

FEBRUARY 12

Comment: Apple Pay revenue is heading toward a multi-billion dollar business

Ben Lovejoy - Feb. 12th 2020 7:10 am PT @benlovejoy



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Apple Pay revenue hasn't gotten much attention so far. The most valuable role Apple Pay plays for the Cupertino company is further lock-in to the ecosystem.

Once you've experienced the convenience of Apple Watch payments in particular, and know the security you get from the use of Apple Pay on any device, it's not something you'll want to give up. (Sure, there's Google Pay and Samsung Pay too, but it still adds friction to switching platforms.)

But a news report yesterday prompted me to do some back-of-an-envelope calculations, and I reckon Apple's mobile wallet service is rapidly headed toward becoming a multi-billion dollar revenue stream...



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will go to the iPhone maker, according to two people familiar with the terms of the agreement, which are not public. That is an unprecedented deal, giving Apple a share of the payments' economics that rivals such as Google do not get for their services.

Estimating the total value of that cut involves a lot of scribbling on the backs of envelopes. But let's try for an indicative ballpark, at least.

The [2019 Federal Reserve Payments Study](#) estimates the total value of US card transactions for 2018.

Total card payments grew to 131.2 billion with a value of \$7.08 trillion in 2018, up 29.7 billion and \$1.56 trillion since 2015.

Call it \$7T in round numbers. If 5% of those payments are made via Apple Pay, then that's \$350B worth of transactions. If Apple takes 0.15% of that, then it made a cool \$525M in 2018. If Bernstein is right that the percentage doubles to 10% by 2025, then that's a billion-dollar business – from one country in one year.

We don't have comparable Apple Pay usage estimates for other countries, and we'd need to look at total card transactions in each country and ... well, that's a student thesis right there. But employing the best advice I ever read on safely making predictions ('give them a number or give them a date, never both'), it seems to me we can safely say that Apple Pay revenue is headed toward a multi-billion dollar business.

Not bad for free money.

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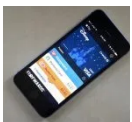
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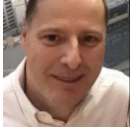
Guides



Apple Pay

Apple Pay is Apple's mobile payments solution first introduced in 2014.

About the Author



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Ben Lovejoy is a British technology writer and EU Editor for 9to5Mac. He's known for his op-eds and diary pieces, exploring his experience of Apple products over time, for a more rounded review. He also writes fiction, with two technothriller novels, a couple of SF shorts and a rom-com!

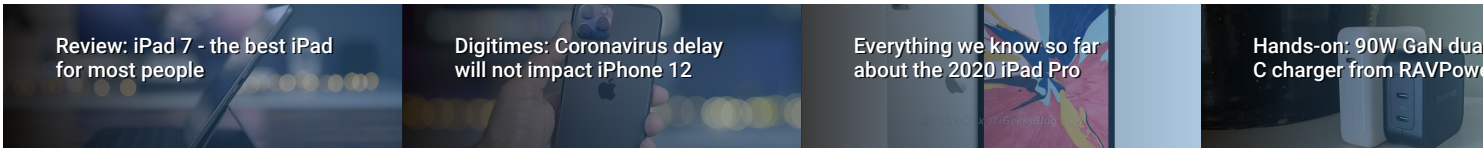
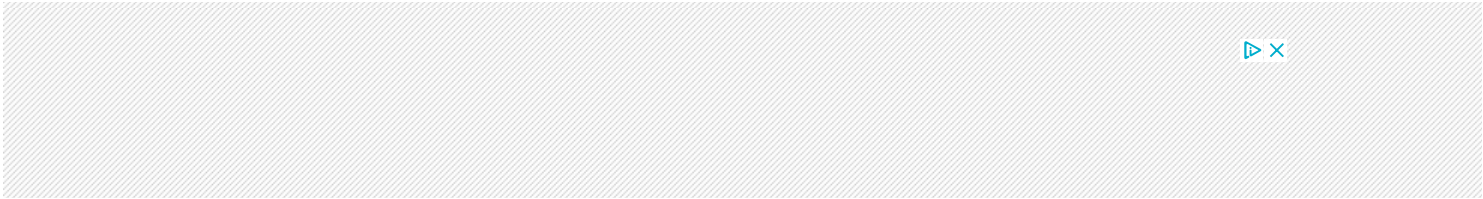
Ben Lovejoy's favorite gear



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Apple Watch Series 3



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Frank • 3 days ago

Apple made paving fun. This is how we go bankrupt xD.



Frank → thebarron • 2 days ago

With we, I meant us, the people. Because paying is fun, we'll pay more :D.

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Michael Ajidagba → thebarron • 2 days ago

Issues such as.....

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Nick Mahon → Michael Ajidagba • 2 days ago

None, he just hates the other guys. I use Sam pay daily. I love messing with the cashiers, "we dont take.... oh it worked!"

^ | v • Share >



Michael Ajidagba → Nick Mahon • a day ago

I figured. He/she is such a typical 🍏 fanboy it's a shame. ☐☐♂☐☐♂☐☐♂

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Film@11 → Nick Mahon • 2 days ago • edited

It was a clever idea of Samsung's, using the mag stripe reader, especially once they secured those transactions. When the mag stripe readers go away in the not too distant future then Samsung Pay will cease to work at those locations that don't explicitly support NFC payments. There will always be the odd vending machine or parking meter I guess that still use the stripes.

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Luis Artola → Film@11 • a day ago

Apple Pay already doesn't work at all at those locations not explicitly supporting NFC. Besides, by the time mag stripe readers go away completely, NFC will most likely be explicitly supported pretty much everywhere so no problem there since Samsung Pay can also use NFC. In fact, that's the case in Europe already. There, Samsung Pay is already only used over NFC.

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Film@11 → Luis Artola • 13 hours ago

I am not engaging in an Apple vs Samsung discussion. Samsung had a clever idea, exploiting the mag stripe technology. It was nearly universally deployed and Samsung didn't need to get banks or merchants to sign up with them for it to work. Unfortunately the initial release was completely insecure but that was corrected after Samsung worked with the banks and processors to tokenize the transactions. That did limit where it worked.

Once mag stripes disappear then Samsung will have to have agreements in place for their NFC to work. This is where Apple is fairly far ahead of them. Apple has been working to secure agreements with merchants and banks since day one. It is estimate that Apple Pay is now 5% of all credit card transactions for this reason. I know for example that Apple Pay does work on my NFC terminal but Samsung Pay and Google Pay do not as my processor and I never enabled them.

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they need for payments other than Samsung Pay to work is to have their NFC readers enabled and once they do everything works: contactless cards, Apple Pay, Samsung Pay, Google Pay, Fitbit Pay and any other. Proof of this is that merchants can accept mobile payments in countries where those payments are otherwise unsupported.. I have been using apple pay in Mexico since 2016, for example (set up with a US card). If it were as you say, I shouldn't be able to use apple pay in Mexico at all because none of the local banks and payment processors used by stores here actually support it (apple hasn't officially launched apple pay here yet).

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Nick Mahon → Film@11 • a day ago • edited

As long as giftcards and prepaid cards are around the mag stripe will be too. And even if they do go away samsung has nfc as well so it will always be around just like apple pay

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Luis Artola → Nick Mahon • a day ago

Exactly. Besides, all other mobile wallets already don't work even now at places not explicitly supporting NFC where Samsung Pay still does using MST so I really don't get Film@11's point.

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Film@11 → Nick Mahon • a day ago

I agree. The only thing that will change is Samsung Pay working at stores that no longer have mag stripe readers, unless of course, they have actually set up Samsung Pay. Like I said, they pulled off a neat trick with their support for mag stripe readers. It worked whether the merchant supported Samsung Pay or not.

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Luis Artola → Film@11 • a day ago • edited

Samsung can use NFC when it is available, so no problem there. By the time magstripe readers go away completely, NFC will probably be a worldwide standard just as the chip is now and Samsung Pay will continue to work. In fact, that's already how it works in Europe since retailers there already have magstripe disabled.

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BelgianWaffle • 3 days ago

Would be way more if it was available in Belgium. The Belgian people have a combined 275 billion € in the bank waiting for Apple Pay to come to splash it all out.

1 ^ | ▾ • 1 • Share ›



Luis Artola → BelgianWaffle • 3 days ago • edited

Apple Pay is already available in Belgium since November 2018. Sure, it may need to be rolled out to more banks yet, but Apple already did start the official Apple Pay rollout there. Nonetheless, that 0.15% fee has proven to be a huge obstacle for Apple Pay to be rolled out around the world. Banks are extremely reluctant to pay it and that's why it took Apple so long to roll out Apple Pay to many European countries, for example. And that's also why Apple has got beat to many markets, including some where Apple Pay isn't even in the radar yet such as South Korea, Chile or Mexico, by one of its competitors such as Google Pay or Samsung Pay that were able to enter these markets first because they don't charge fees like Apple does, or at least they

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