



Get Out Your Phone, Not Your Wallet: Mobile Payments in the U.S.

Moderator

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Phones as wallets...have we been here before?

Mobile Payments 1.0—1998-2002

The Vision: Payment tokens in mobile phones would be faster and more convenient than mag-stripe wallet cards, with additional services (such as location-based couponing) not presently possible. Trials ensued.

“Cell phone fuel service launches in Lubbock, sparking traffic jams”—Cellenium, 3/12/02

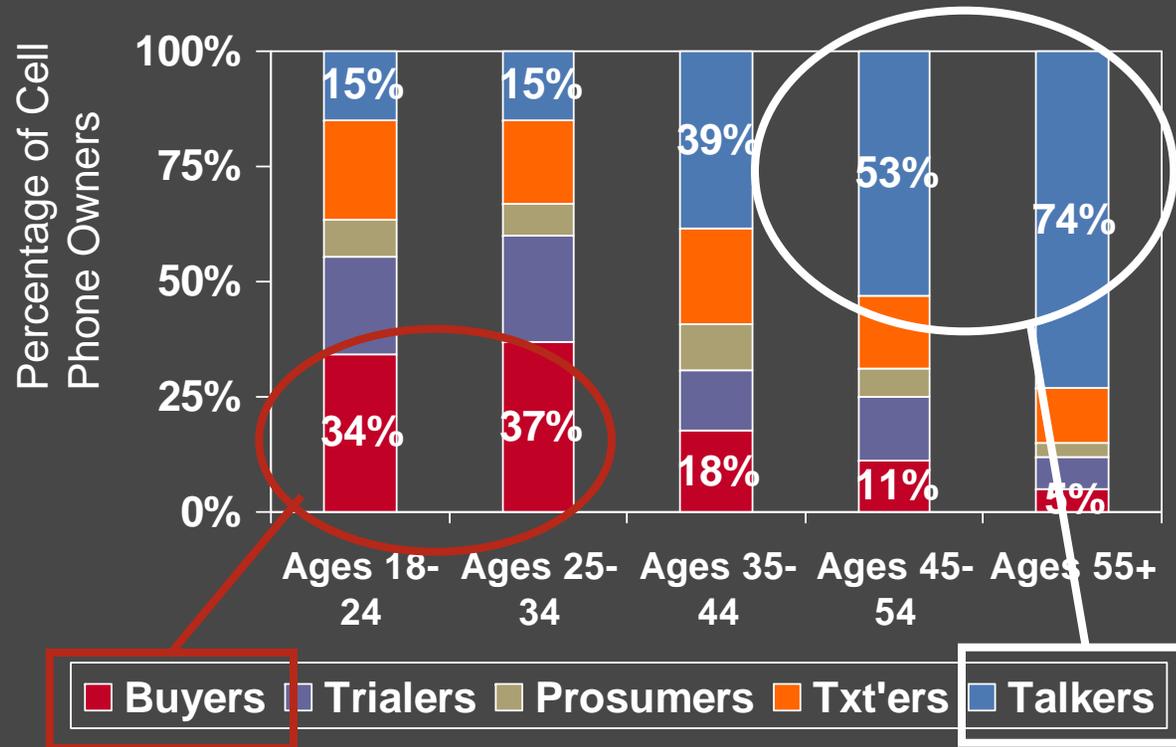
The Reality: Outside of Asia-Pac, available offerings not able to support the vision. Back to the drawing board.

Mobile Payments 2.0—2005-present

The Vision: Same as before...but faster, better & easier to use.

The Reality: This time, it will be different.

Differences, part 1—Mobile data uptake is happening



- ✓ Payments for digital content are happening
- ✓ Young Adults driving mobile as the “lifestyle device”
- ✓ Improved devices, data networks and content
- ✓ Ubiquity of devices...2.5 billion globally
- ✓ Low-value...but a good boost to ARPU (Average Revenue per User)

Question: During the past six months, which of the following activities did you do at least once on a cellphone? (Select all that apply)

Differences, part 2: The evolution of payments

➤ Consumers' Payment Habits are Changing

- ✓ Cash and checks declining // electronic payments growing
 - ✓ 40% of consumers carry less cash than 5 yrs ago
 - ✓ Time-Compression = Convenience, Security and Rewards
- ✓ Young Adults 18-34 driving many of these changes
 - ✓ Higher overall usage of plastic, higher preference for debit / P2P vs. credit
- ✓ Seeking an improved experience

➤ Issuers targeting new opportunities

- ✓ Cash Displacement...Speed and Convenience at POS
- ✓ Contactless (RF) Payment Cards/ Tokens—ISO 14443 A/B
 - ✓ EY 2006—19 million contactless cards/ tokens in U.S. market
 - ✓ Contactless Acceptance Infrastructure...the gateway to Near-Field (NFC)?



Several options for enabling m-payments

➤ Near-Field Communications

- ✓ Contactless Radio-Frequency technology supporting handset payments, data-transfers from posters or ads and other content
- ✓ Multiple trials, including U.S., but no critical mass of devices/users
- ✓ NFC-equipped devices won't reach U.S. market until 2008

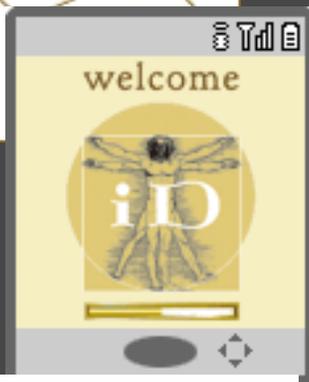


✓ “Any-Device” Mobile Payments

- ✓ Obopay—Handset application download, browser or SMS; companion MasterCard debit card for POS purchases // Person-to-Person (P2P) or Business-to-Consumer Transactions
- ✓ PayPal Mobile, MobileLime, TextPayMe and many others...
- ✓ Banks/ Operators return to mobile banking (Firethorn Mobile/ AT&T)



Asia is pioneering, but some key differences do exist



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- Sophisticated data demand, strong mobile operators and unique cultural factors
- I-Mode---NTT DoCoMo's pioneering mobile data/ digital content payments service
- DoCoMo has stakes in Sumitomo and UC Credit Card...and is now issuing mobile credit cards
- 20 mil. "Osaifu-Keitai" devices sold so far
- 2.6 million users have signed up for payments. But acceptance lags, and downloads complex
- Technology Differences...Sony's FeliCa platform (not ISO 14443 A/B still standard in Japan)

Open questions for U.S. mobile payments include:

- **A complex value chain**
 - ✓ **Ownership/ support of customer and payment token**
 - ✓ **Where in device is payment token housed?**
 - ✓ **When will NFC devices reach critical mass?**
 - ✓ **What partnerships / business cases make most sense?**
- **How to build out a critical mass of users/ acceptance?**
 - ✓ **What do consumers want to do?**
- **What architecture(s) / payment environments will dominate?**
 - ✓ **What infrastructure buildout required?**
 - ✓ **How long will it take to do so?**



Our Distinguished Panelists...

-Dion Lisle-

Vice President, Business Development, Obopay

-Niki Manby-

Senior Vice President of Product Innovation, Visa USA

-Spencer White-

Director of Mobile Financial Services and Business Development, Cingular – now part of the new at&t