

The Rise of Mobile Wallets —and What Marketers Need to Know

Rapid growth in mobile payments offers a real opportunity for businesses, and marketers in particular, to transform their customer relationships

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“We’re going to kill cash. Nobody likes to carry around cash,” Apple CEO Tim Cook told a group of reporters about Apple Pay after one of his company’s events in October of last year. His statement seemed audacious at the time, but current research confirms that mobile payments have been rising steadily since then. In fact, mobile payment transactions in the United States are expected to grow at a compound rate of 20 percent per year through 2021, according to a report by Forrester Research. By 2021, the research firm expects the value of mobile transactions to reach \$282.9 billion a year, up from \$112.2 billion at the end of 2016.

Forrester identifies three types of mobile payments: mobile remote payments, mobile in-person payments, and person-to-person payments. Mobile remote payments are those in which consumers make in-app purchases; this type of mobile payment will nearly triple by 2021, according to Forrester. Mobile in-person payments are those in which consumers use mobile payment apps to make purchases at retail locations; this type of mobile payment will grow the fastest, according to Forrester, increasing nearly sevenfold through 2021. Person-to-person payments are those between two individuals: PayPal-owned Venmo, for example, facilitates money transfers between users and is popular with Millennials. While Forrester predicts that this type of payment will more than quadruple by 2021, it will become the segment with the smallest share at that point.

With such robust growth expected, mobile payments present a tremendous opportunity for businesses—and marketers in particular—to transform their relationships with customers.

“Ultimately, we look at digital wallets as marketing platforms. They are extensions of the activities that marketers already have going on; whether you’re running a coupon or loyalty program, digital wallets definitely need to be part of that consideration to get additional adoption usage of those customer programs,” says Brendan Miller, principal analyst serving e-business and channel strategy professionals at Forrester.

While that transformation will rely in part on new technologies, it will also involve reimagining customer engagement strategies.

MAJOR MOBILE PAYMENT PLAYERS

“Consumers are increasingly comfortable with using their mobile devices to make purchases, both on their mobile devices and in-store, pay friends or family in peer-to-peer apps, or even share money via messaging platforms,” says Marissa Tarleton, chief marketing officer at RetailMeNot, a coupon specialist.

Ritchie Hale, chief innovation officer at TouchCR, provider of an e-commerce marketing platform, agrees. “The acceleration in the adoption of mobile wallets is very high,” he says, noting that growth is being fueled as much by consumers as it is by the companies that provide the technology.

There are several major players in the current mobile payment space, and perhaps the two most visible are directly connected to the leading smartphone companies: Apple Pay and Android Pay. But adoption of these solutions has been slow going, according to Miller. “All of the hardware at point-of-sale had to switch over,” he explains.

Miller notes that because Apple Pay's arrival to the market in late 2014 coincided with when many retailers were updating their point-of-sale systems to accept EMV (Europay, Mastercard, and Visa) chip-equipped cards, those terminals were also enabled with near-field communication (NFC) technologies, making them compatible with Apple Pay and other similar solutions.

Nevertheless, Miller says, "there's a lot of work that needs to happen." In particular, the terminal experience has to be updated. "All it needs to be is a tap and you're done," he says. In other words, customers using mobile pay should not have to deal with the traditional terminal prompts that occur when swiping or inserting their cards. "There's work that needs to be done there on the retailer side that will take time," he says.

For marketers, integrating mobile pay with loyalty programs has been a major hurdle, and much improvement is still needed, Miller says. "Apple Pay is trying to get into the ability to store and transmit loyalty credentials, so you have to integrate with all these loyalty providers, you have to integrate with all the terminal providers, and then you have to get the retailers to integrate," he says. "This all takes time and effort. Any time you change the point-of-sale on a retailer side and update it, it's a slow process."