

# Mobile Wallet: Structure and Approaches

A Series of White Papers on Mobile Wallets – Part 4  
Business Workgroup

## Objective

- To define some common terminology
- To analyze what relationships between stakeholders can be developed
- To clarify how stakeholders can approach to mobile wallets

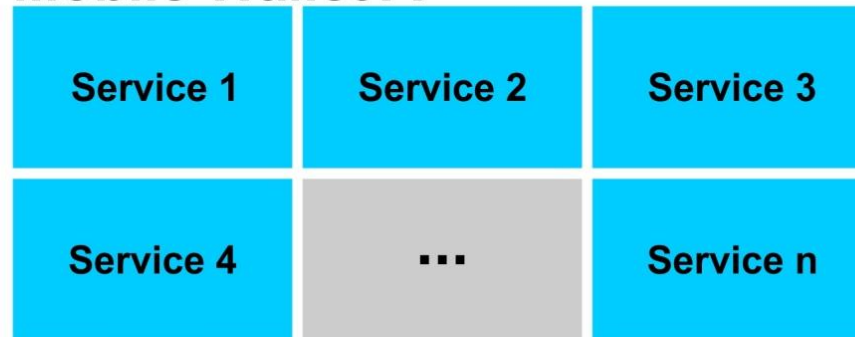
Always, focusing on Financial Institutions

## Services of the Mobile Wallet

A mobile wallet can itself be a mobile application ('app'), but can also contain a variety of different apps, widgets and other functions that perform different roles from within the wallet environment



### Mobile Wallet A



To refer to these components collectively as **'services'**

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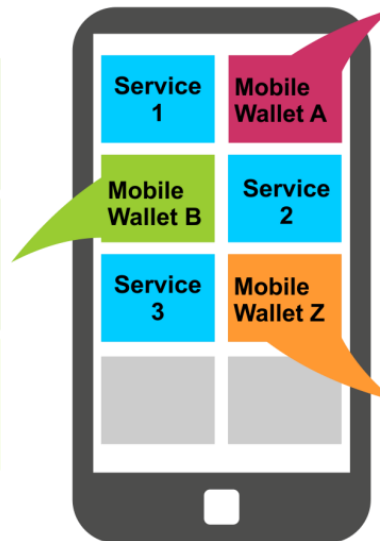
## ***Multi Mobile Wallet approach***

- **A number wallets co-existing** alongside each other, whilst also some containing other wallets within each of their own environments
- **Services** found in the wallets **may also operate entirely independently** as conventional mobile apps on today's smart phones and tablets

## Multi Mobile Wallet approach

### Mobile Wallet B

Service 21	Service 22
Service 24	Service 2n
Wallet 2A	Wallet 2B



### Mobile Wallet A

Service 11	Service 12
Service 14	Service 1n

### Mobile Wallet Z

Service n1	Service n2
Service n4	Service nn
Wallet nA	Wallet nZ

## Overview of different wallet approaches

- **Vertical wallet:** The service provider acts as a wallet provider
  - It designs, controls and manages the mobile wallet to provide its services for the wallet.
  - For example, a financial institution develops its own mobile wallet and provides all the financial services that are available via that wallet
- **Horizontal wallet:** The mobile wallet provider aims to offer wallet capable of integrating services from other service providers.
  - The wallet provider aggregates services and drives mass market adoption. It often also offers design and management services for other service providers.

## Vertical Wallet

Service provider creates wallet and offers its services

Maximises the control and the brand value of the services provider

*Example: A bank has its own wallet with the bank's services available; mobile banking, mobile payments, personal finance management etc.*

## Horizontal Wallet

Wallet provider integrates services from service providers

Maximises the control and the brand value of the wallet provider

*Example: Mobile Network Operator - branded wallet*

## Overview of different wallet approaches

Possible to combine the features of vertical and horizontal wallets to create a **variety of hybrids**

## Overview of different wallet approaches

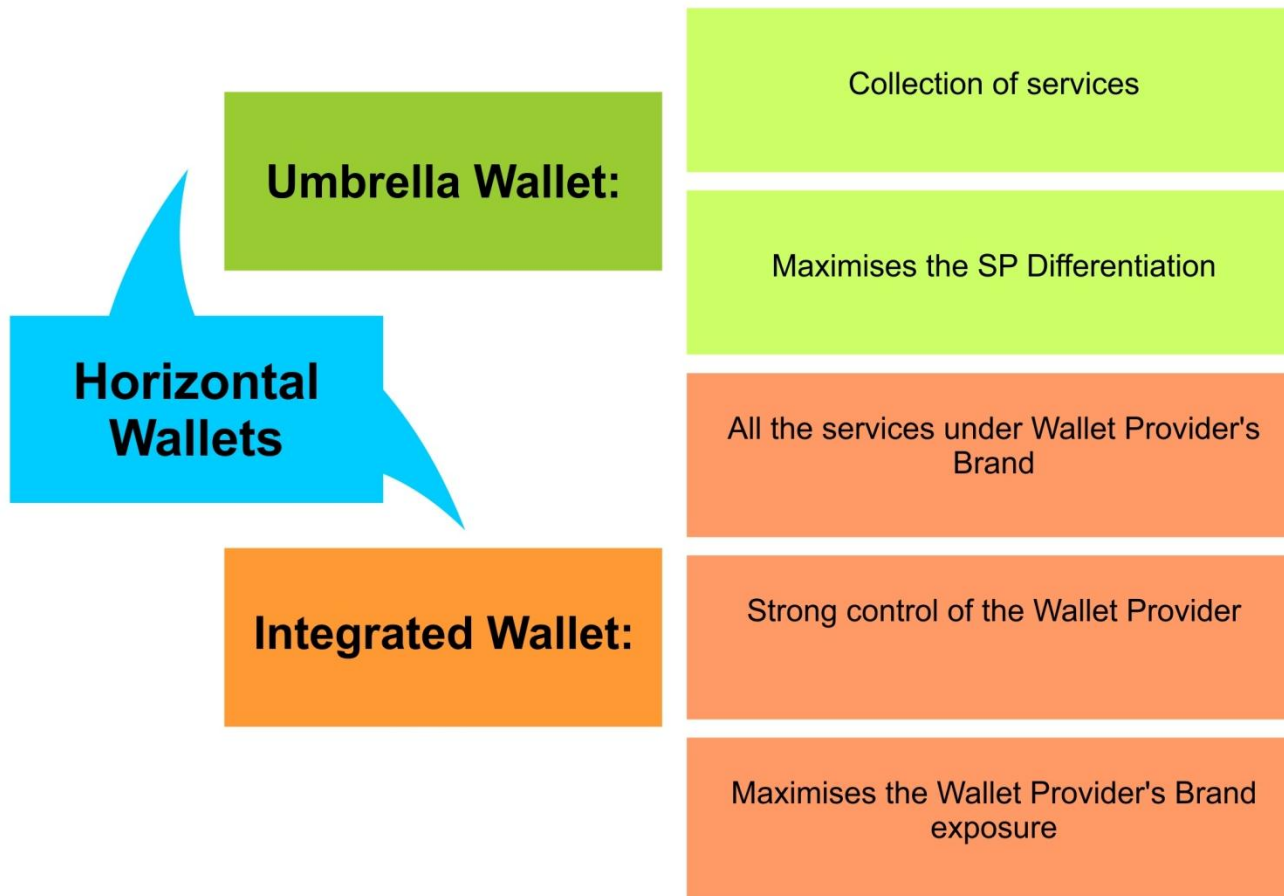
Horizontal wallets can be divided into **two different types**:

- **Integrated wallet:** A collection of services by a range of service providers organised under the wallet provider's brand name.
- **Umbrella wallet:** A mobile wallet designed to house other third party mobile wallets.
  - In this model the features defined at the top level are less significant than in the integrated wallet model described above and focus on managing the priority and status of the different services and/or wallets contained within

*Intermediate approaches can also be found in the space between the integrated and the umbrella wallet models*



## Overview of different wallet approaches



### Overview of different wallet approaches

- End users to carry more than one mobile wallet on their device, together with other apps that can each perform dedicated services
- Thanks to market fragmentation, it is likely to be very difficult to find a single mobile wallet solution that supports all the services related to m-Banking, m-Payment, m-Commerce or m-Identity
- This fragmentation to continue before a process of market consolidation occurs

*The only property that could potentially offer a sufficiently comprehensive range of services to warrant the **replacement of the traditional leather wallet** entirely is, for now, the **full mobile handset***

### **Ways to approach Mobile wallet market**

- **Full Cooperation** - all of the financial institution's mobile wallet services are offered to, and hosted in, the integrated horizontal wallets of one or several mobile wallet providers
- **Part Cooperation** – most of all the financial institution's mobile wallet services are offered in its own vertical wallet. Some services are also offered to, and hosted in the integrated horizontal wallets of one or several mobile wallet providers
- **Independent** – all of the financial institution's mobile wallet services are housed in its own branded vertical mobile wallet solution

## Key factors for market entry

### Security is always a key factor

- Depending on the level of security requested for a particular service a **Secure Element (SE) might be needed** to store the customer or service credentials
- If a SE is required then **the SE issuer will be able to exert special control** over the ecosystem and influence which types of cooperation are feasible
- Therefore, it may not always possible for a financial institution to decide upon type of cooperation it should progress with

## Key factors for market entry

- **Domestic market characteristics** including market size and sophistication (developed or emerging)
- **Type of financial institution** (large, small, global etc.)
- **Customer types or categories** (retail, corporate etc.)
- **Cost analysis** of entering the mobile wallet market
- **Types of services that the financial institution seeks to offer to its customers** (m-payments, m-commerce, m-banking, and/or m-identity)

## Key factors for market entry

- To define the ***distribution channel*** for its mobile wallet organisers and services in order to implement the mobile wallet in the most effective and commercially advantageous manner
- ***The market niche/type*** the financial institution intends to reach and the estimated time required for market penetration
- ***The long-term sustainability*** of each mobile wallet model and its ability to allow for future development
- ***Mobile wallet customer transaction information and data ownership*** would also depend on the chosen mobile wallet approach

## Conclusions

- It is therefore difficult to imagine how a single provider could conquer the market
- A market where multiple mobile wallets co-exist, combining services on a single mobile device.
- Several integrated horizontal mobile wallet solutions will launch to market, together with numerous vertical solutions from individual providers
- Financial institutions will be tempted to develop their own partner-independent vertical wallets (Independent)
- If SE becomes essential or a partner-independent model inhibits other key factors , then financial institutions must consider alternative models for market engagement (Part Cooperation)



**Thank you**