



# The Google Wallet Ecosystem

Point-Of-View

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## WHAT IS CHANGING:

Google is rolling out Google Wallet, a free smartphone app that integrates the user's coupons, gift and merchant loyalty cards, and payment tools into a single e-commerce ecosystem. The Google Wallet App allows users to store their credit card information and "tap-and-pay" for items at select retail locations.

## HOW WALLET WORKS FOR CONSUMERS

Users who own smartphones that contain "near field communication" (NFC) chips can pay for their items at MasterCard PayPass locations by inputting a PIN and tapping the back of their phone against the PayPass unit (located at the check-out area of many major retailers). Google Wallet will automatically search for and apply digital coupons to the order, track loyalty points, and generate e-receipts. Google Wallet stores coupon offers from Google's daily deal site, Google Offers, as well as coupons from searched-based "offer ads," Google Places, Google Maps, and check-ins. Google Wallet will also display geo-targeted coupons at the user's request.



(Google Wallet allows users to "tap-and-pay" at Mastercard PayPass locations.)



(Google Wallet interface shows stored payment cards, loyalty cards, and all collected offers. It also shows the user's purchase history.)

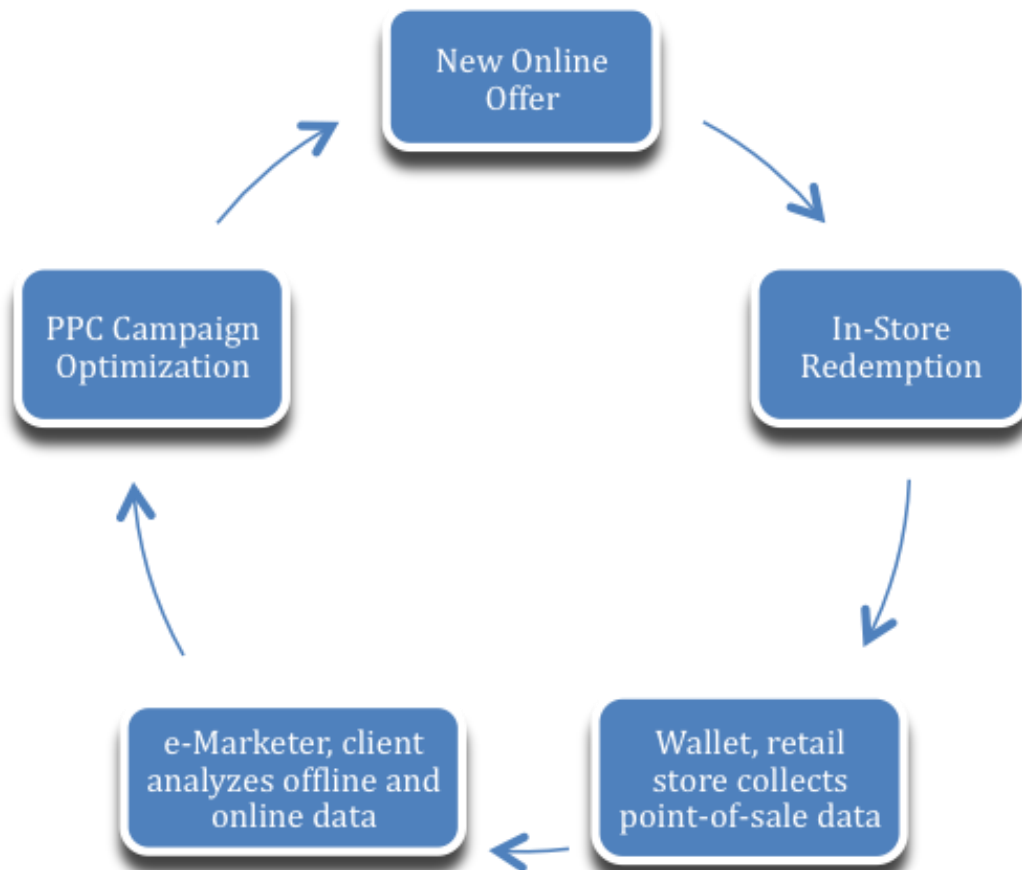
## HOW WALLET WORKS FOR ONLINE ADVERTISERS

Google intends for users to use Wallet's payment and loyalty functions at brick and mortar locations, but couponing campaigns occur through the Google engine. Advertisers will be encouraged to create their own offers through an ad extension in the AdWords called "offer ads" (or, alternatively, "ads with offers"). This extension allows advertisers to attach coupons to their existing desktop or mobile PPC advertisements and allows users to print these coupons or save them to Wallet for use in retail stores. Coupons will also show up on Google Places, Google Maps, and check-ins. Near-by coupons will show up on the Wallet app interface as well. Google Wallet will apply any of these saved offers at the point of sale.

To benefit advertisers, Wallet collects data about location, impressions, CTR, conversions, and coupon offers saved. Reporting will be available on all couponing desktop clicks, and AdWords users will be able to segment data by interaction type (SMS, email, print, and storage).

## IMPLICATIONS OF WALLET ON THE FUTURE OF SEARCH AND E-COMMERCE

Google Wallet is the centerpiece of Google's ambitious strategy to direct online traffic to brick and mortar stores by integrating a convenient payment service, cost-saving loyalty cards, and in-store coupons in a single package. Marrying coupon offers to offline point-of-sale data allows Google to enhance its cost-per-transaction model based on keyword bidding and display impressions. Google will have access to a cache of offline transaction data that it can use to quantify e-marketing through conversion. Merchants, by comparison, will use Wallet to capture new, loyal customers and to gain an accurate picture about their ROI for each e-marketing dollar spent.



(Closed-loop transactions encourage greater participation and improve targeting efficiency.)

## NEAR AND LONG-TERM OUTLOOK

Google claims that Wallet is the “next big shift” in payment technology and will be pushing the technology hard in the future. Eventually Wallet will store everything in your wallet: tickets, boarding passes, transit cards, and more.

In the short term, Google Wallet currently has limited use and faces several near-term obstacles. The MasterCard PayPass Network only contains 300,000 locations. Several wireless carriers and makers of non-traditional payment systems are also developing their own NFC-based digital wallets. Additionally, Apple has yet to commit to this technology in its iPhones.

Privacy and security concerns will also discourage some people from using the service. Google promises that paying with Wallet will be safer than traditional methods for several reasons:


- 1) Every NFC sticker has a single credit card associated with them and will self-destruct if tampered.
- 2) Google requires the user to enter a unique PIN during each transaction.
- 3) Encrypted user information is stored in a computer chip called a Secure Element that is located separately from the device’s memory. Wallet protects against skimming by turning the Secure Element off simultaneously with the display.

Google Wallet seems well-positioned for the long-run despite these short-term obstacles because it benefits Google, merchants, credit-card companies, and consumers at the same time. Google does not expect Wallet to gain widespread use as the preferred method of offline payment until 2013 at the earliest.

## KEY TAKAWAYS FOR E-MARKETERS

The roll-out of the Google Wallet e-commerce ecosystem has several important implications for e-marketers:

- 1) Managing desktop and mobile couponing campaigns will be commonplace.
- 2) Seasonal couponing will now be possible. For example, a large retailer may want to initiate a special offer on winter coats for users in cold weather cities such as Detroit during the winter.
- 3) New offline point-of-sale data will need to be analyzed in conjunction with online click data. E-marketers and their clients should share offline and online data in order to optimize and re-focus their online advertising campaigns.
- 4) Micromanaging the retailer’s local presence through their Places and Maps pages will be critical to their e-marketing success.



E-marketers should be aware of the revolutionary impact Wallet may have on the future of online search. iProspect encourages e-marketers to monitor the development of the Google Wallet ecosystem (i.e. Wallet, Places, Offers, and offer ads) and how they may leverage it to their benefit.

## **ABOUT iPROSPECT:**

iProspect is a leading global digital performance agency. The company helps many of the world's most successful brands maximize their online marketing ROI through paid search, social media strategy, search engine optimization, display media, comparison shopping engines, conversion optimization, mobile marketing and attribution modeling and management, research, and other related services. The agency, which is part of Aegis Media, has received numerous industry awards including: Ad Age's 2011 Best Places to Work in Media & Marketing Award, Internet Retailer's Top 500 List in 2009, 2010 and 2011, the 2010 ClickZ Connected Marketing Award for Best Use of Search Engine Marketing; The 2009 Search Engine Strategies Award for Best Social Media Marketing Campaign; The 2009 Search Engine Strategies Award for Best Use of Local Search. With US offices in Boston, New York, Chicago, San Francisco, Dallas-Fort Worth, and around the globe, iProspect can be contacted at 1-800-522-1152, or by visiting [www.iprospect.com](http://www.iprospect.com).