

Harnessing the Growth of Super-Apps and Digital Wallets

Exploring market drivers and strategic solutions for enabling digital trust

Introduction

The Economist Intelligence Unit, sponsored by TransUnion, surveyed over 1,600 security and fraud prevention executives from 12 different countries to better understand how businesses are building trust with consumers. Two major trends are transforming how digital commerce is done on a global scale:

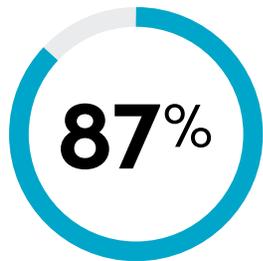
- 1** the adoption of digital wallets, and
- 2** the growing dominance of super-apps. This emergence of these technologies elevates the need for digital optimization and account protection in order to build and retain consumer trust.



Consumers and technology are driving big changes

Consumers today hold significant power and have high expectations for brands – demanding easier payment options and more personalized experiences. This has sparked emerging market drivers – specifically the adoption of super-apps and digital wallets – which are impacting payment behaviors. These technologies continue to be most heavily embraced in developing economies, likely due to:

- Strong growth in mobile phone usage
- Reduced infrastructure requirements
- More limitations on traditional payment systems



A significant 87% of consumers believe brands should put more effort into providing seamless customer experiences.¹

Digital wallets and super-apps are transforming the digital customer experience



Digital wallet

Online and mobile payment apps connected to bank, debit card or credit card accounts.



Super-app

Online and mobile app with payment functionality supporting social, ecommerce and other services.

These technologies offer consumers greater accessibility and flexibility. Users can store funds, make online and in-person transactions, track payments through digital devices and access services across a wide range of categories. In short, we're entering the era of the all-in-one experience.

Digital wallets enhance cashless payments

Mobile apps like ApplePay, GooglePay, PayPal, SamsungPay and Alipay – that are also integrated into websites – offer a number of benefits for both businesses and consumers, including:



Reduced friction – Payment systems “become invisible” by blending into the user experience with one-tap payments



Enhanced security – The ability to maintain the latest cryptographic security features helps to minimize the risk of theft or fraud



Improved access – Increased financial inclusion expands economic opportunity



Digital wallet adoption is uneven

There’s been a surge of merchants integrating digital wallets into online and point-of-sale (POS) payment systems. However, there are disparities in adoption of digital wallets globally. For instance, in advanced economies, digital wallets remain niche products, with credit cards still dominating. In the US last year, just 9% of in-person sales were conducted with mobile wallets, but that was 60% higher than the number seen in 2019.²

In emerging economies, digital wallets bypass barriers to financial inclusion and don’t face competition from entrenched payment systems. China has largely bypassed payment card adoption, leap-frogging to digital and mobile payments. As a result, 50% of in-person transactions were conducted with mobile wallets.²

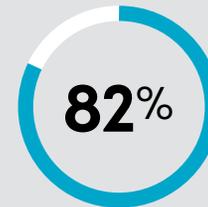
Super-apps are a growing – and disruptive – force in ecommerce

Predominately mobile super-apps like WeChat, Alipay and Go-Jek are digital portals that consolidate services and offerings into a single interface, enabling customers to access and pay for third-party products and services. Advanced super-apps, mainly in Asia, include messaging, social media, marketplaces and services. Other super-apps offer a combination of mobility, food and grocery delivery, payments, and logistics, with the goal of offering existing communities with more services.

Poised to disrupt traditional banking and payment services, super-apps are already becoming highly attractive. Companies can leverage the payments and authentication infrastructure developed by deep-pocketed tech giants to simplify go-to-market with engaged user bases. Super-apps are side-stepping traditional payment methods, such as credit cards, in favor of digital methods with fewer infrastructure requirements and lower transaction fees.

Businesses expect significant benefit from digital wallets and super-apps

The survey results from the Economist Intelligence Unit indicate executives across the globe expect digital wallets and super-apps to transform their businesses in positive ways.



A hefty 82% expect digital wallets to have a positive impact on revenue – especially in India, Brazil and Chile



Over 80% believe super-apps are likely to become the dominant portal for digital commerce among consumers over the next five years



Over 35% believe super-apps will give them access to a broader customer network, with the majority expecting a positive impact on annual revenue over the next five years

Requirements for building trust in a digital consumer landscape

When executives were asked about the main barriers to super-apps gaining dominance, nearly half pointed to security, privacy or fraud, and more than a third cited potential regulatory limitations on data sharing with third parties. Organizations that successfully build consumer trust can achieve these goals:



Gain a more comprehensive and accurate view of consumer identities



Steward data with care and stay compliant with applicable regulations



Leverage digital and identity insights to help protect transactions across the entire customer lifecycle

Encouraging adoption of digital wallets and super-apps

As mentioned, cultivating and maintaining trust will be paramount as super-apps and digital wallets grow in new markets and gain wider consumer acceptance. Early investments in security, fraud prevention and identity proofing will be essential in demonstrating the long-term viability of these new models. It will be important to tap into:

- **Accurate identity verification** – Onboard new accounts by quickly and securely verifying consumer-provided information
- **Real-time device intelligence** – Instantly assess devices (that connect to your website or app) for risky behavior, anomalous attributes and history of past fraud
- **Powerful, comprehensive authentication** – Allow end-users to select authentication options – including facial scan, fingerprint, PIN, circle code, Bluetooth proximity or device factors – within set boundaries to create a superior customer experience

Checklist for protecting accounts throughout the customer lifecycle

Storing payment information with a business or service brings convenience but also creates vulnerability if the account is taken over. Digital wallets are often tied to bank accounts or credit cards, and super-apps are increasing the scope of their services – meaning the damages can be even higher if an account is breached.

There are a number of measures businesses can take to help mitigate account takeover attacks across all points of risk in the customer lifecycle, including:

- **Login** – Use device intelligence and features to verify and authenticate user
- **Account management** – Use device features and identity data to verify account changes
- **Transaction authorization** – Use Multifactor Authentication to authorize payments or account changes
- **Contact center verification** – Use Knowledge-Based Verification (KBV) and One-Time Passcode (OTP) for step-up authentication or to authenticate consumer identity

Our studies show that digital wallets and super-apps are not an idea for the future; rather, they're here now and growing in popularity. Even without digital acceleration caused by the COVID-19 crisis, consumers want convenience (underpinned by security), and that's what these technologies can provide. Businesses would be well served to embrace and champion them, enabling them to best serve customers, build coveted trust, and in turn help boost their bottom lines.





About TransUnion Global Fraud Solutions

TransUnion Global Fraud Solutions unite both consumer and device identities to detect threats across markets while ensuring friction-right user experiences. The solutions, all part of the TruValidate suite, fuse traditional data science with machine learning to provide businesses unique insights about consumer transactions, safeguarding tens of millions of transactions each day.

Global: transunion.com/solution/truvalidate

About TransUnion (NYSE: TRU)

TransUnion is a global information and insights company that makes trust possible in the modern economy. We do this by providing a comprehensive picture of each person so they can be reliably and safely represented in the marketplace. As a result, businesses and consumers can transact with confidence and achieve great things.

We call this Information for Good®.

A leading presence in more than 30 countries across 5 continents, TransUnion provides solutions that help create economic opportunity, great experiences and personal empowerment for hundreds of millions of people.

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