

The evolving world of wallets

Lewis Horder, Paysafe's Director of Sales, shares five top takeaways from our latest webinar



Digital wallets have experienced seismic growth in recent years, with consumers increasingly attracted to the speed and ease of options like Apple Pay and Google Pay. According to market analysts, the total value of digital wallet transactions will rise from \$9 trillion in 2023 to \$16 trillion in 2028, an increase of 77%.¹

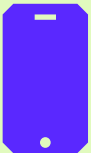
Paysafe recently teamed up with The Payments Association and a panel of industry experts to discuss the impact of digital wallets on financial services. From what businesses need to know when adopting wallets to the role of regulations in their development, we discussed several key topics influencing the future of payments.

1 Three factors are driving the uptake of digital wallets

Recent data suggests that more than half of adults in the UK have used a digital wallet in 2024.² This corresponds with Paysafe's Inside the Wallet research report, which revealed that 32% of people are using digital wallets more often than a year ago.³

In the UK, digital wallet adoption in online commerce is expected to rise from 38% in 2023 to 50% in 2027. Meanwhile, for in-store purchases, digital wallets are predicted to account for 29% of transactions by 2027, up from 14% in 2023.⁴

So, what's driving this rise in popularity? Our webinar panellists pointed to the following factors:



Convenience

Consumers don't want to pause to enter card numbers and personal information. Wallets enable one-click payments with a tap of your phone.



Security

The anti-fraud features offered by wallets are reassuring for consumers. Tokenization – a process that replaces sensitive information with a unique digital identifier (a token) – protects customers' card details. Simultaneously, biometric authentication offers a fast, safe way to authorize payments.



Value-add services

Many wallet providers integrate additional services, such as loyalty programs and crypto brokerages, to deliver greater customer value. These embedded offerings create a single destination for people to access and manage their money.

¹<https://www.juniperresearch.com/press/digital-wallets-transaction-value-16-trillion-2028/>

²<https://fintech.global/2024/07/18/psr-and-fca-explore-the-impact-of-digital-wallets-on-uk-consumers-and-businesses/>

³<https://www.paysafe.com/en/inside-the-wallet/>

⁴<https://www.finder.com/uk/banking/digital-wallet-statistics>

2

Successful merchant adoption hinges on a wallet's capabilities

Businesses must understand how payment preferences are changing – and how to adapt the checkout experience to meet consumers' expectations.

43%

of shoppers will abandon a purchase if their payment method of choice isn't available.

The shift toward wallets is a trend that businesses can't afford to ignore.

But before merchants rush to add wallets to their checkout, they must consider the range of functionality offered by a provider.

On the front end, a smooth user experience across laptop, tablet, and mobile devices is key. Embedded wallets that plug into e-commerce platforms and let customers pay in a single click are a great way to achieve this.

Meanwhile, the right back-office setup will automate reporting, reconciliation, and fraud prevention processes, as well as make it easy to visualize transaction data. As a result, you can see how customers engage with your checkout and adjust the experience to meet their needs.

3

Regulators to prioritize competition and consumer protection

The Payment Systems Regulator (PSR) and Financial Conduct Authority (FCA) have three main aims: to foster competition, promote innovation, and protect consumers.

Competition is healthy as it compels dominant wallet providers, like Apple and Google, to keep innovating to avoid losing market share. To level the playing field, regulators must open up access to the technical capabilities that make digital wallets so successful. For instance, the NFC chips and biometric authentication mechanisms built into smartphones.

However, regulators must be careful that their attempts to increase competition are not counterproductive. If they force phone manufacturers to add a step to the payment process for consumers to select their preferred wallet, it will create the kind of friction they want to minimize.

Another area for regulators to address is who is liable when a payment is disputed. Currently, the liability split between wallet providers, card issuers, and banks isn't always clear. To avoid ambiguity, regulators must standardize lines of accountability.

4

Account-to-account payments face two challenges

Account-to-account (A2A) payments are a hot topic, but they are rarely an option when purchasing through digital wallets. Furthermore, it's debatable whether A2A will enhance wallets, when most consumers are satisfied with their current card-on-file setup.

For the adoption of A2A to increase, payment providers and regulators need to address two key challenges:

- ◆ **Protections and dispute mechanisms:**
Credit cards often offer consumer protections and chargeback rights. Currently, A2A payments lack the same level of protection, making them less appealing to consumers.
- ◆ **A lack of use cases:**
To build familiarity and trust around A2A payments, consumers need to understand their benefits when making certain transactions. For example, in the case of a monthly subscription, recurring payments won't be disrupted if someone's card expires.

5

Payment options are set to become more diverse

In the future, consumers will continue to demand choice at the checkout.

Innovative methods like digital wallets, account-to-account payments, cryptocurrencies, and buy now, pay later (BNPL) will become more mainstream. Yet, traditional options like cards and cash will remain popular, especially among certain demographics.

To satisfy the desire for flexibility at the checkout, wallets will need to integrate with other forms of payment, such as A2A and crypto. This move seems a natural evolution given the idea behind wallets is to provide a communication and authentication mechanism with different payment rails working underneath.

About Lewis Horder



Lewis has worked in the payments industry for over 15 years. In that time, he has worked closely with finance businesses to expand their payment capabilities and deliver value for customers.

At Paysafe, Lewis leads business development efforts across high-growth areas in the financial services and fintech sector, leveraging his expertise in wallets, card acquiring, and payment gateways.

Turn transactions into revenue

Turn transactions into revenue with Paysafe's digital wallet services.

Paysafe's embedded wallet solutions offer fast, secure pay-ins and payouts. Here are a few of the reasons why our customers choose us.



Multiple payment methods

Increase conversion rates by accepting cards, cash, bank transfers, and local payment options.



Powerful back-office capabilities

Across risk management, compliance, and reporting, Paysafe's wallets make complex processes simple.



Expert support

Our dedicated team provides a world-class service with a personal touch.



Discover how we help businesses like yours seize success and fulfil their ambitions.

[Contact us today](#)