

Digital wallets to rule mobile commerce

Mahindra Comviva, in collaboration with Aite Group, has released a [whitepaper](#) tracing the growth and uptake of digital wallet services across the mobile and e-commerce sector. The whitepaper encapsulates the contribution of digital wallets in growth of commerce and elaborates on the evolution of mobile wallets. Moreover, the study also highlights strategies adopted by various mobile wallet participants such as banks, original equipment manufacturers (OEMs), mobile network operators (MNOs), merchants, and third-party providers, and further discusses the future opportunities for these participants.



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The study provides a global online commerce forecast from 2012 to 2020. The whitepaper predicts that the global online commerce market will grow to US\$7,114 billion by 2020, and mobile retail commerce will be an important part of it.

Commenting on the study, Srinivas Nidugondi, senior vice president and head, Mobile Financial Solutions, Mahindra Comviva, says, "The potential for digital wallets is extremely promising; they are taking an evolutionary path in evolving the entire ecosystem. Digital wallets simplify payments for customers and enhance the customer experience. Without a digital wallet, customers need to enter a wealth of information into a form constrained by the size of the smartphone screen, which can create confusion in the minds of the customer, and they may end up opting for the traditional way of payment."

Beyond the transaction

"The true value of the digital wallet goes beyond the transaction; it has immense potential to generate an unparalleled amount of customer transactional data. This helps service providers and merchants harness information to engage the customer with a better experience for each stop on the path to purchase. With a combination of widespread internet access and increased bandwidth, devices can capitalize on the bandwidth to deliver a new customer experience which is driving the explosion in wallet development," Nidugondi further adds.

"Digital wallets provide a secure and convenient way for merchants to interact and transact with their customers over all sales channels, both online and offline," said Aite Group senior analyst Ron van Wezel. "The reduced friction in the checkout process leads to much better conversion rates for merchants, helping them to increase sales. With a combination of widespread internet access and increased bandwidth, innovators can deliver a new customer experience which is driving the explosion in wallet development. Successful digital wallet providers will be those that offer consumers ease of use, peace of mind (regarding security), and the ability to transact anytime and anywhere," he said.

On the path

With the exponential growth of mobile and online commerce, and the variety of approaches being taken to deliver a digital wallet, the space is expected to grow rapidly in every corner of the globe. According to the whitepaper, the digital wallet is taking an evolutionary path; it is becoming an enabler of commerce rather than a stand-alone revenue generator for organisations that offer them. Digital wallets also provide value to retail financial institutions by increasing the connection between the customer and financial institution, resulting in increased transaction volume for their payment cards and ensuring higher customer retention.

While digital wallets in the online/mobile space are riding the e-commerce wave, physical-world mobile wallets are nascent but are expected to grow steadily. The study indicates that mobile wallets will follow two separate paths: general-purpose wallets, which will use NFC for connectivity; and the proprietary, retailer-based wallets, which use a variety of technologies, including optical/QR code and BLE beacons.

Today, banks, MNOs, and merchants are all competing in this fast-evolving space, and to have an edge over competitors, they need to have a futuristic mobile wallet capability, whether a proprietary or branded wallet, that suits their strategy and consumer value proposition.

According to the study, mobile and digital wallets also provide opportunities for financial institutions to improve and deepen their customer relationships. The evolutionary path for all wallet technologies will be driven by the desire to reduce friction in the transaction to minimize cart abandonment and optimize customer satisfaction.

Download the [whitepaper here](#).

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