

# Digital Wallets on the Spotlight

A close-up to the Digital Wallets trend

CHAPTER 3  
User research results and banks' potential roles

January 2025

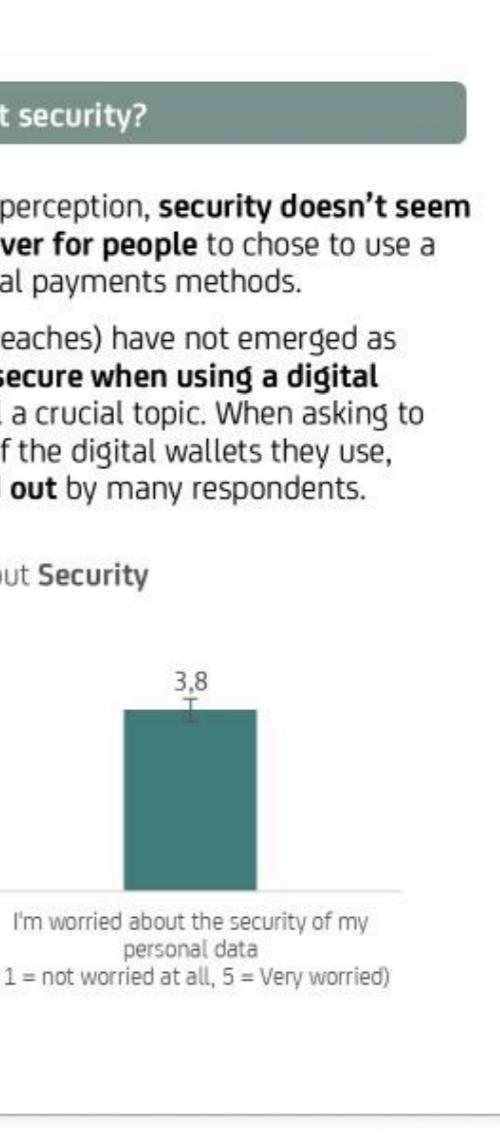
## CHAPTER 3

### EXECUTIVE SUMMARY

## Digital Wallets on the Spotlight

#### KEY TAKEAWAYS

- After understanding Digital Wallets' market evolution and main players' features in Chapters 1 and 2, we run a survey to investigate directly from users how they perceive digital wallets, their current experience and adoption drivers.
- In line with the current DW usage trend, people are using the DWs mainly for online payments, but we also discovered they are highly used for in-store payments and to send/receive money. Plus, people are already using DWs not just as a payment method, but using it for event tickets, train/flight tickets, and digital IDs.
- Also, we discovered people value the ease of use and simplicity of DWs agreeing with characteristics such as simplification of daily payments, velocity, comfortability.
- There are many potential evolutions for digital wallets, which will impact how a bank could play a role in this ecosystem. For example, new regulations coming from the European Commission, new use cases that will change how people interact with a digital wallet, and other trends that together with DW could open new opportunities for banks.
- Through the research we understood that people trust banks as a secure and reliable institution just as they have been perceived throughout history. Nevertheless, the research also showed that people don't have a preferred type of player to be the DW provider (they are neutral when asked about who would they like the DW provider to be).
- Considering this, we envision the bank could play a role as:
  - Service provider, leveraging on DWs as a secure authentication method to access financial services (e.g., account opening)
  - Issuer of digital documents, adding additional data to be exposed to DW providers (e.g., credit scoring)
  - Digital wallet provider, offering their own DW directly to end users completely in-house or in different partnership mechanisms



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### PEOPLE PERCEPTION OF DIGITAL WALLETS

#### Overview: the survey conducted

#### GOAL & METHODOLOGY

Digital Wallets are continuously growing, taking the spotlight as the preferred payment method and closing the gap in transaction volumes, both online and at POS, across many regions worldwide (take a look back at [Chapter 1](#) for more details).

In this context, we run a survey with the main goal to understand how people perceive Digital Wallets, their current experience with them, investigate what are the main adoption drivers.

The survey was structured as a combination of single and multiple-choice answers, scale questions and open questions.

The respondents have been recruited via Userlytics, a platform we leverage on to conduct qualitative and quantitative research activities.

#### PERIMETER

We collected 170+ answers:

- Gender mix (73% male; 36% female; 1% non-binary)
- Age +18 (16% 18-24; 36% 25-35; 32% 36-50; 15% 51-65; 1% 65+)
- Italian residents only (55% North, 20% Center; 18% South; 7% Islands)
- Both UC clients and Prospects (21% UC; 79% Prospects)
- Occupation mix (18% student; 51% employee; 24% entrepreneur/freelance; 1% retired; 7% unemployed)

### PEOPLE PERCEPTION OF DIGITAL WALLETS

#### Insight: people are using DWs for more than payments

#### DWs are adopted for a variety of use cases

People are using DWs to store a lot of different documents, not just credit/debit cards.

Results from the survey shows that people are using it for debit/credit cards, event tickets, fidelity cards, gift cards, and identifications. Additionally, it was noticed that from those who use digital wallets, most of the time, use it for online and in-store payment.

#### What about security?

When investigating digital wallets perception, security doesn't seem to be the main differentiating driver for people to choose to use a digital wallet, rather than traditional payment methods.

Even if security issues (e.g., data breaches) have not emerged as current concerns and people feel secure when using a digital wallet, security emerged to be still a crucial topic. When asking people what they would improve if the digital wallets they use, security overall has been pointed out by many respondents.

#### Preference for a wallet provider (tech players vs banks)

We have asked an opinion related to the possibility of Banks to offer a digital wallet; would people use it?

From the results, it has not emerged a clear preference for using a wallet offered by a tech provider rather than a bank and vice versa.

#### What about security?

On a scale of 1 to 5, how much do you agree with the following statement? «I would trust a digital wallet offered by my bank more than one provided by a technology company»

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### PEOPLE PERCEPTION TOWARDS BANKS

#### People perception towards banks

#### People Trust Banks

Banks have been established as trustworthy institutions in society. Over time, they have built a reputation for reliability, security, and safeguarding people's financial assets.

Moreover, another CED research done for Data Privacy & Identity highlighted how banks have built the reputation of being the custodians of people's money and with the opportunity to become, also, data providers.

The recent survey results have reinforced this perception, highlighting that banks are viewed as trustworthy, secure, and reliable.

Backed-up by survey Research by UIC GED

#### What do people care about when selecting a DW provider?

The survey explored potential biases towards specific digital wallet providers, whether banks or tech companies. Results revealed that users prioritize functionality over who is the provider, with a strong emphasis on ease of use (such as payments, ticket storage, and ecosystem integration).

Two key factors emerged as potential reasons to choose a player over another:

- the introduction of fees, given the current prevalence of free digital wallet services.
- and the absence of incentives, the presence of incentives could significantly influence provider selection.

Overall, consumers might have a pragmatic approach, valuing more performance, user experience, and cost-effectiveness above the type of institution offering the digital wallet service.

#### DIGITAL WALLET ECOSYSTEM

#### Current role of banks

#### HOW ARE BANKS INVOLVED IN DW TODAY?

Banks play a crucial role in the digital wallet ecosystem today, even without direct involvement in wallet operations.

Mainly by being part of the payment cycle:

- Banks enable customers to link their credit/debit cards, bank accounts, and other payment methods to digital wallets.
- Banks must allow Payment Initiation Service Providers (PISPs) to make payments on behalf of consumers as per PSD2 regulations.
- Banks are required to provide access to customer account information through APIs to third-party providers, under PSD2 regulation.
- Some banks are developing their own digital wallets, like Swish in Sweden, to compete in the digital payments space.

Decoding the European Mobile Wallet Evolution - IPSOS EU Digital Identity/Wallet - European Commission

#### What about security?

Lately, account-to-account (A2A) payments are continually gaining share in e-commerce transactions, also at EU level. A digital wallet connected directly to a bank's current account might be a good driver to increase people adoption, especially when paying both online and in-store.

According to survey results, people would be prone to use a wallet with their bank current account.

#### Possible evolutions (1/2)

#### POTENTIAL FACTORS INFLUENCING THE FUTURE ROLE OF BANKS IN DIGITAL WALLET ECOSYSTEM

New EU regulations being adopted

Main use cases might emerge in the next future, other than storing payments cards and personal IDs, for both citizens and businesses. Wallets may holistically cover a variety of other use cases progressively, including: access to digital services (nationally and cross-border); store and share education credentials when applying to a new job or university; collect travel documents and sign up for a new job or contract with a third party provider.

Survey's results showed that people are willing to store a variety of docs from transport tickets, to loyalty cards, to IDs and medical cards.

#### Possible evolutions (2/2)

#### POTENTIAL FACTORS INFLUENCING THE FUTURE ROLE OF BANKS IN DIGITAL WALLET ECOSYSTEM

Digital Euro by ECB moving on

On a scale of 1 to 5, how much do you agree with the following statement? «I would trust a digital wallet offered by my bank more than one provided by a technology company»

#### What could be the potential roles of banks?

#### BANKS COULD HAVE DIFFERENT OPPORTUNITIES IN DIGITAL WALLET ECOSYSTEM, PLAYING ONE OR MORE ROLES

#### SERVICE PROVIDER

Banks are playing a key role as service providers, since they could rely on the data and information contained in digital wallets where they need users to authenticate themselves to access a service.

This opens the possibility for banks to integrate the acceptance of digital wallets as secure authentication method for streamlining key banks' procedures, e.g., new current account opening, KYC/KYB processes.

Backed-up by survey Research by UIC GED

#### DIGITAL DOCS ISSUER

As for today, banks are already enabling users to store their payment cards in digital wallets, also allowing wallet providers to access transactions data to be exposed to users (e.g., transactions history, location...).

Leveraging the European Digital Identity Framework, Banks could issue additional data to be exposed to digital wallet providers, representing either natural or legal persons, such as

- their attributes, i.e., IBAN credential, credit score...
- non-qualified attributes, i.e., as employee's passes, employee's professional qualifications...

#### DIGITAL WALLET PROVIDER

Following some early initiatives backed by banks starting to explore the space (e.g., Swish in Sweden), Banks could get a strategic advantage by offering their own digital wallet to customers and prospects.

Banks could become digital wallet providers, deciding whether to build their solution in-house or offering a white-label solution to a wallet-as-a-service provider.

With this, Banks would be able to allow users to store in bank's wallet a variety of digital docs, to sign docs, or to authenticate themselves to third parties' providers.