

United Kingdom Mobile Payments Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The United Kingdom mobile payments market is estimated to register a CAGR of 22.3% from 2022 to 2027. The market majorly comprises players offering software as a service in the form of mobile applications used for making payments. The United Kingdom (UK) is a mature space for mobile payments, as the country for one of the earliest adopters to introduce mobile payments.

Key Highlights

Mobile payments in the UK started taking shape around 2011 when a sum of GBP 100 could be loaded into a smartphone digitally and used for small purchases. The devices then used Near Field Communication (NFC) for contactless payments, with the system functioning under a pay-as-you-go configuration. The country has closely witnessed the evolution of such smart payment features, from SMS-based payments to modern-day smartphone and online payments.

The internet is evolving with more and more e-commerce platforms coming into existence. The ecosystem is developed through joint venturing between financial banks, payment gateways, and service providers for the App, making way for mobile payments. The introduction of wearables and incorporation of NFC and other technologies into the connected devices has considerably eased the mode of payment. The inclusion of virtual assistants and mobile payment app compatibility with them is also mostly end-to-end encrypted to provide state-of-the-art security and reliability.

However, cybersecurity is a constant threat to mobile payments. According to Proofpoint, over three-fourths of UK businesses will be affected by ransomware in 2021. Also, according to BBC, 82% of the UK companies had to pay the ransomware hackers to get their data back, ahead of the global average rate of 58%, making the UK the most likely to pay cyber-attackers. Thus, it creates a serious need for cutting-edge cyber security to be offered by mobile payments companies, ensuring safe and protected payments. The COVID-19 pandemic proved to be a big boost for mobile payments, with the UK users getting aware to avoid payment modes that included physical contact with the commonly touched points in the general environment, the contactless method of payment

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offered by mobile payments helped in making transactions even during the lockdowns. Many online and e-commerce platforms enabled mobile payments during the pandemic, which gave it a great push to become the new norm.

UK Mobile Payments Market Trends

Internet Penetration in the UK is Driving the Market

The cellular and internet connectivity advancements have backed several commercial and private operations in the UK. The country has witnessed drastic internet and network infrastructure evolution, leading to fast-growing network capabilities. This evolution has backed a deeper penetration of the internet, covering the interiors of the country too. Strong network infrastructure is a fundamental requirement for reliable mobile payments.

Smartphone adoption on a wide scale has helped people connect with the internet and use mobile payments. The United Kingdom has shown promising prospects for the same. According to the International Trade Administration, in 2021 in the UK, the population accounted for around 68.05 million, comprising mobile phone connections to be approximately 67.61 million, with about 65.32 million internet users. Such a deep internet penetration in the country lays the foundation for the wide-scale adoption of mobile payments.

Further, the telecom providers are constantly putting their efforts into strengthening the connectivity and robustness of the network through significant changes and updates. The companies are preparing to expand 4G connectivity to existing regions and other deeper parts of the country, laying the foundation for 5G expansion through hardware upgrades.

For instance, in March 2022, a significant telecom operator in the UK, EE, deployed 200 small cells throughout its network to enhance 4G coverage in Leeds, London, and Manchester. The company also plans to install several more over the following 18 months for the small cells to use licensed 1800 MHz and 2600 MHz spectrum bands, along with unlicensed 5 GHz.

The increasing number of such developments in the country would make mobile payments an indispensable part of the lives of UK citizens, inviting more companies to enter the fintech space. The government norms play a vital role in facilitating the shift and encouraging mobile payments. For instance, in March 2021, the Financial Conduct Authority (FCA) confirmed the extension of the contactless payment limit from GBP 45 to GBP 100. The limit was earlier revised from GBP 30 to GBP 45 in April 2020. Mobile payments will be crucial in several digitalizing processes for different business sizes.

Growing E-commerce to Dominate the Market

The growing e-commerce in the UK has deeply impacted the use of mobile payments. The ease of payment through the mobile payment method is preferred over the conventional payment method. Businesses are switching to digitalization at different levels, including payments.

According to International Trade Union (ITU), the consumer eCommerce in the country accounted for 36% of the total retail market, with the weekly internet retail market accounting for USD 3 billion in 2021. The observed boost has resulted from the pandemic motivating consumers to choose online shopping over offline options. However, the offline stores too are connected to cloud software services for maintaining the payments and accounts.

The great number of discounts, regular sales, and other benefits for attracting consumers are responsible for the aggressive adoption of online shopping portals by consumers. Several banks collaborate with the shopping portal and mobile payments partners to provide lucrative offers for the buyers to benefit all the partners, including themselves. The online payment service providers are also offering Buy Not Pay Later (BNPL) options for added convenience of mobile or online payments. Thus, the banks and online portals play their part in encouraging online and mobile payments over cash.

The gaining popularity of online shopping portals mostly includes mobile and online modes of payments due to frequent cashback

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and benefits offered by the vendors. Hence, the online traffic attracted by e-commerce websites is indicative of the consumers' preference for mobile payments. Similarly, the popularity of the shopping portals follows the collective adoption trends of digitalization of the circular economy. For instance, according to ITU, the estimated monthly traffic on Amazon accounted for 437 million visits.

The paradigm shift observed in the UK, with people going cashless to cardless, drives the market. E-commerce completed the economic circle that is perfectly complemented by mobile payments. The growing popularity of wearables among consumers and other handy devices is also driving the market's growth in the United Kingdom.

UK Mobile Payments Market Competitor Analysis

The United Kingdom mobile payments market is moderately fragmented, with many players. The market is highly competitive since payments through mobile and connected devices are gaining popularity fast. The brands are highlighting the compatibility of their products with wearables and utilizing technologies like NFC to stress ease of use. Companies collaborate with other vendors and e-commerce platforms to boost favorability in the competitive market space.

February 2022 - Soldo, a European payment automation platform, enabled payment through Google Pay through its physical or online version of cards with the app. The newly added "Add to G Pay" option in the Soldo App would allow the users to add the Soldo Card to Google Pay. The company has initially added a new option for UK and Italy customers.

October 2021 - PayPal Holdings Inc. launched Zettle Terminal, a mobile device to facilitate contactless payments using cards or mobile phones with Tap-to-Pay technology. The device is designed specifically for small businesses to minimize point of sale (POS). The device is a sleek touchscreen with an in-built SIM card featuring Wi-Fi connectivity and retailing for GBP 149. The mobile device can be combined with a compact printing dock, costing GBP 89. Small businesses can buy the combined bundle of the two for GBP 199.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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