Mobile wallets still have a way to go

Mobile wallets just haven't lived up to expectations. Hailed as the replacement for cash and plastic a few years ago, they won't achieve the required consumer 'stickiness' for success until they offer a broad range of simple, seamless transaction capabilities, and give users more value than that of their cash alone.

Kobus du Plooy, CEO of Celbux

The most common use case for mobile wallets has been remittance, and this is what has driven rapid adoption in some areas – particularly where unbanked consumers have embraced a cheaper and more convenient way of sending cash. But in markets where most consumers have bank accounts, mobile wallets need to offer more in order to gain traction.

“To achieve what we call ‘stickiness’, a mobile wallet needs to be multifunctional. Perhaps the consumer can transfer money and pay certain utility bills using the mobile wallet, but if there are other accounts and merchants who don’t accept payment via the mobile wallet, the consumer still has to have a traditional bank account too,” says Kobus du Plooy, CEO of Celbux. “The consumer then questions why they should go to the trouble of loading the mobile wallet, and pay fees for using it, while they also have a traditional bank account offering the same benefits and possibly greater convenience.”

Integration at a higher level across all merchants would support the ability for the consumer to use a single mobile wallet to pay for all goods and services. “For the consumer, the ability to simply pay any merchant or individual starts making a mobile wallet as good as a bank account,” he says.

The cost factor

But cost is another factor in achieving mobile wallet stickiness, he notes. “If the mobile wallet is cheaper than a traditional account, but offers the same or more functionality, consumers will start migrating.”

Added to this, if the mobile wallet gives consumers value greater than that of their cash, the mobile wallet becomes a compelling proposition. “Cash in a consumer’s pocket is convenient, but its value stays static, whereas cash in a mobile wallet can potentially offer greater value in the form of loyalty, incentives and discounts,” du Plooy says.

To be truly compelling in a country such as South Africa, where many consumers still use feature phones, the mobile wallet must be device and connectivity agnostic, simple to use, and be seamlessly integrated into all merchant payment systems. “Even the authentication and security in use has to accommodate the range of devices and payment options consumers choose to use, making all transactions as simple and convenient as possible,” he says.

Achieving mobile wallet stickiness would support merchant efforts to improve customer experience and enhance customer loyalty. “Most merchants want to offer convenient payment options and incentive programmes, but for mid-tier and smaller retailers, doing so has traditionally proven costly and complex,” du Plooy says. “They may have to select one of multiple aggregators, undergo a lengthy point of sale integration process, and possibly also take on more resources to manage a loyalty programme.”

The loyalty game

But advanced new mobile transactional platforms serving as an ‘aggregator of aggregators’ overcome these challenges, allowing merchants to quickly and cost-effectively plug in to the system to accept mobile payments and manage their own customised loyalty programmes.

“All merchants want to play the loyalty game and improve customer experience, particularly in a tough economy, but the barrier to entry has been too high with the traditional methods of doing so. Thanks to innovative new platforms, merchants are now able to achieve low risk consumer value creation and support an environment in which mobile wallets start gaining true mainstream ‘stickiness’,” says du Plooy.