

# NEW MOBILE WALLET PAYMENT TECHNOLOGY: LOTS OF PROMISE AND GROWING PAINS

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A combination of the desire to reduce card fraud and the popularity of smartphones has led to the emergence of “mobile wallet” solutions for point-of-sale (POS) payments. However, the payments industry remains in the midst of the “mobile wallet wars,”<sup>1</sup> as market entrants battle it out to see which technology approach and provider or providers will carry the day.

Mobile wallet is consumer-to-business payment technology that’s been around for several years but has become more widely known since the release of Apple’s iPhone® 6/6 Plus and the ensuing introduction of the Apple Pay™ mobile wallet that the new phones support. Apple Pay uses near-field communication (NFC) technology that enables consumers to wave or tap their phones at a retail POS terminal to pay with a credit card that’s been loaded onto the device. A number of notable retailers, including Walgreens, McDonald’s and Macy’s, now offer Apple Pay at around 700,000 locations as of March 2015.<sup>2</sup>

Mobile wallet is seen as a way to reduce credit card fraud, since in most models credit card numbers are protected through tokenization. In addition, by 2020, 80 percent of the world’s adult population is projected to have smartphones,<sup>3</sup> and few people, particularly the younger generation, leave home without their phones. Thus, increasingly, paying with a smartphone will offer most people a fast, convenient payment alternative: With a mobile wallet, you can literally leave your leather wallet

or purse at home but still make purchases as long as you have your phone.

The challenge with mobile wallet is that “there are so many players offering so many different solutions — and so many questions about compatibility and security.”<sup>4</sup>

## COMPETING MODELS

In addition to Apple Pay, which offers biometric (fingerprint) authentication, here are brief reviews of four other prominent but still-developing mobile wallet options.<sup>5</sup>

### SAMSUNG PAY

To strengthen its offering, Samsung earlier this year acquired LoopPay. Like Apple Pay, Samsung Pay™ allows consumers to tap their phones (either a Galaxy S6 or S6 Edge) at NFC-enabled terminals and authenticate purchases with a fingerprint sensor. However, unlike Apple Pay, Samsung Pay also works on standard magnetic-stripe terminals, making it usable at many more locations.

### ANDROID PAY

This is an NFC/fingerprint system similar to Apple Pay that stores credit card information to let consumers make payments at supported POS systems as well as within certain apps. Android™ says it will soon work at more than 700,000 locations and within more than 1,000 Android apps. Android Pay™ works with any Android device, unlike Apple Pay and Samsung Pay, which work only with the makers’ newest devices.

### GOOGLE WALLET

This is another “tap-to-pay” NFC offering. It works with select NFC-enabled smartphones with iOS 6 and up or Android 4.4 and up. Google recently bought Softcard to bolster its offering.



## CURRENTC

A branded app developed by a network of retailers called the Merchant Customer Exchange, CurrentC™ represents a different approach in that it uses a generated quick response (QR) code at the retail POS to create a tokenized transaction. The system also stands apart because it avoids the credit card system, eliminating interchange fees and allowing merchants to offer “pay by CurrentC” discounts. This model is still in testing.

## OUTLOOK FOR MASS ADOPTION

Mobile wallet holds out the promise of greater convenience and faster checkouts for consumers along with potentially greater protection against fraud. If consumers embrace the concept — despite long-established cash and credit card payment habits as well as security concerns — merchants will have a strong incentive to buy the necessary terminals to accept mobile wallet payments.

So far, consumers haven’t done much more than dip their toes in the mobile wallet waters. A recent Gallup poll indicates that only 13 percent of U.S. adults have a digital wallet app on their smartphone.<sup>6</sup>

Similarly, a Forrester study reports that just 3 percent of consumers have used a mobile wallet in the past three months. Yet, at the same time, Forrester is predicting that by 2018 mobile wallet adoption should reach 15 percent to 20 percent of smartphone users.<sup>7</sup>

One key to mass adoption will be determining a winner or winners in the mobile wallet wars — which will likely be the provider or providers developing a solution that works across operating systems, shopping channels, browsers and technology platforms.<sup>8</sup>

**To discuss these topics in more detail, please contact your PNC Relationship Manager.**

- 1 “Who Won’t Win the Mobile Wallet Wars and Why,” PYMNTS.com, April 27, 2015, <http://www.pymnts.com/news/2015/who-wont-win-the-mobile-wallet-wars-and-why/#.VbJ1p3nJDIU>
- 2 “Mobile Wallets: Apple Pay vs. Android Pay vs. Samsung Pay,” *Tom’s Guide US*, June 3, 2015, <http://www.tomsguide.com/us/mobile-wallet-guide,news-20666.html>
- 3 “How Smartphones Will Become the Global Mobile Wallet,” *Forbes*, July 15, 2015, <http://www.forbes.com/sites/valleyvoices/2015/07/15/how-smartphones-will-become-the-global-mobile-wallet/>
- 4 “Mobile Wallets: Apple Pay vs. Android Pay vs. Samsung Pay,” *Tom’s Guide US*, June 3, 2015, <http://www.tomsguide.com/us/mobile-wallet-guide,news-20666.html>
- 5 “Mobile Wallets: Apple Pay vs. Android Pay vs. Samsung Pay,” *Tom’s Guide US*, June 3, 2015, <http://www.tomsguide.com/us/mobile-wallet-guide,news-20666.html>
- 6 “No One is Winning the Battle for Digital Wallet Customers,” *Gallup Business Journal*, July 8, 2015, <http://www.gallup.com/businessjournal/184034/no-one-winning-battle-digital-wallet-customers.aspx>
- 7 “What People Really Want from Mobile Wallets,” *Fortune*, Feb. 25, 2015, <http://fortune.com/2015/02/25/what-people-really-want-from-mobile-wallets/>
- 8 “Who Won’t Win the Mobile Wallet Wars and Why,” PYMNTS.com, April 27, 2015, <http://www.pymnts.com/news/2015/who-wont-win-the-mobile-wallet-wars-and-why/#.VbJ1p3nJDIU>

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