

THE FUTURE OF SHOPPING

Digital wallets

Going everywhere
your customers go

J.P.Morgan

Google





The evolution of e-commerce

The e-commerce market is continuing to develop at breakneck speed. Online sales revenues in the U.S. topped \$1 trillion in 2020 for the first time and the market is still growing at more than 10 percent per year.¹ This growth goes hand in hand with another rising trend—online shopping is integrating itself into traditional store-based commerce with consumers now expecting the best of both worlds.

This is omnichannel retail and it is redefining how brands and merchants interact with their customers. Now, an average buying journey might involve multiple touchpoints—in store, online, in customers' homes, across various devices and often jumping back and forth to complete a single transaction.

New customer expectations

Melding digital and physical customer experiences can represent a challenge for merchants accustomed to working through one primary sales channel. For many retailers, the goal is to create seamless, integrated shopping and payment experiences that span customers' preferred physical and digital channels. What begins with online shopping and payment often ends with curbside or in-store pickup. Digital payments are a key enabler of such omnichannel customer journeys.

It's important to note, too, that mobile commerce is underpinning the growth of omnichannel and digital wallets, with features that are proving inherently suitable to both in-store and online shopping and payment. For example, someone might use the Google Pay app to review and compare a wide variety of local restaurants and then order and pay for food that's delivered to your doorstep in less than an hour.

Advances in technology continue to expand and improve the consumer shopping experience. More than four out of every ten e-commerce transactions are made via mobile devices (44 percent),² and uptake is rising. Mobile commerce has an expected compound annual growth rate of 13.8 percent to 2023³, compared with overall e-commerce's 10.5 percent prediction⁴.

Growing user awareness and confidence, and strong solutions to support this interest, means digital wallets are reaching a tipping point. Consumer behavior and expectations are evolving quickly too.

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Today's shopper expectations

1 **ANYTIME, ANY PLACE PAYMENTS**

We live in an on-demand world. We expect to be able to research at whatever time we want online, approve an invoice as soon as it arrives via email, and get a pizza delivered via our smartphone at midnight. Most of us keep our phones with us at all times, and with a digital wallet, our cards and banking details are with us too.

2 **A PERSONALIZED CUSTOMER JOURNEY, WITH VALUABLE INSIGHTS**

In a competitive sales market, being able to offer a payment journey that feels personalized to the needs and interests of the customer can be a key differentiator. This means more functionality to foster peer-to-peer payments, or to help people split meals with friends or bills with roommates.

3 **INTEGRATED LOYALTY**

Everybody loves a deal, and digital wallets allow loyalty programs such as air miles and store loyalty programs to be seamlessly integrated. Google Pay works with brands such as Burger King, Panera, Etsy, Warby Parker and many others to provide deals and discounts that are accessible via the digital wallet.

4 **INTEGRATED BANKING**

Some payment apps, like Venmo and Google Pay, can integrate P2P payments. This enables a user to split a restaurant or rideshare bill between friends and choose whether their share is drawn directly from their bank account or a debit or credit card.

5 **INVISIBLE PAYMENTS**

Chances are you have already made this type of payment. Think of Uber, or a subscription wine or beer service, where the payments take place instantly and automatically, without the need for repeated authorizations. The checkout is disappearing into the background of each transaction—customers want to be able to shop securely, seamlessly, and with a minimum of interactions.



How digital wallets create more valuable customer experiences

FOR RETAILERS



A customer wants to buy a new fragrance. They grab their smartphone and a quick Google search confirms it's in stock in a local store.



They head to the store to try it.



At checkout, they present the cashier with their smartphone to access an in-app discount.



They pay with Google Pay and redeem a 10 percent cashback deal which gets added to their stored value balance.



FOR RESTAURANTS



A customer is looking to order from their favorite restaurant.



Before they leave work, they check out the restaurant's online menu, place their order and pay via Google Pay.



On their way home they drive past the restaurant and pickup their order, which is waiting for them.



They decide to buy some drinks to accompany the meal and pay for them using Google Pay at a POS terminal.



In these two customer journeys, the customer effortlessly toggles between shopping channels, based on their needs and preferences in that moment. A great omnichannel experience means being able to instantly maximize a customer's choice and convenience at every touchpoint, providing a consistent experience across all channels.



Omnichannel investments can deliver strong returns

The past year was spent by many of us either at home, within our local neighborhood or online. As a result, the convenience of omnichannel quickly became apparent. From major corporations to local independent stores, merchants who focused on building a strong online presence, backed by high levels of customer service and product availability both in-store and online, have experienced significant return on their investments. The benefits are ongoing. Some 56 percent of consumers state a high intention to continue using ‘buy online, pickup in store’ (BOPIS) and grocery delivery (45 percent) post-pandemic.⁵

Merchants who capitalize on the best of both physical and digital retailing methods—providing shoppers with the vast product choice offered by online retail, whilst making the most of the experiential, hands-on nature of in-store shopping—are most likely to not just survive, but to thrive in these incredibly challenging times. McKinsey analysis of the last financial crisis in 2008 shows that customer experience leaders had a shallower downturn, rebounded faster, and achieved 3x total shareholder returns in the long run compared with the market average.⁶

Digital wallets: the ideal omnichannel enabler

In-store, pandemic-related concerns have made contactless payments even more useful. J.P. Morgan acquiring data shows in-store digital wallet payment volume increased 54 percent during the 2020s Black Friday weekend compared to the prior year.⁷

Nearly 50 percent of global shoppers are using digital wallets more now than they were before the pandemic.⁸ Looking ahead, a February 2021 Experian report stated 38 percent of consumers expect to increase their online activity in the next 12 months. Sixty percent of consumers are now using a mobile wallet to make digital payments.⁹

Spending 2020 at home boosted online shopping uptake, and gave many consumers their first experience of digital wallets, particularly in the U.S. But last year was just one step in a long-running growth story for digital wallets and their success as a partner for e-commerce and omnichannel retail. The payment method was on an upwards trajectory long before the pandemic made a safety case for contactless and cash-free transactions.

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Future-proofing merchants through digital innovation

Global digital wallet sales are predicted to exceed \$10 trillion by 2025: a remarkable 83% increase over 2020.¹⁰ Growth has been fueled by many factors – not least their inherent suitability for omnichannel retail. There are powerful benefits to merchants who choose to integrate a strong digital wallet offer as part of their omnichannel shopping experience. These include:

ENHANCED AUTHORIZATIONS, SECURITY AND LOWER CHARGEBACK RATES

According to research by Visa, authorization rates with tokenized transactions are higher than other payment methods.¹¹ Chargeback rates are improved as there is inherent personal identification and authorization required to make a digital wallet transaction, whether this is via face ID, fingerprint identification, or PIN. Biometric identification is also fast and convenient, which is helping to drive uptake of digital wallets.

INTERACTION WITH SOCIAL COMMERCE

Sales made on social channels rely on click-through payments—tapping on an image, link or video to purchase. They're thus inherently suited to digital wallets, where the user's card information is stored and ready to go, leading to a friction-free checkout. Whether it's paying for a piece of second-hand furniture via any number of social platform posts or buying an influencer-recommended product, shopping via social media is rising fast: U.S. social commerce sales were more than \$19.42 billion in 2019. This year, that figure is expected to double to \$39.2 billion.¹²

A GLOBAL MIGRATION TOWARDS DIGITAL FINANCE

Digital wallets are gaining strength amidst a migration towards digital finance in general. Globally, eight out of ten central banks are developing their own digital currency,¹³ the U.S. included. These long-term projects by major global financial institutions indicate the direction of global banking towards a cashless, digitized model for finance and payments.¹⁴



Are you ready for the future of shopping?

Digital wallets will transition from being nice-to-have to being essential as they have already started to do in many countries around the world. The combination of features, convenience and security that they bring are difficult to achieve by other means. Eventually all of your essential credentials could be stored in one of these wallets including your driver's license and other personal valuables.

The omnichannel consumer-centric shopping experience is delivering great opportunities for merchants to find and reach customers at multiple touchpoints, 24/7, via a plethora of smart devices and existing retail stores.

Digital wallets answer the question of how to meet rising consumer demand for smart, secure, anytime, any place shopping. If your business wants to hone its digital wallet strategy, knowing your customers and your company's strengths are key. From there, you can build out an end-to-end payments platform. When it comes to optimizing your omnichannel offer, and the digital payments that underpin it, execution is everything.

Learn more about J.P. Morgan's e-commerce expertise and solutions including the ways we can help you optimize your digital wallet strategy.

LEARN MORE

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