

# The Banking & Payments Show: US and UK digital wallet evolution

Audio

Discover the dynamic shift toward digital wallets in the US and the UK in the latest podcast episode of "Behind the Numbers: The Banking & Payments Show." Delve into the compelling discourse on how younger generations' move to digital is rendering traditional wallets obsolete. Join host Rob Rubin, our US-based analyst Tyler Van Dyke, and UK-based analyst Carina Perkins as they unravel trends in digital transactions for dining, shopping, and ID

verification. In the "For Argument's Sake" section, we dissect the fierce competition for market dominance among industry giants like Apple and Google, established players like PayPal, rising star Paze, and potential disruptors. Tune in for a forward-looking conversation and hit subscribe for the latest insights.

**Key insights:**

- **Youth-led shift:** Analysis reveals a robust trend among younger consumers pivoting to digital wallets for everyday activities, indicating a cultural and technological shift.
- **Market dominance debate:** We uncover the strategic moves by tech titans and emergent challengers vying to capture the largest share of digital wallet users.
- **Cross-Atlantic perspectives:** Insights from US and UK analysts present a diverse view on the adoption of digital wallets, offering a broader understanding of the global digital economy.



Subscribe to “The Banking & Payments Show” podcast on [Apple Podcasts](#), [Spotify](#), [YouTube](#), Podbean or wherever you listen to podcasts.

Episode Transcript:

Rob Rubin:

Don't let decision-making become a game of chance. With EMARKETER PRO+, gain exclusive access to marketing insights and data analytics designed to fuel your strategic moves. Discover how our data-centric forecasts and rigorous analysis can transform your approach and fast-track your success. Visit [www.insiderintelligence.com/pro-plus](http://www.insiderintelligence.com/pro-plus) to learn more. Hello everyone and welcome to The Banking & Payments Show, a Behind the Numbers podcast from eMarketer. Today is March 19th, 2024. I'm Rob Rubin, head of business development at eMarketer and your host. Today we're going to discuss the evolution of digital wallets in the US and in the UK. For this conversation, I've invited US-based analyst Tyler Van Dyke and UK-based analyst Carina Perkins to join me to discuss the evolution of digital wallets. Hey guys, how are you doing?

Carina Perkins:

Hi, Rob. Good, thank you.

Tyler Van Dyke:

Thanks. Glad to be here.

Rob Rubin:

I'm really excited to have both of you on. And both of you in fact are new to The Banking & Payments Show. So I wanted to ask a few icebreaker questions and I wanted to make them related to our current episode on digital wallets. So my opening question is: Are you guys users of digital wallets?

Carina Perkins:

Yes, absolutely. I've got Google Pay as a digital wallet on my phone and I use PayPal for online digital wallet transactions.

Rob Rubin:

Tyler, what about you?

Tyler Van Dyke:

You're forcing me to expose myself early in the conversation. I hardly ever use mobile wallets. If I do, it's the Apple Wallet, but I just haven't made the switch yet.

Rob Rubin:

I use the Apple Wallet too because I mostly use it to go through the subway and to do things like that, but I also keep things in my Apple Wallet. Like if I have tickets to a concert or an event, I stick them in there. Plane tickets as well, boarding passes.

Tyler Van Dyke:

Yeah, boarding passes. I use that for.

Rob Rubin:

Is there anything that you guys have purchased with a digital wallet that might be fun to talk about?

Carina Perkins:

I've started using mine for everything, to be honest. If I'm just going out of the house, I use it to pay for my fuel. I use it to pay for any shops that I'm stopping at. Now if I specifically go out shopping, I'll bring my wallet, but otherwise I'm leaving it at home. And I was discussing this with a friend and I think it was to do with if I don't have my wallet, I don't have to take a handbag out with me. It's nice to leave them at home.

Rob Rubin:

I noticed my kids both just travel with their phone, but they have a little sort of thing in the back of their phone that they can keep credit cards and their driver's licenses in, so it's on their phone itself.

Carina Perkins:

Yeah, that's useful. We don't have to carry a driver's license with us in the UK, we just have to present it within seven days if asked for it.

Rob Rubin:

That's different. I think this is a really good time to get right into the headlines. Our headline story is really about losing your physical wallet. In the headlines, I pick a recent article on our topic to discuss and today the topic is digital wallets. And I picked this New York Times article from a few weeks ago that was titled, The Youths Have Spoken: Wallets Are Uncool. Go Digital. And it's about how younger consumers are ditching their physical wallets and relying on their digital wallets for everything from going to restaurants and bars to buying groceries



and for identification. And the article points out that adoption is much stronger with Gen Z than older generations and also talks about the limitations of relying solely on digital wallets.

And as it relates, Carina, in the US, if you get pulled over by the police in your car, you'll get a ticket if you don't have your wallet. That requires that you actually appear in court to show them your identification. So it's really annoying if you don't have your wallet in the US. Tyler, I think you had told me yesterday there are some states that let you use a digital wallet.

Tyler Van Dyke:

Yeah. So I looked in, for the Apple Wallet at least, there are four states. It's Arizona, Colorado, Georgia, and Maryland that you can put a digital version of your license into your wallet, and then airports in those states will actually also accept that as your ID.

Rob Rubin:

If you go out to Arizona, unless you live on the border of another state. But in Maryland, it's really easy to be in Washington DC, to be in Virginia, right? The states are super close together. And how do you think that works if you get pulled over in Virginia?

Tyler Van Dyke:

A Virginia state trooper probably is going to look very confused when you show them your phone.

Rob Rubin:

And won't believe it.

Carina Perkins:

In Europe, interestingly, they're doing a big push towards digital IDs in general. And as part of that they're looking at building a kind of pan-European digital wallet, which would include ID and payment.

Rob Rubin:

So this gets to the big question I want to ask, which is: What are the biggest hurdles to widespread adoption of digital wallets? And certainly having consistency in the US, consistency across states, seems to me to be one hurdle in terms of using it for identification.

But what are some of the other hurdles that you guys think are sort of holding back digital wallets from basically taking over?

Carina Perkins:

I think security concerns are a bit of a hurdle definitely in the UK I imagine also in the US. I think some people, especially older consumers, are a bit nervous about storing their kind of sensitive card data in their mobile phone in case it gets lost or stolen. And another issue is connectivity. So I don't know what it's like in the US, but in the UK in some sort of more rural areas, the connectivity, 4G, 5G connection is quite poor. And you don't want to get to a shop and try and pay for something only to find out that you don't have a connection to the internet.

Rob Rubin:

Or you have to wait. Tyler?

Tyler Van Dyke:

Yeah, absolutely. And the other thing is that especially in more rural areas is that there are not many stores that'll even accept the wallet even if you have service.

Rob Rubin:

Something, I remember when I was in Europe is that contactless payments with your credit card is pretty ubiquitous.

Carina Perkins:

Yeah, that's really widespread now and it has been for quite some time. And I think that's actually been a bit of a hindrance to adoption here because we've already got a super easy contactless way to pay. All it entails is having your card with you as well as your phone, and you don't have the issues of connectivity and battery life and things. The benefit of that means that most shops will also be able to accept digital wallets because they use the same technology as contactless cards. But I think it has been a bit of a hindrance to adoption because people are having to change a habit that doesn't really have any downsides at the moment.

Rob Rubin:

Yeah. One of the things that I've seen is PayPal on their digital wallet, they're storing store receipts so that you can see what you purchased. And there are other sort of features that are coming out that potentially can help increase adoption or usage of digital wallets, particularly online.

Carina Perkins:

Yeah, I think you're starting to see more loyalty program and reward integrations as well, which I think will be a big incentive for using digital wallets if people can collect points and rewards while they spend. And buy now, pay later I think is another area of innovation that might stimulate some adoption.

Rob Rubin:

Also, I think that we've seen some articles I've read around beginning to incorporate GenAI into the wallet experience to help them choose which products they should buy to make recommendations based on understanding their long purchase history and things like that.

Tyler Van Dyke:

That's one of our 2024 predictions that the financial services team made this year was that mobile wallets were going to start introducing generative AI-based recommendations and stuff. You already see that with Klarna, which isn't a mobile wallet, but it's the same concept. You can go into their mobile app and they'll make recommendations based on, you say you like this, that, and the other thing.

Rob Rubin:

We did an episode on super apps and Klarna came up as a company that was trying to morph their BNPL history into more becoming a mobile super app. I don't know if you've guys seen the Klarna app at all, but making shopping recommendations, connecting into your financial lives is where they're extending.

Carina Perkins:

Yeah, I think they're really looking to become a retail channel as well. So people are finding products through their app rather than finding products and then using Klarna to pay.

Rob Rubin:



And I think that's where digital wallets are trying to go, and the expansion is to be able to shop within the wallet itself. So they make product recommendations, maybe even what retailer you should be acquiring the product from for price, but really trying to use the wallet as the super app.

Carina Perkins:

Yeah, I think we're going to see a lot of innovation as the kind of banking and retail and everything merges into, as you said, that kind of super app.

Rob Rubin:

So we're hoping that these sorts of features drive adoption. Just before we jump to the next segment, which consumers do you think are going to be most ready to leave their physical wallets at home? Are they going to be in the UK or are US consumers really ready for it?

Carina Perkins:

I had a quick look at our forecast numbers and they say that 23.3% of the UK population will be proximity mobile payment users. So that's using your mobile phone to pay at point of sale in 2024. And in the US it's 39.4%, so it is significantly higher. But having said that, mobile wallet payments accounted for 35% of e-commerce transaction value in the UK in 2022, and in the US it accounted for 32% and in-store value was roughly similar at 12% in the US and 10% in the UK. So I think there's some interesting things to dig in there. I think that adoption is probably slightly higher in the US, but in terms of the actual value that's being spent, it's fairly similar in both markets.

Rob Rubin:

I think that's interesting. One of the things about the US is if you're going to really leave your physical wallet at home, you really have to have identification and other things on your phone in order to be able to do that. And I think until all the states offer that capability because each state has its own sort of way of identifying and licensing people, I think it's going to be a challenge for you to give up your physical wallet. But I do think that the new features that we've talked about on the horizon are going to expand the market for people and how they use digital wallets. So we still have some hurdles, but I think on the horizon it looks pretty positive that digital wallets are going to be the big thing and potentially keep people's physical wallets and purses at home.

In our final segment for argument's sake, what I want to do now is argue nicely about who's ultimately going to own the most digital wallet users. Companies are now launching new digital wallets. There's a lot of different ones out in the marketplace, but who's ultimately going to have the lion's share of customers? Is it going to be Apple, Google, PayPal, Paze, which is a new one, or is there some emerging wallet that we haven't seen? And how will UK customers differ from US customers in terms of digital wallets? So, Carina, I'm going to ask you first, who do you see dominating the digital wallet space in the UK in two years time?

Carina Perkins:

So I'm going to be boring, I'm afraid, and I'm going to go with Apple Pay. According to finder.com, it's already the most popular mobile payment service in the UK with around 69% of those who've used mobile payments in the previous year opting for Apple Pay. That's ahead of PayPal, which was at 31%, and Google Pay, which was at 27%. I know that some of the other providers are innovating, but so is Apple Pay. It recently launched Tap to Pay on iPhone, which mean merchants can use their iPhone as a kind of terminal to accept payments. So I think that's really going to be great for, as we talked about, the fact that not all retailers accept digital wallets. That's one of the hindrance that will overcome that. But I think also just the dominance of iPhones in the market. So they've got a bigger share of the mobile market in the UK and so I think in the next two years they'll probably still be on top for digital wallets.

Rob Rubin:

What about in five?

Carina Perkins:

In five years, I think it depends if we see some really big innovation from the others. So like you mentioned, some are experimenting with AI, PayPal is one that's been doing a bit around that and with the receipt storing and things like that. I think it's a bit early to call who's going to lead because I think we're going to see a lot of innovation happening in the next couple of years.

Rob Rubin:

Tyler, do you see anything different in the US?

Tyler Van Dyke:

No. If I had to pick one, I think I would also go with Apple. I mean there are 161.6 million mobile wallet users in the US according to our forecast, 60.2 million of those are Apple Wallet users. In the US there are more Starbucks Wallet users than there are Google Wallet users. So I just think that Apple already has such a wide moat compared with Google. And the other thing is that from a demographic perspective, 87% of US teens own an iPhone and nearly the same percent expect that their next phone will be an iPhone. This is according to Piper Sandler. And so Apple just has a huge advantage, especially in the fact that at least right now, if you have an iPhone, the Apple Wallet is the only wallet you can use. So unless that changes, they have a baked-in advantage.

Rob Rubin:

There certainly is. And Apple dominates the mobile phone market everywhere. But in the US there are memes around, if you send someone a text and it's green and not blue.

Tyler Van Dyke:

Exactly.

Rob Rubin:

You don't have an iPhone. What happened?

Carina Perkins:

I don't have an iPhone, I have a Samsung.

Rob Rubin:

I know you use Google Pay.

Tyler Van Dyke:

We can't be friends anymore.

Rob Rubin:

But the thing is that I'm going to go out and say that I don't think that Apple is going to be able to do that forever of just keeping their only wallet is the only wallet you can use on a phone. That's so ubiquitous. I think that's going to be challenged in the US anyway for antitrust that that's just sort of anticompetitive.

Tyler Van Dyke:

But by the time that happens though, do you think that people will easily change those habits? Because if a ruling like that comes four or five years from now, if I'm already using the Apple Wallet for all that time, there's got to be a pretty big incentive for me to switch to something else.

Rob Rubin:

I think it's possible, and I'm just going to use a parallel example of Venmo came in and took that sort of P2P paying people directly market. And it's so much so that it's become a verb I'll Venmo you. But if you look at the actual sort of transaction volume now, Zelle, which exists on your banking platform for a couple thousand banks at least, but certainly the big ones enables you to use Zelle. To Zelle people money so to make it a verb. So I think that it's possible. Paze is actually I think a product of Early Warning, which is the company behind Zelle is kind of launching and they'll be very integrated with your everyday banking account. And I think that depending on how that goes and their features, I think that Paze could come up and give them a run.

Carina Perkins:

I think it's really going to depend on the level of consumer trust that they managed to build in that time because I think kind of consumer faith that their details and their information is going to be secure is really important for adoption. And I think a lot of Apple users do trust Apple to keep that information secure. And whether or not people will have the same kind of trust in a newer player, it'll be interesting to see. I agree with you that their features might be more interesting.

Rob Rubin:

It might not be a newer player though, it might be Bank of America and Chase and the big banks who have that sort of trust and maintain consumer's financial information. So they potentially have even more information than Apple might have.

Carina Perkins:

Yeah, for sure. I think that would definitely be interesting to see.

Rob Rubin:

So that's where I sort of see it. PayPal, I know that David Morris, he's a huge PayPal fan and he thinks PayPal is going to really be a player moving forward in this area. I think they've been a little late, though the storing receipts is a good thing. So I think we came out with this that you guys believe that it's going to be Apple. I think that there could be or should be a competitor. And the thing that I'm going to say is that it has to be that Apple lets other wallets on the iPhone and until then there's no competition because the iPhone is such a dominant mobile phone for everybody across the world. You guys agree with that?

Carina Perkins:

I agree, yeah.

Tyler Van Dyke:

Absolutely.

Rob Rubin:

So I think we argued very nicely here. I don't disagree that Apple dominates today. I think that they're going to eventually have to let other wallets onto the iPhone and once that happens, there's an opportunity for others to really own it and also to increase wallet usage on online with new tools. A lot of the wallet usage is mobile-based because that's how they use it. But if you're shopping online to be able for the merchants to offer the wallets in their shopping cart.

Carina Perkins:

Agreed. And I think in the UK, PayPal has the lead on that front for online payments, for sure.

Rob Rubin:

Yeah, I would agree with that. Well, I want to thank everyone for listening to The Banking & Payments Show, an eMarketer Podcast, and I also want to thank our editor, Todd. Our next episode is on April 2nd, so be sure to check it out. See you then. Guys, thank you so much for being here. This was so much fun today.

Carina Perkins:

Thanks for having me on.

Tyler Van Dyke:

Yeah, thank you.

Rob Rubin:

I'm going to have hopefully both of you back many times moving forward. This was a lot of fun.

Carina Perkins:

Absolutely.

Rob Rubin:

Great. Thank you so much. Bye bye.

Tyler Van Dyke:

Bye.

Carina Perkins:

Bye, Rob.