

World Payments Report 2008



Mobile Payments Market

Mobile payments (m-payments) are transactions initiated via a mobile handset. There are three main trends underlying the development of m-payments:

- SMS: Initiating and settling a payment using text messages. The payment can be incorporated into the phone bill, or just confirmed by SMS.
- WAP/browser: Internet via mobile. A general-purpose card is required, and the payment is the same as any other card payment via the Internet.
- NFC: Short-range wireless technology used for contactless payments. NFC-enabled phones can be linked to bank accounts, allowing for direct debits from the user, or NFC cards and phones can be pre-loaded with credit.

There are only about 30 million users of m-payments worldwide, accounting for approximately 2.5 billion transactions—just 1% of the value of global non-cash payments. Asia accounts for 84% of all m-payment users, with Japan, the recognised leader, accounting for almost half of the global m-payments (approximately 1 billion transactions per year).

The m-payments market is growing fast and its development is still wide open to further expansion. In 2007, only 1% of people with a mobile phone used it to make a payment, but in the US, the number of users grew from 1 million to 9 million in the year 2007–2008.

Because mobile access is so prevalent (more than 3 billion mobile phone users worldwide in 2007), m-payments are a prime instrument for low-value payments. For example, mobile offers a good alternative for payments in unattended environments (such as parking lots and vending machines), providing a more secure, less costly, and faster way to handle such payments. In many developing countries, mobile phone penetration is far higher than that of banking, and the mobile phone is often the only cashless payment means available. While m-payments are generally viewed as low value, there is also potential for them to be higher value depending on risk, security, and other considerations.

No standards or rules have yet been established for m-payments. In Europe, most m-payments are made via SMS, the advantage being a secure payment solution that can be used by all handsets. In other countries, contactless readers are the preferred path for m-payment development.

MOST M-PAYMENTS MARKETS ARE DRIVEN BY TELECOM OPERATORS

Telecom operators have pioneered m-payments in many countries, as they own the customer relationship and the handset technology that can incorporate m-payment capabilities (see graph).

The security of m-payments is a major issue in the market's development. With the current level of security, m-payments are restricted to replacing micro-payments (cash and e-purse)—which could explain the general reluctance of banks to invest in the technology. However, banks could still play a key role in m-payments, bringing their payment-security capabilities into partnerships with telecom operators.

Mobile Payments Market Case Studies on Six Countries, 2007

	Key Statistics	Top Market Drivers	Market Distinctiveness
Austria	<ul style="list-style-type: none"> ▪ 300,000 users ▪ 3.1% of mobile users ▪ 1,500 vending machines capable of m-payments 	Telecom operators	<ul style="list-style-type: none"> ▪ One of the most advanced m-payments markets with the broadest m-commerce offering ▪ National m-payment standard achieved through cooperation of mobile operators
China	<ul style="list-style-type: none"> ▪ 17 million users ▪ 3.4% of mobile users 		<ul style="list-style-type: none"> ▪ Market is fragmented among several telecom operators ▪ With SmartPay, mobile phone users can pay for goods and services through their phones. SmartPay is partnered with seven banks ▪ China Unicom allows customers to check balances, pay bills, and purchase goods
Venezuela	<ul style="list-style-type: none"> ▪ Recently launched 		<ul style="list-style-type: none"> ▪ A large share of the population is unbanked, leading telecom operators to target this channel for m-payments ▪ Example product: a virtual wallet in the mobile phone, topped up by depositing cash in a shop connected to a mobile operator
Japan	<ul style="list-style-type: none"> ▪ 10 million users ▪ 9.7% of mobile users ▪ 300,000 transactions on one day ▪ 41,500 stores 	Banks or credit card companies	<ul style="list-style-type: none"> ▪ Using the mobile phone in conjunction with contactless acceptance terminals has proved to be highly successful ▪ M-payments driven by telecom company DoCoMo ▪ DoCoMo focuses on maintaining strong customer relationships
Finland	<ul style="list-style-type: none"> ▪ 200,000 users ▪ 3.4% of mobile users 		<ul style="list-style-type: none"> ▪ Banks are driving m-payments development based on stored-value accounts that can be recharged via the Internet ▪ Customer signs a contract with a bank; the merchant with a bank and a broker
USA	<ul style="list-style-type: none"> ▪ 1 million users ▪ 3.1% of mobile users 		<ul style="list-style-type: none"> ▪ M-payments development driven by credit card and transaction companies ▪ Focus on using the mobile phone in conjunction with contactless acceptance terminals

Source: Capgemini analysis, 2008.

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