

## The Mobile Wallet – Not yet meeting, let alone exceedingly, customer expectations (originally published in RCR Wireless <http://www.rcrwireless.com/article/20100922/OPINION/100919954/analyst-angle-the-mobile-wallet-8211-not-yet-meeting-let-alone>)

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Despite chattering from technologists and consultants, consumers have consistently been lukewarm to ‘mobile money’ and NFC. Given the lack of apparent consumer demand, banks have not been clamoring to build and deploy new products. The credit card eco-system works very well in the United States. Consumers need something more from mobile banking, something that exceeds the functionality they currently enjoy. And merchants need a cost-effective, easy to implement and broadly adopted solution that is better than what they have today.

Earlier this year Marconi Pacific conducted a survey which indicated that 50% of participants were interested in having mobile phones replace the functionality of their credit cards, provided there were additional benefits. In the following months, we have heard a consistent stream of new mobile money announcements, but consumer actions have not followed either their stated interest, or the market opportunity. Marconi Pacific believes that, in the U.S., simply replacing credit and debit cards is insufficient.

To generate meaningful consumer adoption, a successful mobile wallet business model must also include real-time couponing (to

save consumers’ money), real-time financial intelligence (to enable consumers to make better purchasing decisions) and real time accounting (to help consumers manage their money). All the relevant technologies are currently available in some form. Marconi Pacific recently interviewed experts in these areas to solicit their viewpoints:




### i. Getting the technology right is imperative

In March, MasterCard trialed a service in Canada with Bell Canada, Telus, and Rogers. Earlier this month Verizon, AT&T and T-Mobile announced a joint venture partnership with Discover. These efforts and many more attempts and announcements have been focused on near-field communications (NFC) similar to the ‘tap-and-go’ keychain fobs available at gas stations such as the ExxonMobil’s Speedpass. These systems require new hardware at the point-of-sale, currently costing over \$200. Numerous start-ups are based on NFC. But bank, retailer and consumer adoption has been incredibly slow.

Several startups, however, are

creating solutions based on other technologies. Max Metral, the founder of mobile payments company FIG succinctly explained his value proposition. “RFID is available at many retailers but on almost no phones. Even for the 5 phones where it is available, it can replace plastic, but does not offer the user anything more. And it is expensive for retail establishments to buy new POS terminals. FIG offers a mobile payments solution over a secure

**Mobile Wallet Components**

<b>i. Payment Technology</b>	
<b>ii. Affinity &amp; iii. Couponing</b>	
<b>iv. Intelligence</b>	

WiFi connection that is essentially free for retailers.” Companies like Obopay and Square have also created solutions. Both companies enable phones to store value and transfer funds over wireless data networks. These solutions and others may not have perfected the mobile payments offering but they are solving

some of the implementation cost challenges and meeting some of the consumer adoption hurdles.

## ii. Mobile affinity programs in isolation have not engendered significant consumer interest

In August, Verizon invested \$400,000 in mobile loyalty card start-up CardStar. While there are dozens of applications for managing loyalty cards, none are particularly consumer friendly, or particularly easy to use. An intelligent mobile system could enhance loyalty programs. Unlike a card, often forgotten in a wallet or in a drawer, a mobile loyalty program can target consumers for immediate promotions based on their location. Combined with mobile payments, consumers could receive real-time credits, promotions, or advertisements

Drew Sievers, the CEO of mFoundry said, “If it were just enough to put a contactless chip on a card, then all the contactless credit cards would be used. But they just aren’t getting used. You have to provide incremental value. The question is what is that value? mFoundry has partnered with Starbucks to create an application that enables mobile gift cards. Customers can now see the transaction history and balance. The CEO of Starbucks has been very positive on the results and customer adoption to date.”

## iii. Mobile couponing has great potential, but only in combination with other services

Consumer interaction with Mobile

phones enables an unprecedented opportunity for sales and marketing, especially with mobile couponing. Mobile phones are capable of storing and organizing coupons received via all available means (email, SMS, MMS, etc.). If consumers are presented with these coupons at the right time during their purchase process, they would be able to easily manage and use coupons. Location-based couponing (where advertisers find users based on GPS) has had slow adoption – because there is a limited scale for any particular advertiser or user. Combining such services within a mobile wallet potentially increases the likelihood of being able to build a more compelling offering and hence build more scale.

## iv. A successful mobile wallet service would likely provide real-time purchasing intelligence to consumers

Mint.com, Intuit’s web2.0 company providing free personal finance software to assist with money management, financial and budget planning, currently offers both iPhone and Android applications. Mint syncs with consumers’ bank and credit accounts to provide purchasing information and the mobile service can now update consumers’ data at the moment of purchase. Justin Maxwell, the Mobile Service Product Manager for Mint.com, said: “Mint.com knows that our users are asking us to help them make wise money decisions on the go. They are not looking to go out

and spend money and then come back to the computer to see how they did on a scorecard. They are looking for advice while they are out making a decision in real time.” Combined with mobile couponing, this level of purchasing intelligence could enable consumers to make much more informed purchases. Taken one step further, Mint could soon begin informing consumers of better deals at other locations. Your mobile wallet could let you know that down the street, you could purchase a pair of shoes for less.

Each of the four “services” outlined above has already received some level of consumer interest. Together they might offer a compelling case for smart-phone consumers to switch from their plastic credit cards to a digital solution. The start-ups are beginning to close the gap. If telecom carriers and/or banks hope to succeed in providing compelling mobile money offers, they need to combine several of these technologies, and offer a portfolio of services that exceed consumer expectations.

And with Nielsen predicting 2011 U.S. smart-phone penetration of 50%, there are 150M potential wallets to replace.

## About Marconi Pacific, LLC

Marconi Pacific, LLC is a strategy and venturing consulting firm providing business advisory services in the telecommunications, Internet and financial services industries. We build value for our clients by providing strategic analysis and practical solutions to complex business issues. In addition, we pursue selected investments in emerging companies, and we identify and pursue our own new venture opportunities.

**Strategy Consulting:** Marconi Pacific provides strategic advisory services to senior management to help build long-term shareholder value. Our clients select us over other consulting firms for our incisive analysis, industry knowledge and creative, yet pragmatic, recommendations. We work with clients to define a differentiated value proposition that can they can offer their customers. We then work to refine the core operational elements of the business to deliver this value. This requires understanding the market in detail; segmenting the customer base; determining demand; making decisions on positioning, pricing and channels of distribution; and then defining the operational processes and structures needed to deliver the value. We take a pragmatic view of our advisory work, recognizing that creating value requires strategies and plans with a singular focus on financial results rather than elegant studies and academic observations.

**Venturing:** The very applied nature of our management consulting work makes us very much "in the market" in which our clients operate. As a result, Marconi Pacific, unlike many professional consulting firms, is very involved in creating new ventures, both with our own capital and in partnership with our clients. We also maintain relationships with venture capital firms, private equity firms and investment banks with which we can work to create value.

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