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

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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)

- Buyers
- Trialers
- Prosumers
- Txt'ers
- Talkers

Source: JupiterResearch/ Ipsos Insight Consumer Survey (01/06) n=1,945 (online cell phone owners, US only)
Source: Jupiter Research, industry estimates
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

- 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