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Synchrony weighs a branded wallet despite potential downsides

Article

The news: **Synchrony** may develop its own digital wallet—though for now, it's content with allowing its digital cards to be accessed via third-party wallets like **Apple Pay**, **Google Pay**, and **Samsung Wallet**, Synchrony chief growth officer Mike Bopp told Payments Dive. Bopp said that many customers still opt for Synchrony's physical cards but the firm is seeing customers "segueing to digital."

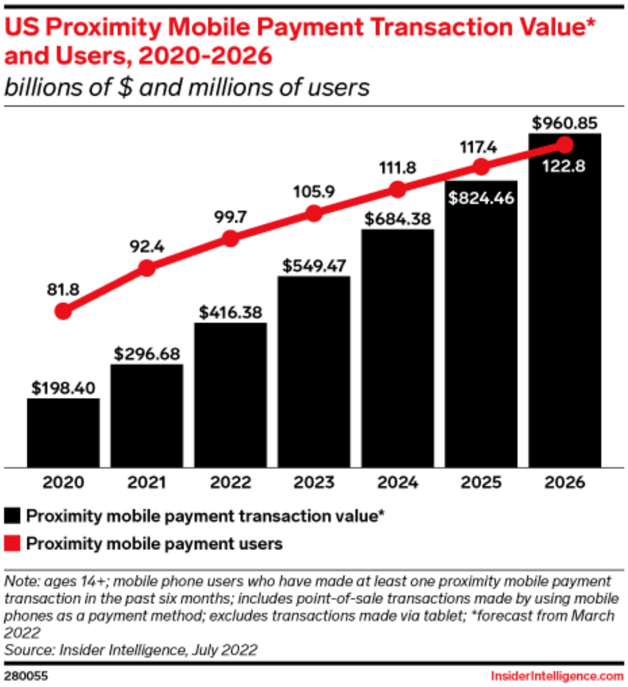
Why it's worth watching: Synchrony is weighing a potential digital wallet down the road as the payment method gains more steam and as its card-based revenues face regulatory pressure.

- The number of US proximity mobile payment users is expected to reach 105.9 million in 2023, or 43.2% of smartphone users, per Insider Intelligence forecasts. **By 2026, mobile wallet penetration will reach 48% of smartphone users.**
- Future mobile wallet growth will be fueled by Gen Z—these digital natives prefer to pay using mobile wallets and other contactless methods.
- **The share of spending on mobile wallets is growing:** Proximity mobile spending per user will reach $5,188.86 in 2023, but in three years that number will increase to $7,827.24, per our forecasts.

Recent regulatory scrutiny surrounding card fees threatens to undermine a key revenue source for Synchrony—which may be why it's looking into a branded digital wallet. The **Consumer Financial Protection Bureau** is considering lowering the amount credit card issuers can charge for late payments. Late fees are about 17% of Synchrony's net interest income, according to UBS analysts. A digital wallet may be a way for the firm to pad a blow to card revenues since it could open the door to marketing and loyalty benefits that drive higher spending.

Weighing the pros and cons: A digital wallet could be a valuable investment for Synchrony—but there are risks involved.

- **A Synchrony-branded wallet can protect the issuer from potential disintermediation.** Synchrony warned that intense payments competition creates a risk that its cards won't be accepted or compatible with digital wallet technologies in the future, according to a Securities and Exchange Commission filing. Developing a digital wallet can protect it from these risks and also help encourage spending and tighten loyalty.
- **But it could face major competition from mobile wallet titans and it might isolate partners.** A Synchrony-branded wallet could struggle to garner attention from customers. Consumers already have access to big-name wallet providers, so they may not see much value in a wallet that's just for Synchrony cards. A branded wallet might also create some tension with card partners, most notably **PayPal**, which has invested heavily in its own wallet offering. And retail partners may not be on board with the idea, since it could threaten brand marketing.



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