Comment: Wallets going nowhere

Osama Bedier, the head of Google Wallet has left the company, it has been confirmed. There was controversy when he joined, with a lawsuit from eBay which alleged that Bedier took with him trade secrets from PayPal’s mobile-payment business. With his departure, there are just questions.

One’s first thoughts are probably lack of surprise as Google has made little headway with its mobile initiative in a fragmented, crowded and complicated market.

No-one else is doing much better.

169 payment apps and counting

Apple’s iPhone has just seven Apps in its Passbook loyalty wallet. PayPal has moved its attention to the High Street with its Face recognition payment initiative but it has a steep hill to climb.

There are plenty of others, using various technologies – 169 at the last count – but not one of them is making a serious impact. Is it still too early, or is there a problem?

The first and foremost issue is that most wallets - and mobile payments generally – need adoption by merchants, who are just too busy with showrooming, competition from online sites and recession hit penny-pinching customers to bother about a technology looking for something to do.

Some mobile wallets require additional hardware at checkout. The Google Wallet app, for instance, uses NFC that requires customers to tap their phone on a special reader to make a transaction. LevelUp uses a QR code. Other wallets don't need additional hardware, as Square does, but they do rely on additional software on the POS terminal. Paydiant, for instance, creates a QR code on the retailer's screen at point of service. Customers choose which payment card they want to use to complete the transaction, then scan the QR code with their phone to get charged.

PayPal needs a complete new system. It uses a technology called geofencing that taps into a smartphone's GPS or Wi-Fi and creates a secure connection with a retailer's sales terminal. The customer's name and photo appear on the retailer's screen, and the clerk taps the screen to complete the sale.

This so different to the evolution of payment cards which were totally managed by the bank owned card associations that governed everything from the network to the card logos.

Many hard pressed mobile wallet execs must now be pining for those good old days.

Even a giant of a company like Google has been going nowhere with its wallet. Two years after its introduction, the app is still only supported on smartphones with embedded NFC on one major carrier network in the US, Sprint.

So should the payments industry give up on the mobile and be thankful for plastic?

No of course not.

Changing the way we shop
Mobile devices will without question change the way we shop as well as the way we play, but the industry needs to pay attention to the needs and wants of its two main customers – the merchant and the consumer. Right now both parties are being dangerously ignored.

Let's get personal
Smart devices are the key to everything. Ask the venture capitalists who invested well over £2bn in mobile initiatives last year. Smartphones are the new corner shopkeeper, capable of adding a deeply personalised lens on top of the merchant experience, whether it is on the High Street or online.

If you can get consumer buy-in, the mobile device can be the welcome, the helpful shop assistant, the reward giver, the incentiviser, the reminder service – or yes, and the payment provider. It can store your shopping list, your family preferences, your guarantees, your points and of course your money. It will bring everything together in a seamless way.

Energising the High Street
The death of the High Street has been hugely exaggerated. In fact it is energised by the mobile device. Consider the following data.

Online, only about 0.5% to 3% of website visits turn into sales (even Amazon and eBay, which do it best, never top 10%).

At physical stores, people visit primarily to buy: in-store visits convert to sales 20-95% of the time. By industry, that breaks down to 20% in fashion, 50% in electronics and 95% in groceries.

Here are the predictions for the US market, where these Forrester figures came from.

Offline shopping is 12 times larger than online shopping today – US$3 trillion in the US, to be exact. Online shopping, in contrast, will account for only US$370bn in the US four years from now – and Forrester projects it will make up only 10% of all shopping by 2017.

The reasons are obvious. People shop for fun. Make it more fun, and they will buy more. Make it clunky, complicated slow and tedious, like mobile payments is currently and they will refuse to play.

Mobile is about so much more than payments, which is such a small part of the shopping process it is about fostering the relationship and enhancing the experience.

People will suffer to buy, as can be seen from any checkout queue on a busy Saturday, but there are limits to one's pain threshold, and the current mobile payment offerings are just a step too far. Come on guys, make it more fun.