

Point/Counterpoint Series:**Mobile Payments Seen as 'Mainstream' for Consumers within Four Years**

This article is featured as part of a "Point/Counterpoint" series illustrating the various views on the emergence of mobile payments. Look for a commentary in the next issue on the health of the card market.

As companies race to take advantage of the mass adoption of smartphones and rapid development of new technologies to offer mobile payment services, executives believe the use of a mobile phone or device to make payments or conduct banking transactions will require four years to become widely accepted by consumers, according to a global survey of business executives by KPMG International, a global network of firms providing audit, tax, and advisory services.

The KPMG survey of nearly 1,000 executives in primarily the financial services, technology, telecommunications, and retail industries globally found that 83 percent of the respondents believe that mobile payments will be mainstream within four years, compared to only nine percent who see them as mainstream today. In fact, 46 percent believe mobile payments will be mainstream within two years.

"We believe that exploding smartphone growth and myriad opportunities will grow mobile payments at a much faster rate than our respondents anticipate," said Gary Matuszak, KPMG global chair of the technology, communication and entertainment practice. "A wide variety of payments is ready for adoption, as several key players already provide or are rolling out mobile payments, and interest among consumers in utilizing mobile payments is growing, in line with the industry's readiness to deploy them."

Seventy-two percent of the executives said that mobile payments are now or will be reasonably important in the future, with specialist online systems building on its leading position as a payment method, and m-banking and near field communication (NFC) gaining significantly greater traction than today. Fifty-eight percent said they have a mobile payments strategy in place.

"While there is consensus about the significant value of this opportunity among executives across geographies and industries, the type and size of opportunity varies between developed and developing countries depending on depth and reach of the financial infrastructure in place. We believe that those firms willing to engage in cross-industry partnerships and competition are more likely to succeed and dominate the market due to the complex set of business relationships required to deliver mobile payments to a mass market," said Matuszak.

Driving Customer Adoption and Addressing Concerns

While the majority of the business leaders surveyed believe consumers are currently concerned about security and privacy when using mobile devices, they believe other factors are more compelling attributes of a successful mobile payment strategy. Specifically, 81 percent believe convenience/accessibility is the highest attribute, followed by simplicity/ease of use, at 73 percent, security, at 57 percent, and low cost, at 43 percent.

At the same time, business leaders, globally and in the U.S., view security as the main challenge to developing mobile payments strategies. Technology and adoption of the technology is a distant second, followed by privacy.

"The business leaders understand that when it comes to consumers choosing a provider based on security, reputation can make the difference, and any damage to a business' brand can prove costly, even to the extent of being a show-stopper," said Sanjaya Krishna, KPMG U.S. Digital Services Leader in the TCE practice. "As a result, leading businesses are adopting multiple approaches to alleviate customers' privacy and security concerns."

"One surprising result of our survey is the absence of divergent views across both industries and geographies, which speaks to the consensus that mobile payment is regarded as an opportunity for players across the value chain of commerce," Matuszak said.

Race to Lead the Mobile Payments Market

With the mobile payments industry poised to make a major leap in the coming years, several players are expected to play significant roles, though two groups of financial institutions are the current front-runners, say respondents. Banks, which scored the highest in level of importance in the value chain, and credit card companies will have the most important roles, according to business leaders globally. They placed telecommunications companies third, ahead of specialist online payment players (eg. PayPal, Boku, Obopay), online service provider giants (eg. Google, Facebook, Amazon), retailers and technology companies. Among U.S. respondents, online service provider giants placed third, followed by specialist online payment players and telecommunications companies, which were rated of equal importance, retailers and technology companies.



Mobile Payment Methods

Each of these companies' success can be tied to the prospects for the five current payment methods which are battling for a share of the market. The KPMG survey respondents, globally and in the U.S., see specialist online systems leading the pack, due to the fact that this method already has significantly greater penetration than alternatives, and its penetration is expected to increase. Respondents said that specialist online systems have the greatest prospect for success, followed by mobile banking, NFC, carrier billing and the "mobile wallet."

"While KPMG believes that these forms of mobile payment will all gain some traction, our view is that M-Wallet is one of the most exciting and promising payment opportunities. M-Wallet provides the momentum to move beyond payments to participate in the entire chain of mobile commerce, from consideration and brand awareness to purchase after-sales loyalty and care," said Tudor Aw, Technology Sector Head, KPMG Europe.

About the KPMG Global Mobile Payments Survey

The Global Mobile Payments survey examined the leaders, opportunities, advantages and barriers in mobile payments, and was carried out by KPMG's global Information, Communications and Entertainment practice. Covering the Americas, Europe, Middle East, Asia/Africa, and Asia Pacific, the study surveyed 970 business people, including 250 in the U.S., in primarily the financial services, technology, telecommunications and retail industries.

More detailed survey results are available in the report 2011 KPMG Mobile Payments Outlook that is available upon request. In addition, KPMG also has available *Monetizing Mobile: How Banks are Preserving their Place in the Payment Value Chain*, a separate report based on data from the survey that focuses on the banking industry's outlook for mobile payments.

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