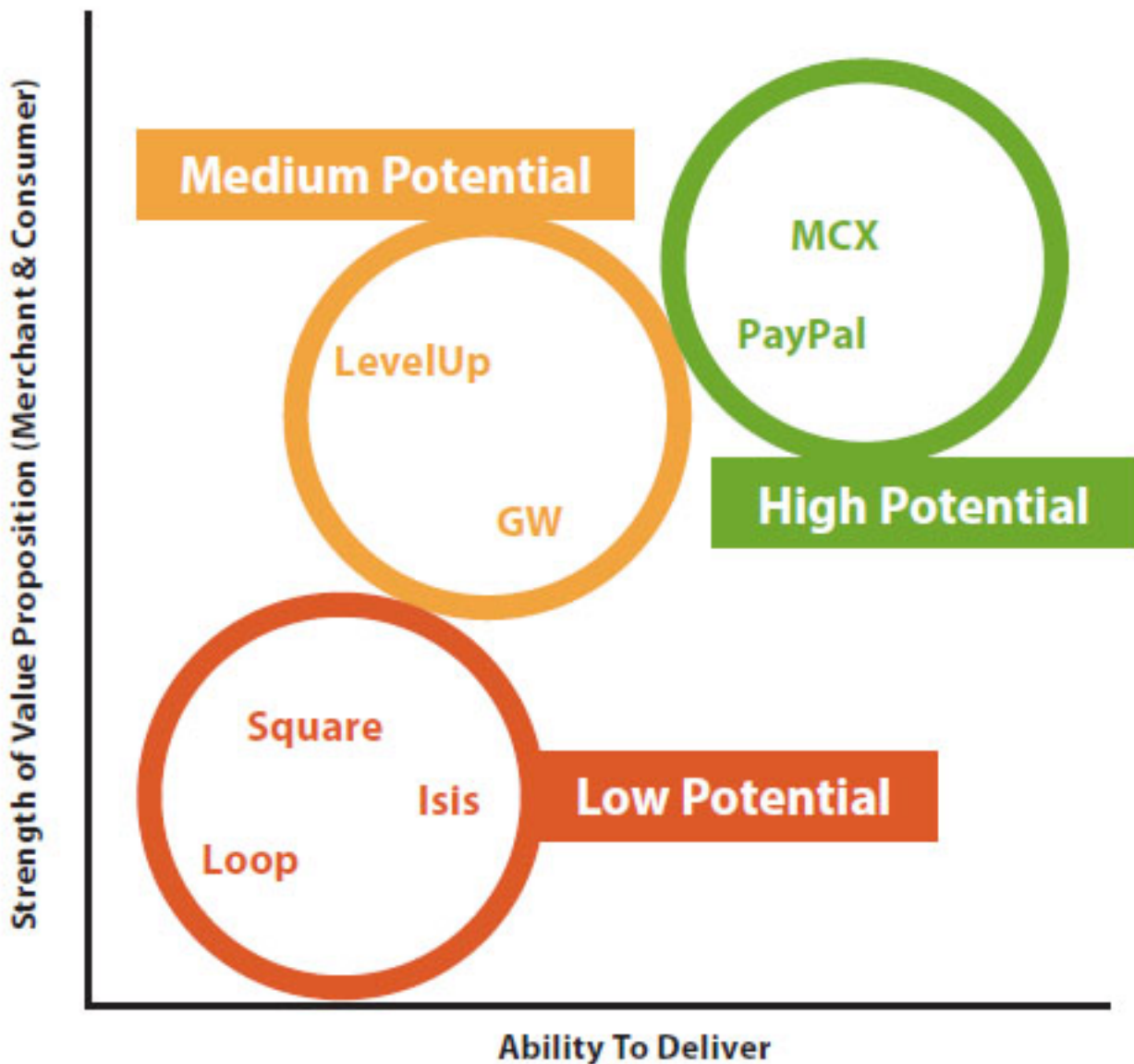


Mobile Wallet Solutions Get Mixed Grades in Muddled Market

Andrew Berg

Exhibit 1: PayPal and MCX Are the Best-Positioned Wallet Contenders

Source: Yankee Group, 2014



Over the past couple weeks, we've been taking a look at mobile payments and the on-going quest for the mobile wallet. Last week, we reviewed the [Incipio CashWrap](#) [1], a case that enables the iPhone to make NFC-based payments. Before that, we took a look at the [Loop MobileWallet and fob device](#) [2], which turns any magnetic strip Point of Sale (PoS) unit into a contactless payment reader. And while each had its merits, we're still not quite ready to leave the house without our plastic.

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Published on Wireless Week (<http://www.wirelessweek.com>)

The mobile wallet is an idea that seems to eternally be 12 to 18 months out, but not for lack of interest. According to a recent Yankee Group report, fully two-third of consumers surveyed are interested in mobile wallets. However, just 16 percent of mobile device owners have used their phone to make an in-store payment in the past three months.

Small change

The Yankee Group report, compiled by Analyst Jordan McKee, predicts an inevitable "wave of consolidation" and rates the chances of success for various players in the industry. After reading through the report, one thing is for sure, it's no longer so much about who has the best technology but who has the scale to make it cheap, as well as the right backing and partnerships.

For instance, Loop's tech, as we noted in our review, does not require any new infrastructure and claims it works at roughly 90 percent of merchants. Still, Yankee Group found fault in the solution's cost, giving it a rank of 'low potential,' on a scale of low, medium and high. The Loop fob costs \$35, while the forthcoming case solution is pegged at \$100. The Yankee Group report claims only 1 in 10 consumers are willing to pay to use mobile payment services.

However, the deeper problem Yankee Group cites when it comes to Loop is that Loop "adds no value beyond the transaction."

"Without contextually relevant offers and deep loyalty integration—which will require merchant buy-in—Loop is no better than the wallet in your back pocket," the report states.

What's worse is that while the report supports the use of today's magnetic stripe technology, it concludes that the switch to new NFC-capable PoS systems is already underway and will ultimately be a solution like Loop's undoing.

Playing with the Big Kids

So which solutions have 'high potential' according to Yankee Group? MCX and PayPal landed in this category. They're mature technologies with built-in customer bases and major backing.

For instance, MCX now represents 59 merchants, more than 110,000 store locations and 30 percent of consumer spending volume, "truly making it a force to be reckoned with in payments."

And then there's PayPal, which Yankee Group points out is the most used mobile wallet by consumers, with 15 percent of Yankee Group survey respondents having used it to make a purchase in a store in the past month. PayPal is also the top entity from which consumers would be most likely to use a mobile wallet, with a commanding 49 percent of respondents claiming they would do so.

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First out of the gate

Interestingly, ISIS, the joint venture formed by AT&T, T-Mobile and Verizon, is in the same 'low potential' category as Loop for its lack of ecosystem. Isis is struggling to make a case for deploying SmartTap PoS terminals, which merchants must purchase to enable offers and loyalty redemption.

"Without SmartTap merchants, Isis is merely a cumbersome, mobile version of a contactless credit card," Yankee Group concludes.

And what about Google Wallet? Yankee Group says 'medium potential,' citing that just 4 percent of consumers have used it for an in-store transaction in the past month.

"More troubling, Google continues to lose money on every single transaction as a result of its hybrid NFC/cloud payment architecture," Yankee Group notes. "Until recently Google's days in payments looked very numbered, but a slew of announcements in the past four months lead us to believe it may be back on track."

This is a game that is still playing out and even an extensive report like Yankee Group's may not be able to foresee just exactly how and when the mobile wallet see real adoption. One thing is for sure, you might want to hang onto your cards, at least for the time being.

Source URL (retrieved on 01/30/2015 - 4:39pm):

<http://www.wirelessweek.com/articles/2014/03/mobile-wallet-solutions-get-mixed-grades-muddled-market>

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[1] <http://www.wirelessweek.com/articles/2014/02/review-cashwrap-case-no-replacement-iphones-lack-nfc>

[2] <http://www.wirelessweek.com/articles/2014/02/review-loopwallet-bests-nfc-alternatives-least-now>