

MOBILE PAYMENTS WORLD
trends in mobile and contactless payments

2007 Mobile Financial Services Study

Executive Summary

February 2007



**Edgar, Dunn
& Company**

Management Consultants

First published February 2007

***Copyright © 2007 Edgar, Dunn & Company and
Mobile Payments World Magazine***

***All rights reserved. Reproduction by any method or
unauthorized circulation is strictly prohibited, and is a
violation of federal copyright law.***

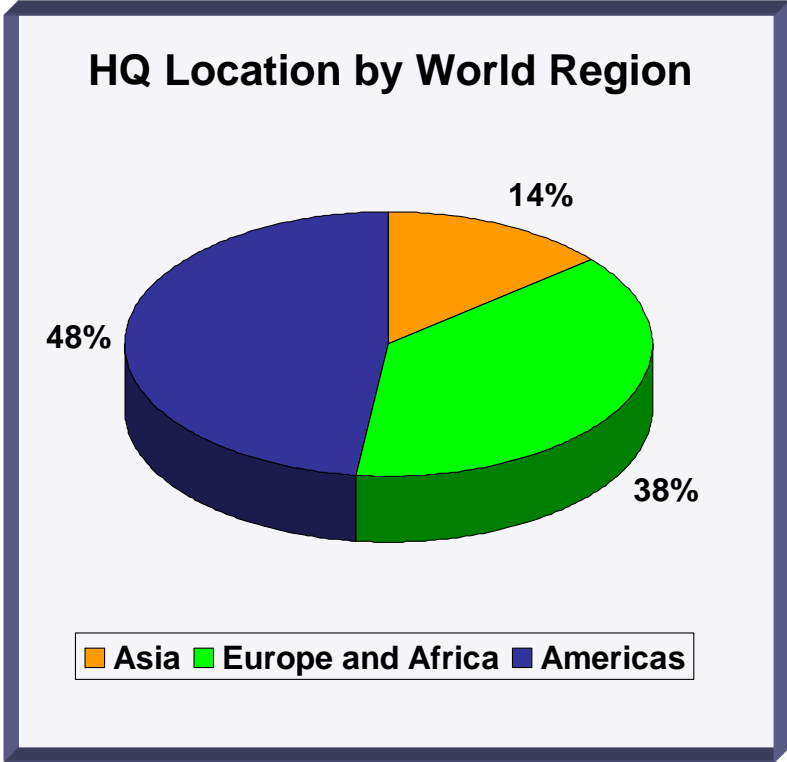
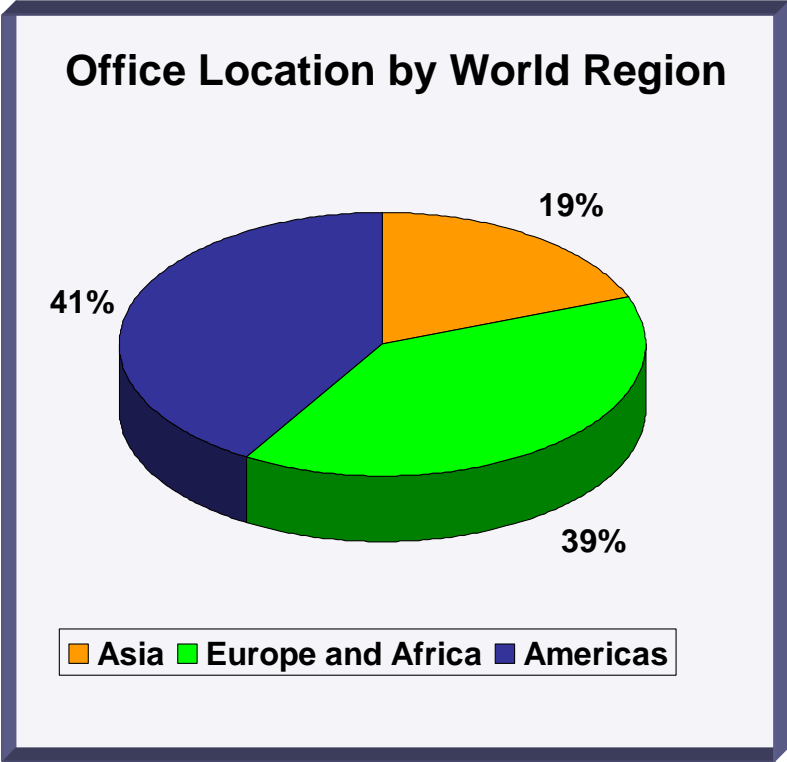
Overview of the 2007 Mobile Financial Services Study

- **The 2007 Mobile Financial Services Study is a joint effort of Mobile Payments World magazine and Edgar, Dunn & Company, management consultants**
 - **An earlier joint survey was conducted in February 2006 focused on Mobile Payments only**
- **The objective of the study is to assess the collective vision for mobile financial services among thought leaders in mobile payments and financial services from around the world**
- **The study was implemented via an online survey questionnaire covering topics such as:**
 - **The adoption of mobile payments and banking**
 - **Drivers of and barriers to growth**
 - **The role of various players in the mobile payments value chain**
 - **Approaches for providing mobile financial services to the unbanked/underbanked**
- **The questionnaire was organized into three major sections, as follows:**
 - **Mobile Payments**
 - **Mobile Banking**
 - **Mobile Financial Services for the Unbanked/Underbanked**
- **This document describes the methodology and key findings from the study**

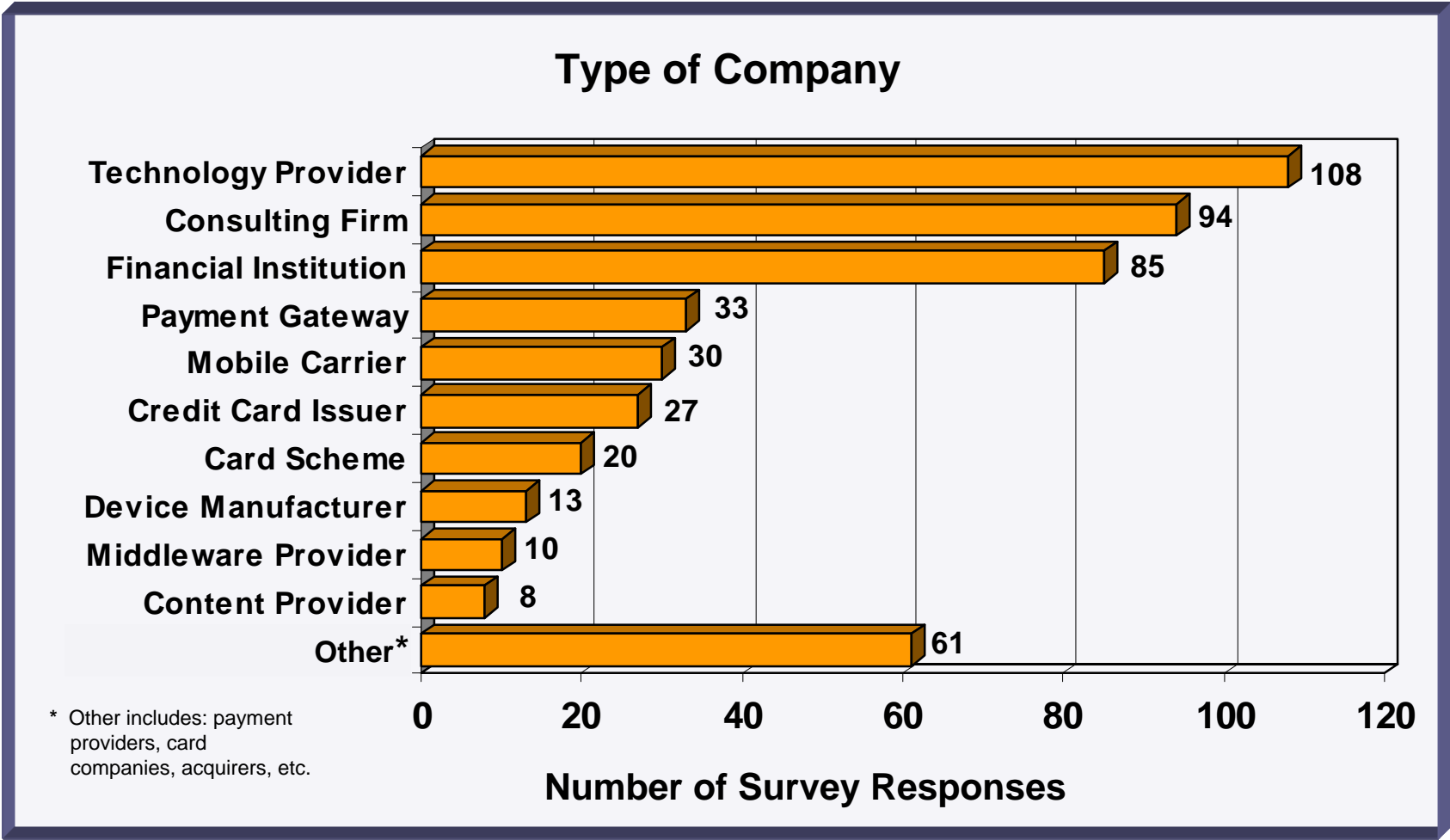
Survey Methodology

- The survey was conducted between November 27 and December 22, 2006
- Individuals were invited to participate in the survey via email, using two distribution lists:
 - Subscribers to Mobile Payments World magazine
 - Subscribers to Edgar, Dunn & Company's Insight e-Letter
- Recipients of the e-mail were also asked to forward the survey to colleagues who might have expertise and interest in the topic of mobile payments
- A total of 489 responses were received, an approximate 10% response rate and a 40% increase in the number of respondents over the February 2006 survey

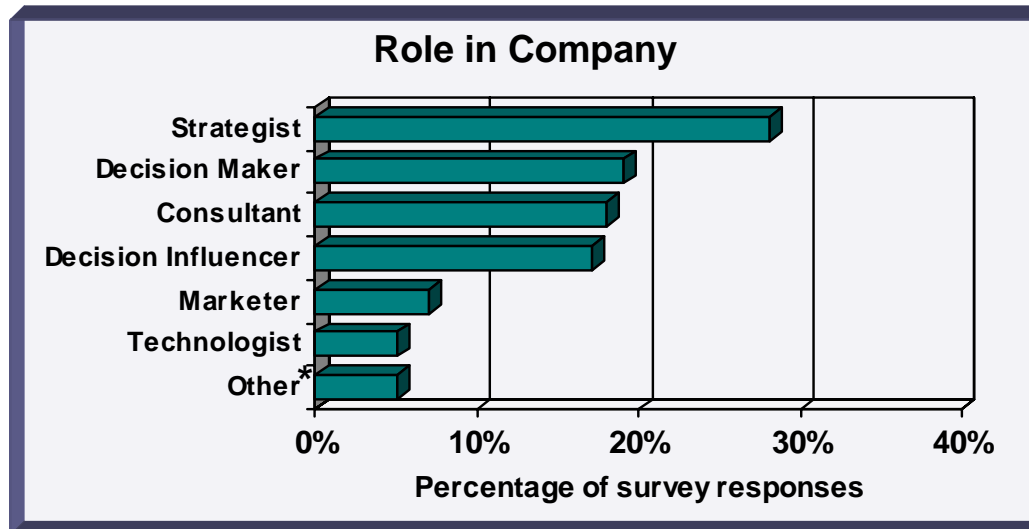
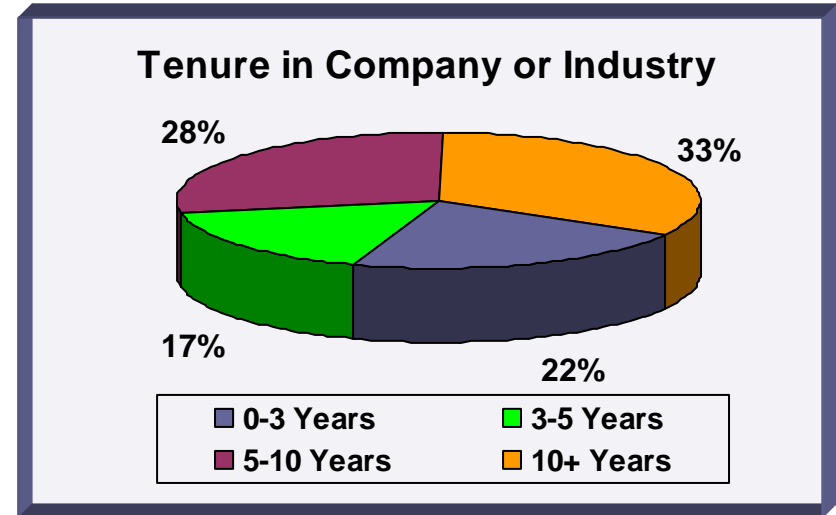
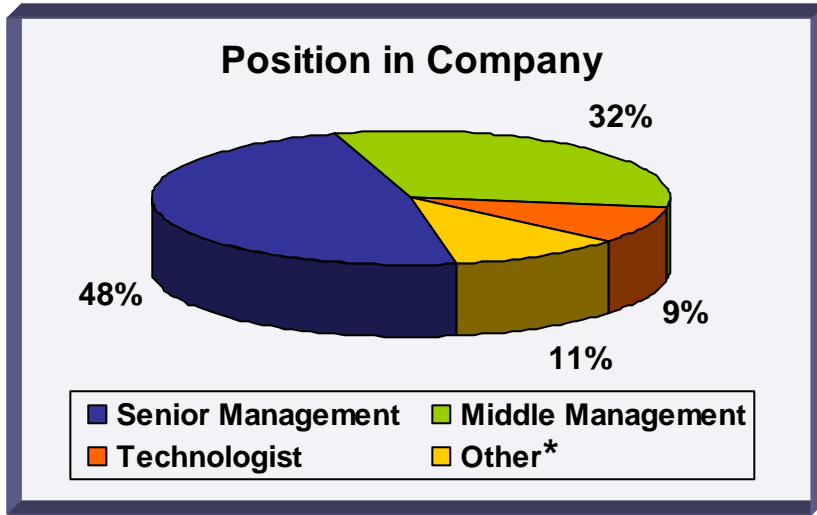
Survey participants represented locations throughout the world; the highest number of respondents are from Western Europe and North America



Technology providers, consultants, and financial institutions have the best representation among survey respondents



Survey participants are primarily experienced senior or middle managers with the power to make or influence strategic decisions



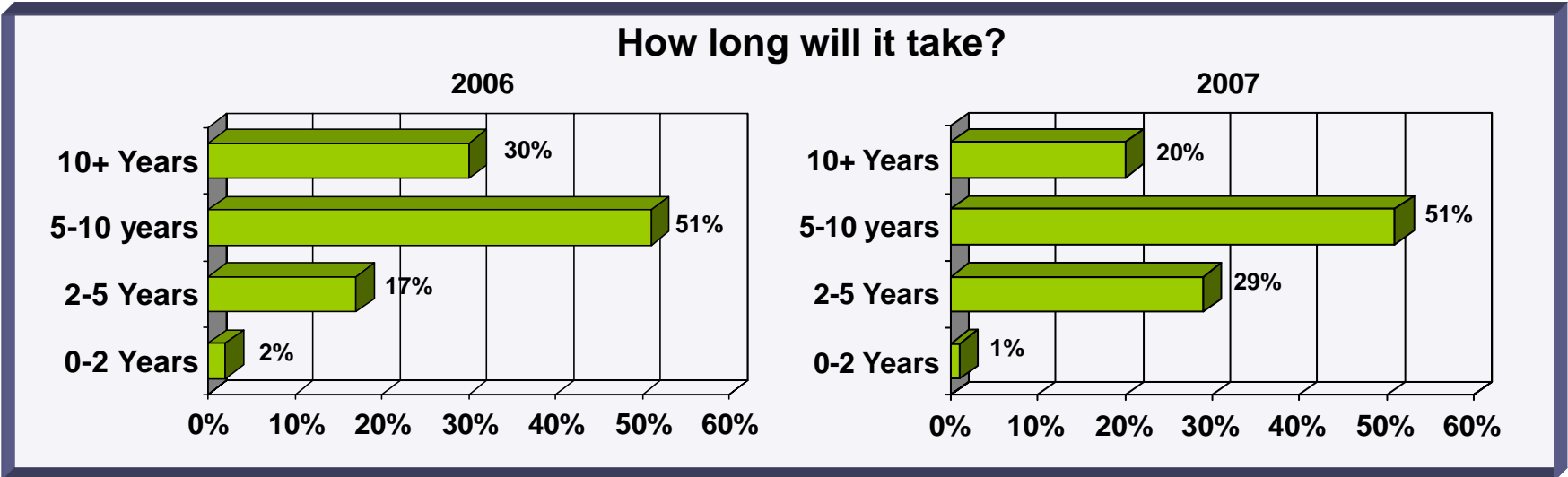
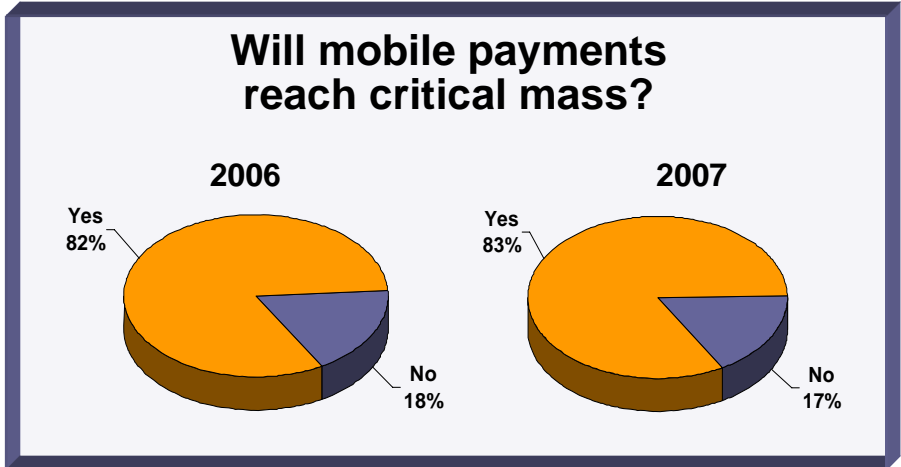
* Other includes: researchers, product managers, business developers, etc.

Executive Summary – Mobile Payments

- 1. Mobile Payments growth will be driven primarily by the penetration of contactless technology such as Near Field Communication (NFC) chip as well as contactless POS terminals**
- 2. Responses to the anticipated rate of adoption are bi-modal, with 60% expecting a gradual increase in adoption and 40% predicting more rapid growth rate**
- 3. As in the previous survey, Asia is again the leading geography in mobile payments, with Western Europe and North America a distant second and third**
- 4. The key to greater usage of Mobile Payments resides in consumer and merchant adoption, as well as in the availability of a common mobile payment platform and a viable business model**
- 6. No specific “killer app” was identified for Mobile Payments**
 - However, respondents expect a killer app to come from areas related to transportation, micropayments, mobile wallet and advances in technology**

Key Finding 1 – Mobile Payments will be a reality in the medium term, sooner than projected in the previous survey

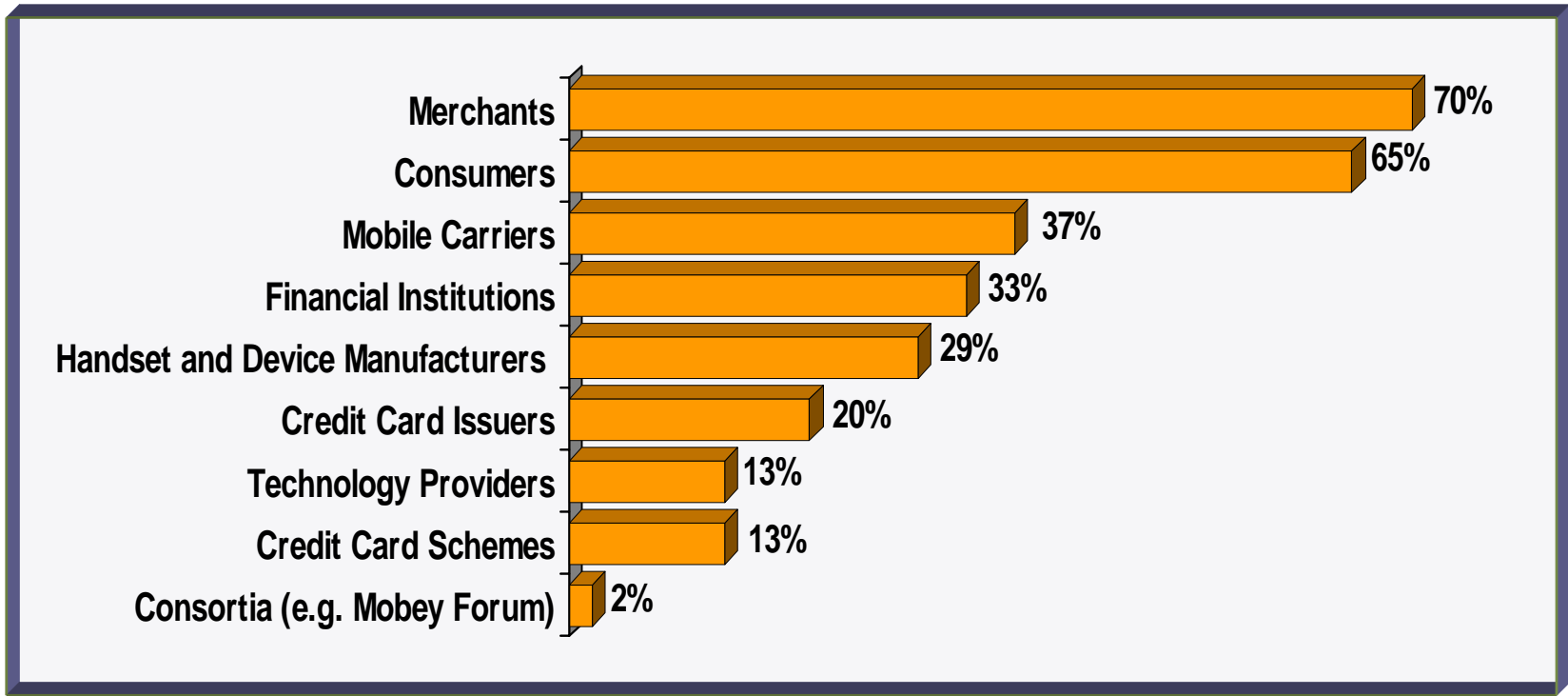
- A large majority of payments professionals continues to be optimistic about the future of mobile payments
- Respondents in this survey, however, believe that mobile payments will achieve critical mass sooner than did respondents in the previous survey, with 29% of 2007 respondents believing that it could happen within 2-5 years - an increase of 12% from the last survey



Key Participants - Merchant adoption will drive acceptance of mobile payments, closely followed by consumer adoption. The classic “chicken and egg” problem is apparent

Question: Which participants in the Mobile Payments value chain will be the most critical to the achievement of critical mass? (choose up to 3)

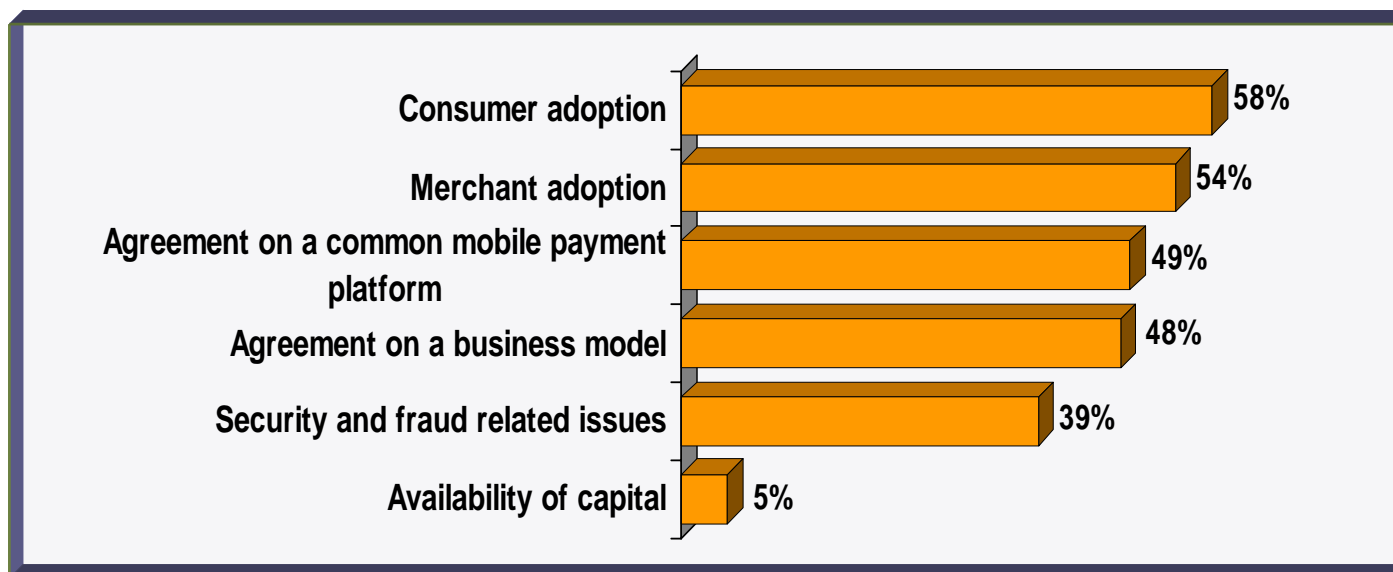
% of Responses



Barriers to Adoption – Respondents agree that there are a number of critical barriers to adoption, with consumer and merchant acceptance seen as the most significant

Question: Which of the following do you see to be the most significant barrier to adoption over the next 3 years? (Choose 3)

% of Responses



Key Learning: Agreement on a common mobile payment platform was the top barrier in the previous survey; this item may have been deemed less critical in this survey because the industry is taking steps to establish a common platform

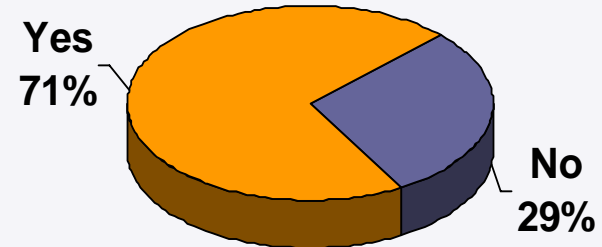
Executive Summary – Mobile Banking

- 1. Payments professionals are split into two camps regarding the 10-year adoption curve for Mobile Banking, with about two-thirds expecting a gradual increase in adoption and about one-third predicting more rapid growth**
- 2. Asia is viewed as the leading geography for Mobile Banking, while Western Europe and North America are a distant second and third**
- 3. Balance inquiries, bill payment, and financial service alerts will be strong contributors of the growth of Mobile Banking in the next three years**

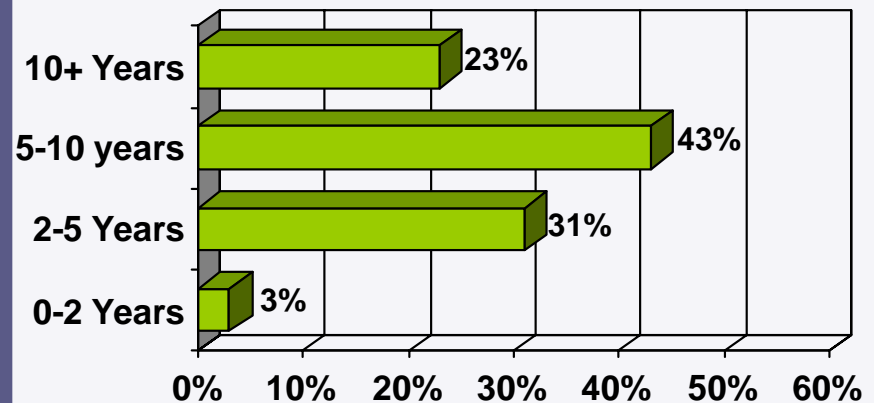
Key Finding 2 – Mobile Banking will be a reality in the medium term

- Payment professionals are also optimistic about the future for mobile banking
- As mobile banking is already happening in the market, it is surprising that the optimistic percentage is lower than for mobile payments (71% vs. 83% respectively)
- However, of those who do believe mobile banking will reach critical mass, 1/3 believe it will happen within the next 5 years

Will mobile banking reach critical mass?



How long will it take?



Key Finding 3 – The success of Mobile Financial Services for the Unbanked/Underbanked will depend on consumer education and a sound business model

- Adequate consumer education on how to access, use, and trust financial services in conjunction with mobile technology will be critical to the adoption of this method of financial servicing, as well as for more people to access the financial resources they need
- Direct ways of transferring funds without having to go through a middleman (e.g., remittance institutions like Western Union), which help to cut costs and increase convenience, are the most attractive methods of sending payments to the unbanked/underbanked
 - Hence peer-to-peer transfers are rated as a top option for mobile financial services
 - This is particularly the case in regions with high mobile penetration such as Asia
- Mobile financial services are likely to fail if key stakeholders such as financial institutions and mobile carriers do not structure a sound business model to operate effectively

Contact Information



**Edgar, Dunn
& Company**

Management Consultants

**Alexander Rolfe
Managing Editor**

Mobile Payments World

**Tel +44 1263 741 629
Mobile +44 7265 892 664**

alex@mobilepaymentsworld.com

**Ginger Schmeltzer
Edgar, Dunn & Company
San Francisco**

Tel 415-442-0548

Mobile 415-994-1625

ginger.schmeltzer@edgardunn.com

**Samee Zafar
Edgar, Dunn & Company
London**

Tel +44 2072 200 407

Mobile +44 7825 027 526

samee.zafar@edgardunn.com