

Mobile Wallet Services

Mobile Wallet Services is a comprehensive report from Berg Insight analysing the latest developments on the mobile payments market in Europe and North America.

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- **Profit** from 40 new executive interviews with market leading companies.
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- **Learn** from the strategies of the leading mobile wallet operators.
- **Identify** new business opportunities in value-added services.
- **Evaluate** how the deployment of infrastructure for NFC wallet services is proceeding.
- **Recognize** the benefits and challenges of non-NFC wallet services.
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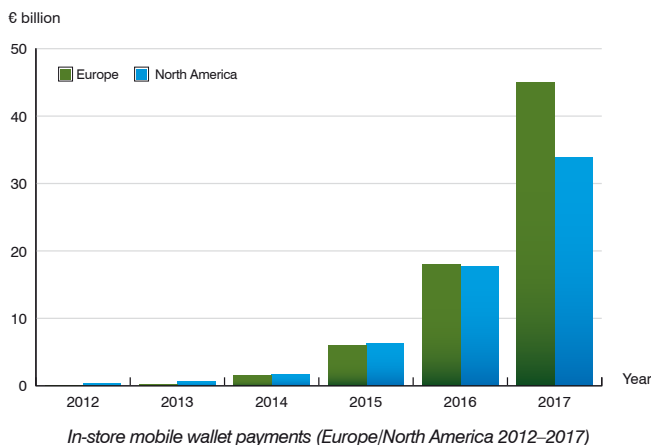
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How will the mobile wallet market develop in the next 5 years?

Berg Insight believes that the emergence of mobile wallet services will be the most significant development in the payments industry during this decade. Mobile wallet services will change both offline and online commerce by enabling new shopping experiences for consumers and by creating an unprecedented opportunity for retailers and brands to interact with their customers while purchase decisions are being made. However, the mobile wallet market is still in its infancy and the wallet services need to develop substantially before this vision can become reality. Nevertheless, the market is now moving rapidly and commercial rollouts of numerous NFC and non-NFC wallet services are underway. The required infrastructure for mobile wallet services is being rolled out and key partnerships are being formed between mobile network operators, financial institutions, retailers and other companies. This will result in a proliferation of mobile wallet services during the next few years, which will be a very important time during which wallet operators have an opportunity to learn and improve their services. Berg Insight anticipates that only a limited number of wallet services will survive in the long term due to network effects. Mobile wallet operators that do not enter the market early risk falling behind and may find themselves struggling to gain critical mass.

The European market for mobile wallet services is developing quickly, with substantial momentum behind NFC wallet services and many launches of non-NFC wallet services are also in progress. Commercial mobile wallet services will have been launched by companies such as Telefónica, Orange, T-Mobile, Vodafone, ING Bank, BNP Paribas, Barclaycard, Swedbank, mBank, PKO Bank Polski, Seamless, Auchan and PayPal by the end of 2013. As a result, there will be mobile wallet services live in nearly half of the EU27+2 countries at the end of the year. Berg Insight expects that 2016–2017 will be the first years in which mobile wallets approach mass market penetration and more than ten million new wallet users will then be added on an annual basis. The number of active mobile wallet users is projected to increase from 0.5 million in 2012 to 42 million in 2017, whereas the in-store payments volume will grow from well below € 0.1 billion in 2012 to € 45 billion in 2017. ►



► There were approximately 7.5 million mobile wallet users in North America at the end of 2012, which completed in-store payments for a total of US\$ 0.5 billion (€ 0.4 billion) during the year. However, this relatively high number of users and transactions was almost exclusively due to the phenomenal success of Starbucks' application for mobile payments that had around 7 million users at the end of 2012. Mobile wallets that can be used at multiple merchants only had a few hundred thousand users in the region at the end of 2012. However, many promising initiatives are underway in both the US and Canada. Companies and consortiums such as Google, Isis, MCX, PayPal, CIBC, LevelUp and Square are competing to become the consumer's wallet of choice, each with a unique approach to the market. Berg Insight expects that several of these initiatives will have a significant impact on the market already in 2014. The number of active mobile wallet users will increase to 29 million in 2017, whereas the in-store payments volume will grow to US\$ 44 billion (€ 33 billion) in the same year.

A prerequisite for commercial NFC mobile wallet services is that the necessary software and hardware infrastructure is in place. Deployments of this infrastructure have now gained substantial momentum. Global shipments of NFC-enabled handsets grew by 300 percent in 2012 to 140 million units and are forecasted to grow at a CAGR of 48 percent to reach 1.0 billion units by 2017. The market for NFC-ready POS terminals grew fiercely in 2012 and annual shipments doubled to an estimated 3.9 million units worldwide. Global shipments of NFC-ready POS terminals are forecasted to grow at a CAGR of 29.1 percent to reach 14.0 million units by 2017. The implementation of TSM infrastructure for NFC wallet services is also progressing rapidly and there are high levels of activity in Europe, parts of Asia-Pacific, Turkey and North America. In fact, 2013 will be a record year for the rollout of TSM infrastructure, as an expected 140 mobile network operators, banks, transport companies and other companies will be using TSMs in commercially available services at the end of the year. The number of SE1-TSM and SP-TSM projects expected for the end of 2013 marks a substantial increase from just 57 live projects at the end of 2012 and 25 live projects at the end of 2011. The largest share of TSM projects has been implemented in Asia-Pacific, followed by EU27+2 and North America.

This report answers the following questions:

- How are MNOs, banks and other companies addressing the mobile wallet opportunity?
- Which are the leading technology vendors?
- How do the choices of the secure element issuer affect the options available to service providers?
- What are the benefits and challenges associated with non-NFC mobile wallet services?
- How many TSM projects will be commercially live at the end of 2013?
- When will the majority of all POS terminals incorporate NFC?
- What value-added services can be successfully incorporated in mobile wallets?
- What are the prerequisites for mobile wallets to become mass market services?

Executive summary

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About the Author



Lars Kurkinen is a Telecom Analyst with a Master's Degree in Strategic Management from the Aalto University School of Science and Technology in Finland. He joined Berg Insight in 2010 and his areas of expertise include mobile financial services, mHealth and wireless markets.

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