

September 2025

# Latest Developments: European Digital Wallets

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# About Flagship Advisory Partners

## Flagship Advisory Partners: Introduction

### CLIENTS

Financial Investors

Strategic Investors

Banks & Fintechs

Payment Providers

Large Merchants

Tech Platforms

### SERVICES

#### M&A Advisory

- M&A strategy
- Commercial Review
- Product and tech due diligence



#### Market Analysis

- Sizing and growth
- Competitive landscape
- Disruption & Innovation



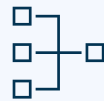
#### Growth Strategies

- Voice of the customer
- Product designs
- Go-to-market Optimization



#### Operating Strategy

- Operating model selection
- Vendor & partner selection



### WHY CLIENTS CHOOSE FLAGSHIP



#### Deep expertise

Our c. 50 professionals have unparalleled experience in fintech and payments



#### Leading Edge

Global perspective on the forefront of market innovation and evolution



#### Unique skills

Unique combination of strategy consulting and M&A and deal/partnership support



#### Proven track record

We deliver winning strategies for dozens of clients across c. 80 projects per year



#### Personal commitment

We personally design unique solutions with the highest level of quality and responsiveness

### PRESENTER



**Yuriy Kostenko**

*20 years in payments*

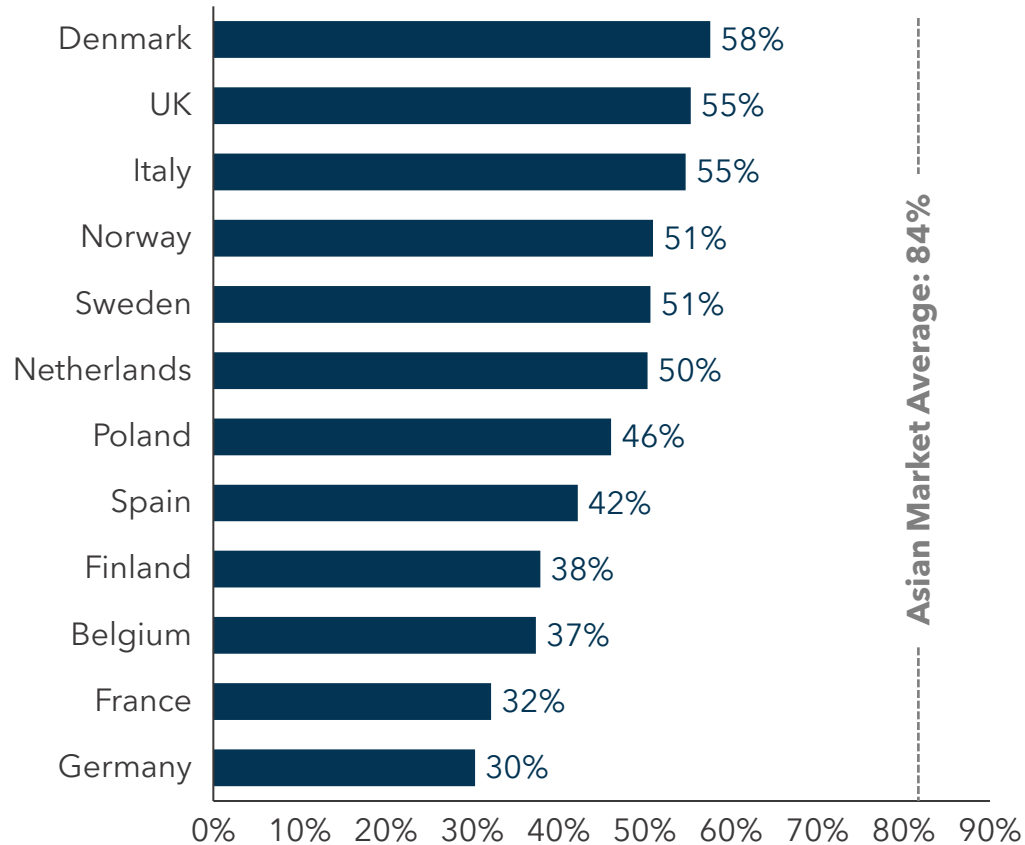
- Payments and fintech industry specialist
- Expert in merchant payment acceptance
- Advised on the largest M&A deals in Europe

# Evolution of Digital Wallets in European Payments

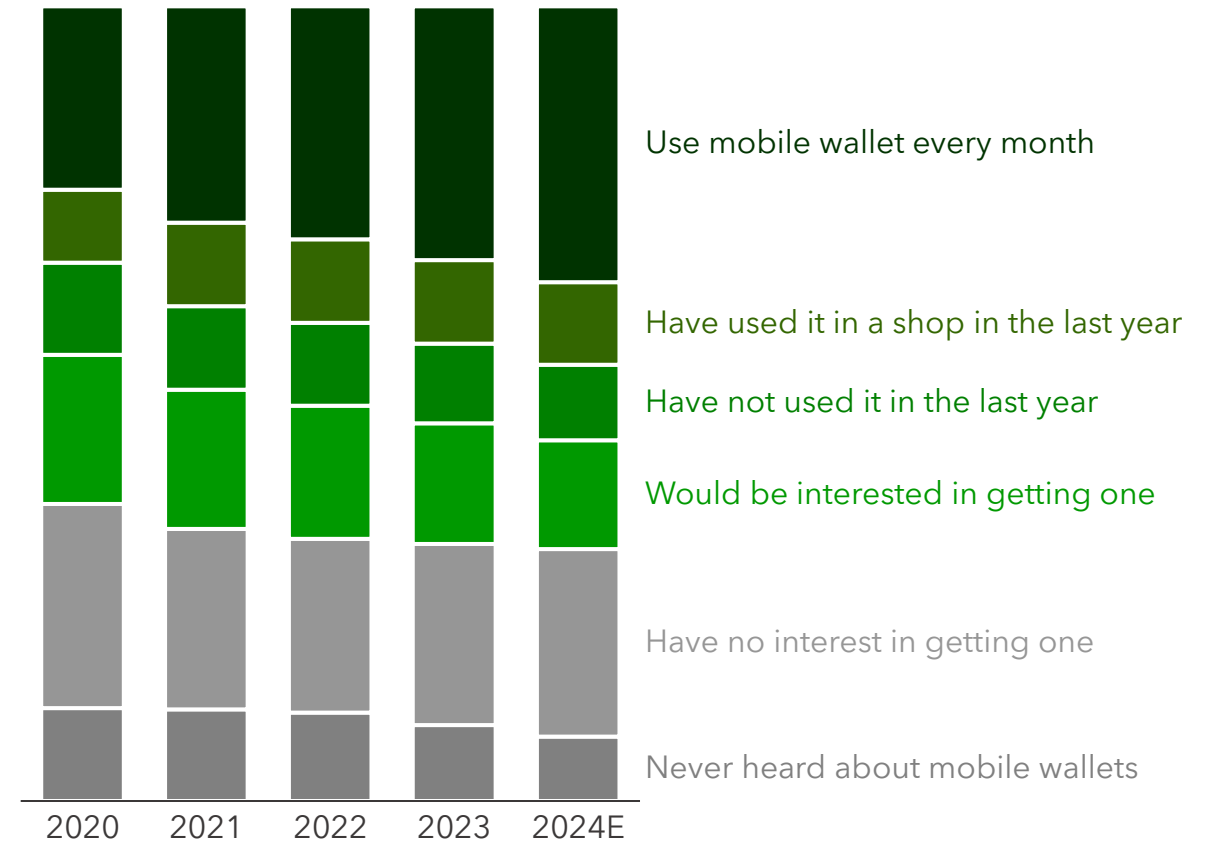


# Growing Adoption of Digital Wallets in Europe

**Wallet Adoption in Select European Markets**  
(% consumers used m-wallet in last 12 months; 2025)

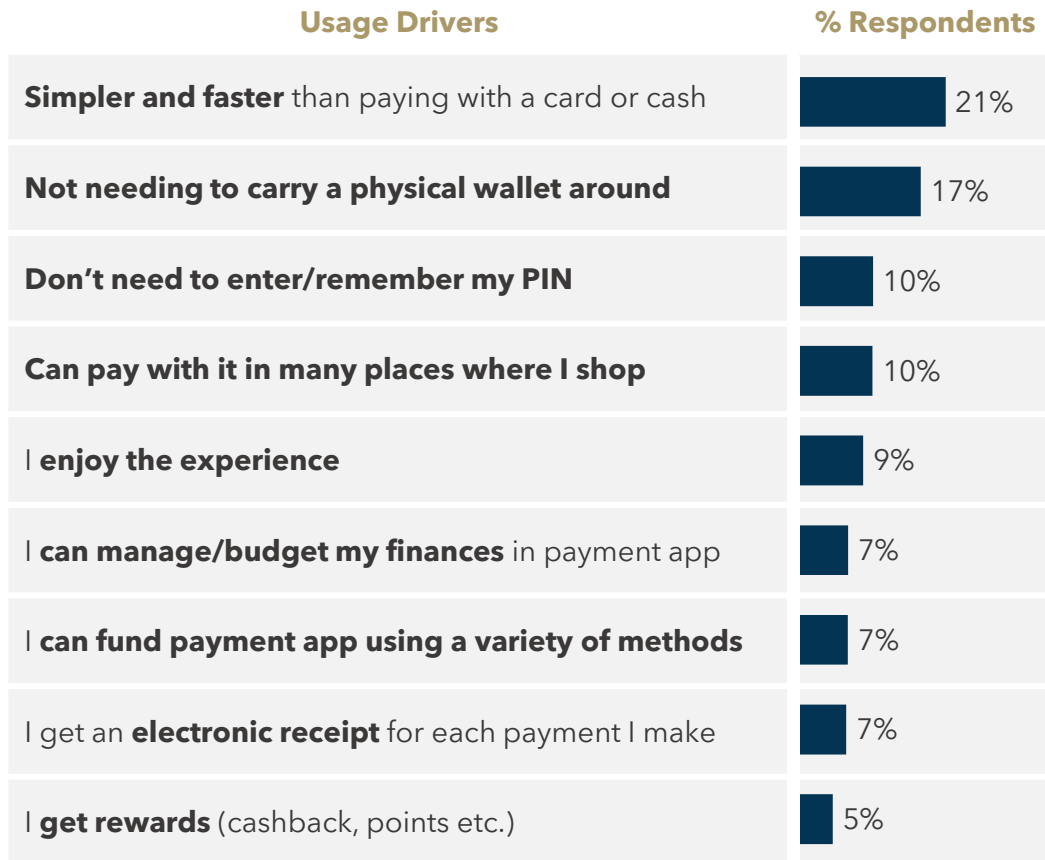


**Digital Wallet Usage across Europe**  
(annual consumer survey-based; 2025)

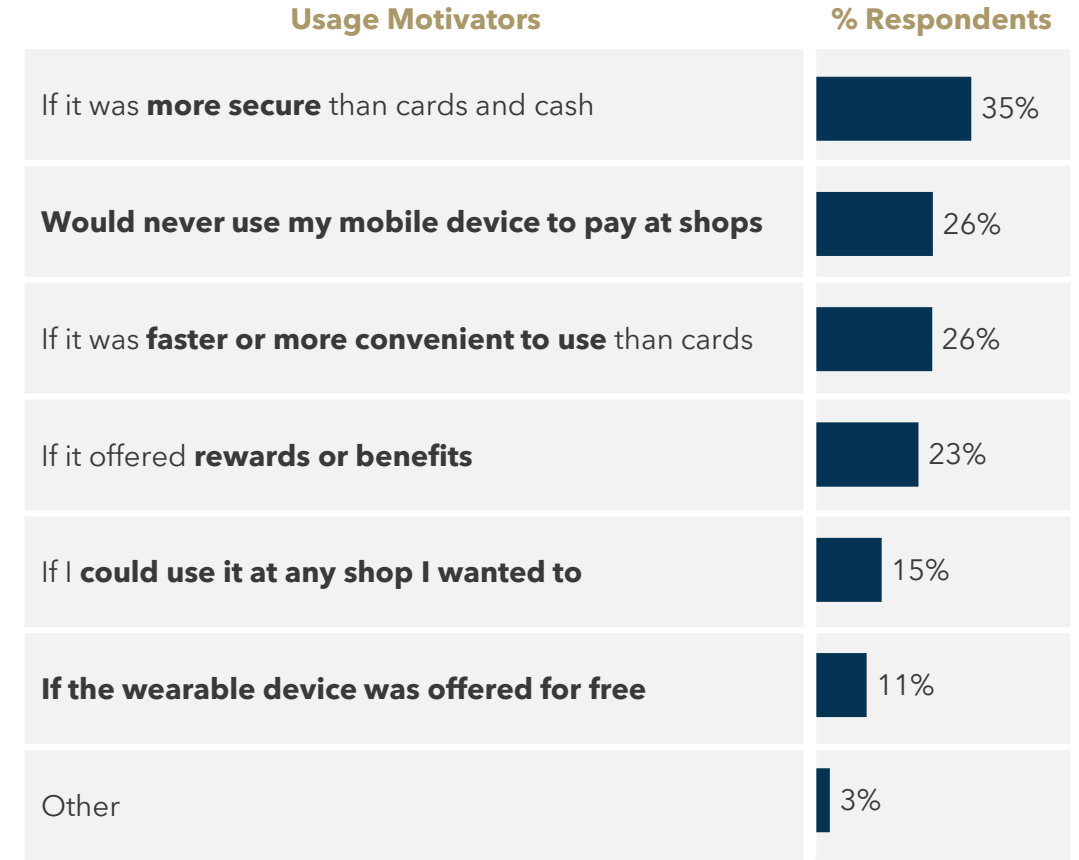


# Convenience as the Key Driver of Wallet Growth

## Europe: Mobile Wallet Usage Drivers (% surveyed consumers; 2025)



## Europe: Mobile Wallet Usage Motivators (% surveyed consumers; 2025)

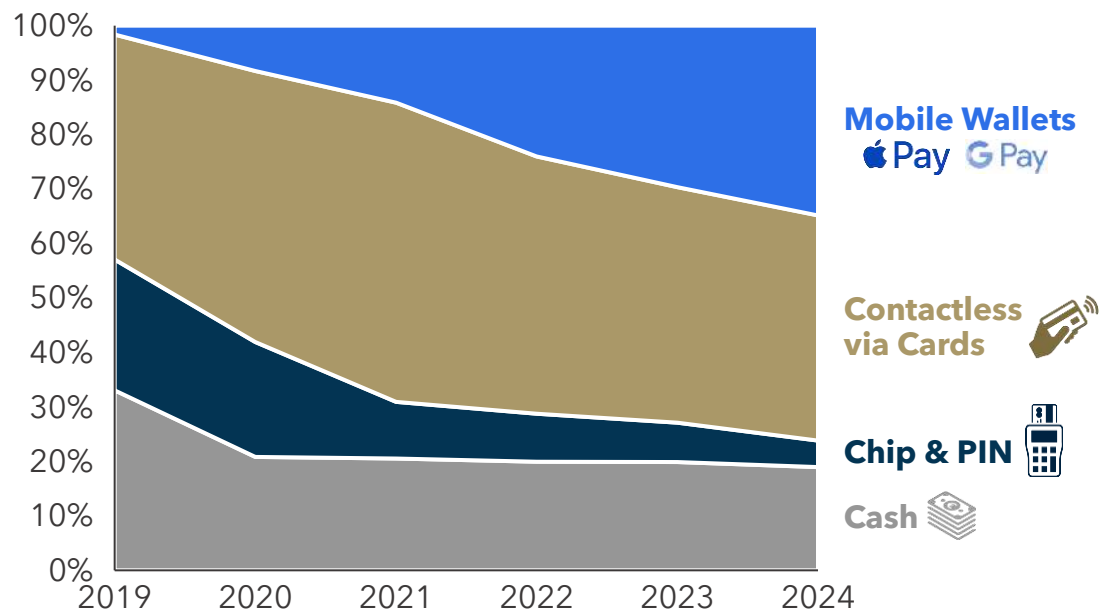


# Growing Usage of Digital Wallets Across Channels

Payment Method Evolution: Select Market Examples  
(% total payment volume)

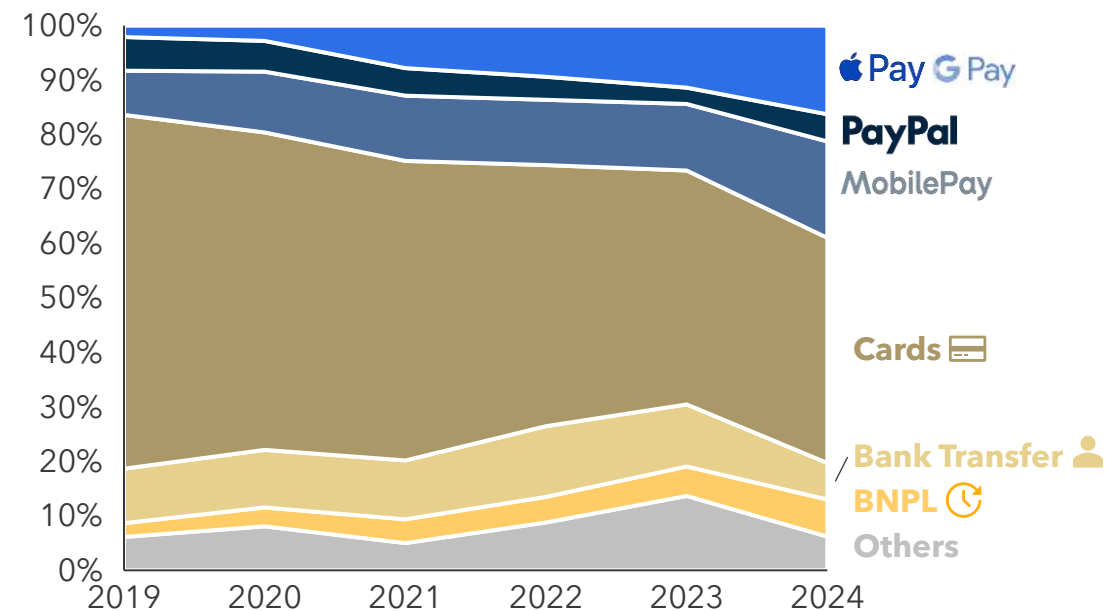
 **Netherlands Example**

## In-store Payments



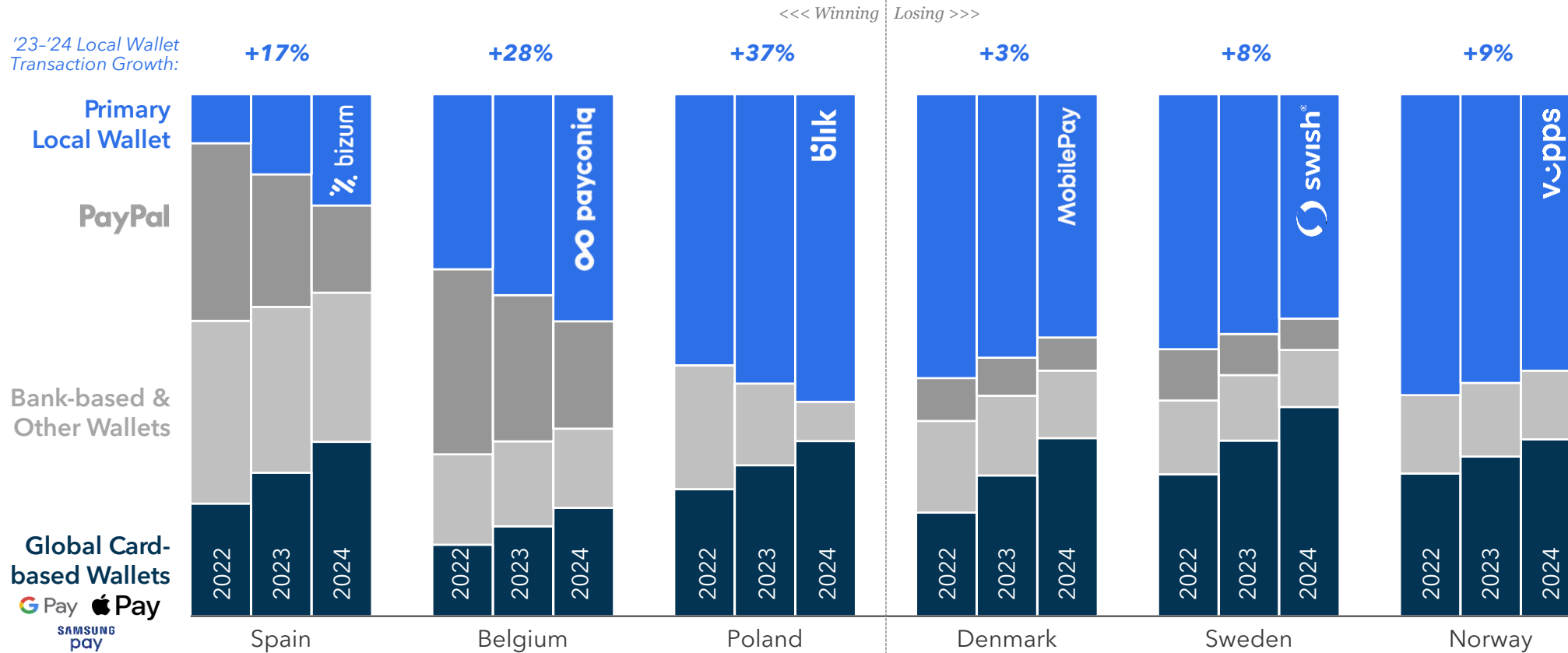
 **Denmark Example**

## e-Commerce Payments



# Battle for Market Share among Digital Wallets

Which Mobile Wallet App Do You Use Most Frequently for Payments?  
(survey based; % total wallet payment volume; Oct. 2024)



# Benefits & Drawbacks in Implementing Local Wallets

## Key Benefits and Drawbacks of Local Digital Wallets

Benefits		Drawbacks	
<b>Low Fees</b>	Acceptance of local wallets is often cheaper than Visa/Mastercard. Many operate on domestic payment networks with capped fees or even government incentives.	<b>Inferior In-store User Experience</b>	Despite improvements in QR-based systems, latency, poor internet connectivity, and lack of standardization can still cause friction and longer checkout times.
<b>Loyal Local User Base</b>	Large and loyal user communities, often accustomed to P2P usage, make local wallets attractive to shoppers who prefer familiar methods.	<b>Limited X-border Use</b>	Many wallets are tied to domestic payment rails without strong international partnerships or currency conversion, limiting use for foreign customers.
<b>Quick Fund Settlement</b>	Most local wallets provide instant payments and settlements, improving cash flow and working capital management—especially valuable for SMEs relying on daily liquidity.	<b>Complex Integrations</b>	Merchants may need to upgrade POS systems, add APIs, or use aggregators—adding cost and complexity, especially for smaller businesses.
<b>Bank Support</b>	Often developed and promoted by local banks, these wallets integrate easily with business accounts, simplifying reconciliation.	<b>Tied to Local Banks and IDs</b>	Some wallets require local bank accounts and customer IDs, restricting foreign use. Merchant onboarding may also involve lengthy KYC processes.

# Key Implications of Local Wallets for the Ecosystem

## Key Implications of Local Wallets for the Ecosystem

For Banks	<ul style="list-style-type: none"><li>▪ Broader access to local user bases via infrastructure independent of Visa/Mastercard.</li><li>▪ Opportunity to capture transaction-level insights and cross-sell financial products.</li><li>▪ Some wallets deliver weaker UX than global solutions and may reduce interchange revenue, requiring banks to adapt strategies and revenue models.</li></ul>
For PSPs	<ul style="list-style-type: none"><li>▪ Increasingly support local wallets to boost conversion rates and strengthen competitiveness in local markets.</li><li>▪ Integration often brings added technical complexity, regulatory overhead, and lower margins.</li></ul>
For Merchants	<ul style="list-style-type: none"><li>▪ Typically benefit from lower transaction fees than cards, improving margins.</li><li>▪ Popular local wallets reduce cart abandonment and appeal to customers preferring familiar, reward-integrated payment options.</li><li>▪ Implementation may require POS upgrades, staff training, and regulatory compliance.</li></ul>
For Consumers	<ul style="list-style-type: none"><li>▪ Provide lower-cost, convenient, and often reward-linked payment methods.</li><li>▪ Simplify P2P transfers and speed up online checkouts.</li><li>▪ Lack of cross-border interoperability creates friction for international travelers and cross-border e-commerce.</li></ul>

**79%** of merchants have a favorable impression of digital wallets, calling out fast transaction speed and customer demand as the primary attributes.

**82%** of merchants say they will expand use of digital wallets in 2026.

**51%** of people say they would stop shopping with a merchant that doesn't accept payments from digital wallets.

# Contact Us

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