

Gx White Paper

Mobile Payments: What is Influencing Consumers to become Users



Data-driven insights to empower your business

Mobile Payments: What is Influencing Consumers to become Users

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Executive Summary

It seems that not a day goes by without another announcement heralding the launch of a new and innovative mobile payment product or service. Whether it is a new mPOS terminal, another Wallet (electronic or mobile), a new type of QR code or NFC enabled service, a plethora of payment instruments abound and even more are on the horizon. The emerging payments industry is a lively place to be no doubt with plenty of exciting innovation happening but with all these products and services available, what is consumer uptake like? In fact are consumers interested in mobile payments at all?

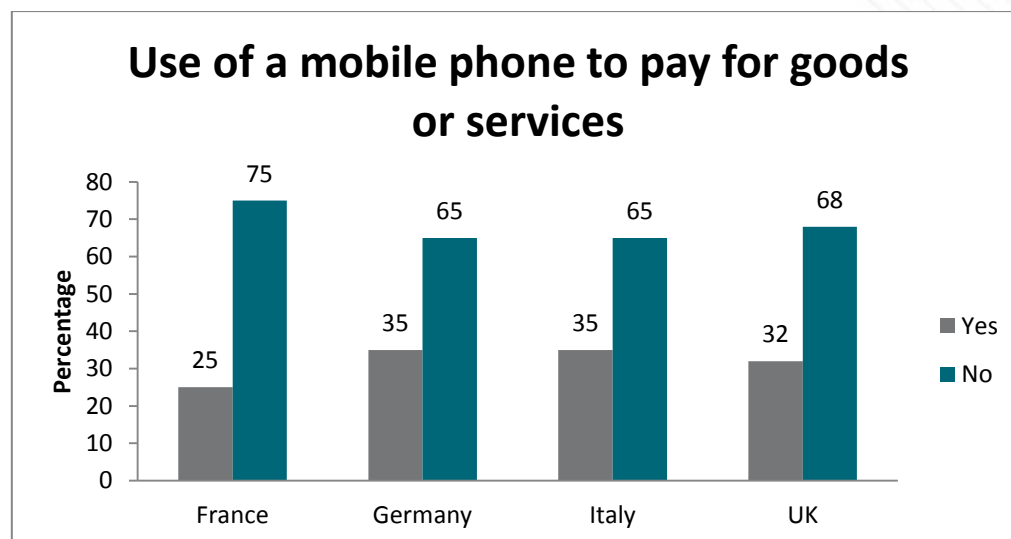
There are essentially two types of consumers we can identify, retailers and the general consuming public. The general public we are all familiar with. They are the ultimate end-user of the products and services that the payments industry develop, pilot and roll-out. Retailers are also consumers because they ultimately purchase and enable the technology to allow transactions take place at their Point-of-Sales terminals (POS). It is as important to get their buy in to drive growth of mobile payments as it is to 'sell' the technology to the end-user.

Study

Gx has been involved in the study of consumer use of payment instruments since its formation in 2004. Our most recent research report, published in April 2013, is a Pan-European report on Mobile Payments in Europe. One of the cornerstones of this report was a four country study of 1,400 consumers in the UK, France, Germany and Italy. We split this sample into two streams; those who have made mobile payments on their mobile phone and those who have not.

End-consumer behaviour: Those who have made payments on a mobile phone

The results of the survey were encouraging for industry. Over 30% of respondents in three countries have made a mobile payment on their phone with a quarter of French consumers having made a payment using a phone.



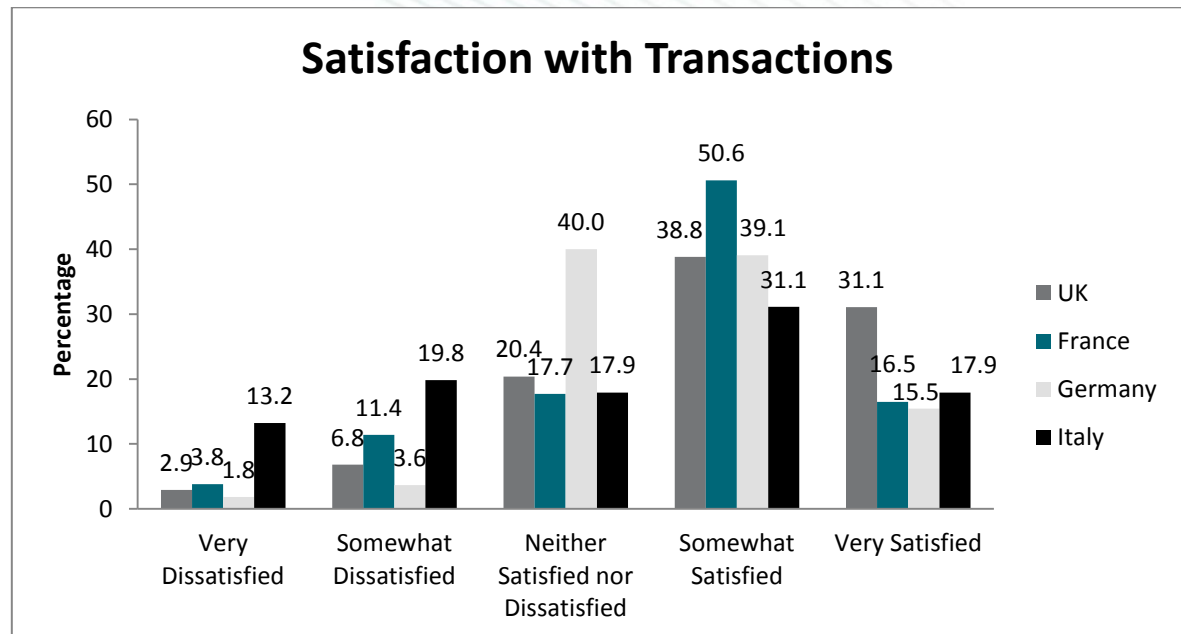
Source: *Use of a mobile phone to pay for goods or services (Source: Gx Mobile Payments Survey: February 2013)*

What these results don't tell us are the method of payment end-consumers have used on a mobile phone. The most popular method of making payments on a mobile phone was utilising a browser based payment and this was common across all four countries. This has been powered by greater smartphone adoption by those who have made payments versus those who have not. Use of contactless payments fluctuated according to geography with the UK and France seeing higher levels of NFC payment by end-consumers.

This is undoubtedly linked to the lack of NFC acceptance points in both Germany and Italy which was highlighted in interviews we have conducted with industry executives in both of these countries. In Germany, over 30% of consumers stated that the last payment that they made on their mobile phone was an SMS based one which compares with just over 20% of Italian consumers, 16% of French consumers and 15% of UK consumers.

Satisfaction with Transactions

What is interesting is that for those who have made a payment using their mobile phone, the level of satisfaction with the experience is quite high.



User's level of Satisfaction – 4 Country Study (Source: Gx Mobile Payments Survey: February 2013)

Satisfaction is an indicator of the consumer's global evaluation of the consumption experience. It serves as an excellent predictor of both intention to continue to use the service and intention to speak positively to others about the product. As such, levels of satisfaction are forward indicators of future business.

The current data are promising in that levels of dissatisfaction are relatively low. Two out of three users in the UK and France are satisfied, while somewhat lesser levels are indicated in Germany and Italy. The newness of the product leaves many uncertain about the product at this stage. This was especially apparent in Germany. In general, however, these data bode well for future uptake.

There were two common reasons why consumers were dissatisfied with their experience. Firstly, it seemed to take too long for them to make the transaction. Secondly, and this is linked closely to the first point, respondents complained that poor network connectivity interfered with their experience thus lowering their levels of satisfaction.

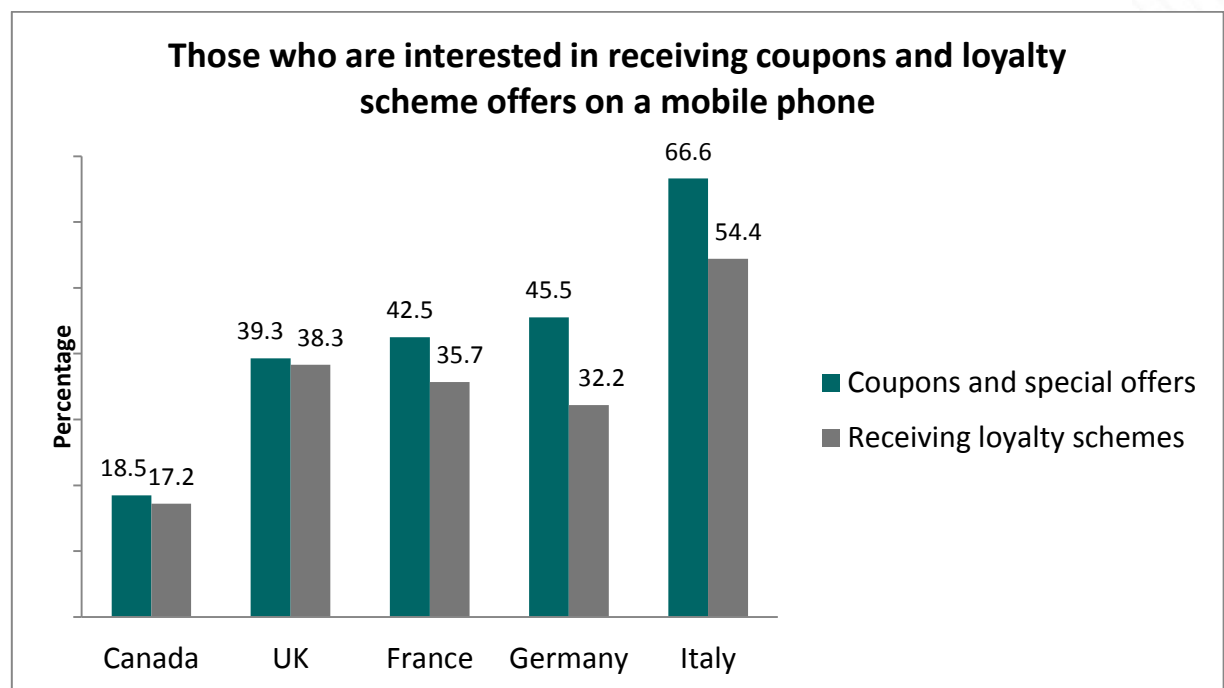
We asked both those who were dissatisfied with their experience and those who had neutral opinions how could their experience be improve. Apart from an increase in the speed of the transaction, it became clear that users would like to see more discounts and special offers tied into the transaction experience. These promotions could come from the retailer where the transaction was made (online or bricks and mortar).

Importance of Incentives and Promotions

In Poland many retailers are offering promotions to increase the usage of the contactless payments technology amongst consumers. Retailers in Poland are offering free ice-cream (McDonalds), a pack of Haribo Sweets (SMYK) and a free bottle of fizzy drink (Zabka) when purchasing through contactless cards or devices.

A similar UK case can be seen in Birmingham where smaller, niche retailers and coffee shops offer promotions to customers who pay using the mobile app developed by UK start-up Droplet. The reason these retailers are encouraging the use of the Droplet app is because it is cheaper for small retail chains to process these payments than handle cash or card payments.

These promotions don't have to be physical items either. There are a growing number of consumers who would like to receive coupons and loyalty scheme offers on a mobile phone. In the States, it has been reported the majority of ALL phone payments are at Starbucks where the both the loyalty component and the "coolness" factor are especially high.



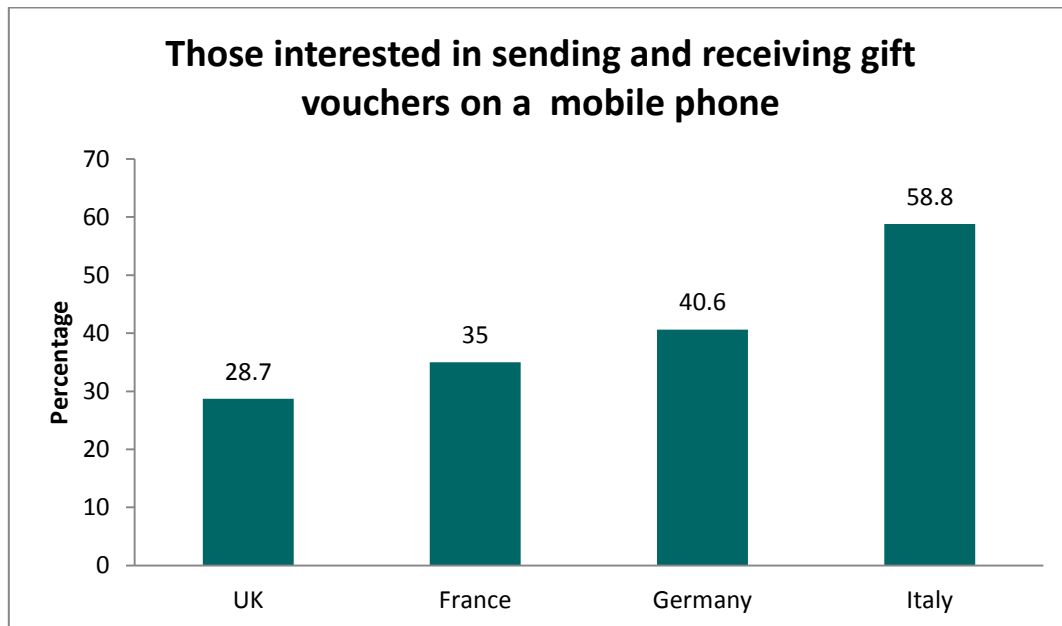
Those who are interested in receiving coupons and loyalty scheme offers on a mobile phone – 5 Country Study (Source: Gx Mobile Payments Survey: February 2013 & Canadian Research Survey 2012)

We believe that to encourage people to use their mobile phone to make a payment, you need to encourage them firstly to **think** of the device as a conduit for payments. To do this, an iterative approach is necessary where simpler applications are offered to the consumer in a staged approach to building confidence to ultimately the phone as a payment device.

The first stage would be to offer loyalty scheme rewards and coupons and special offers to consumers on their mobile phones. A number of Mobile Network Operators (MNOs) offer this to their customers already. As customers become used to these applications, more advanced stored value-applications can then be offered to the consumer



The second stage would be to potentially offer digital gift vouchers to consumers. This could be bundled with loyalty and coupons and tied into a retailer, or number of retailers, gift offerings. Digital gift is receiving more and more attention from retailers in Europe as a delivery mechanism of value to consumers. Amazon, undoubtedly lead the way in terms of volume delivered but with around 20 larger retailers in the UK offering digital gift solutions, albeit via email, and a dozen or so each in France and Germany, it is a stored-value mechanism that could be ported onto a phone.



Those who are interested in sending and receiving gift vouchers on a mobile phone – 5 Country Study (Source: Gx Mobile Payments Survey: February 2013 & Canadian Research Survey 2012)

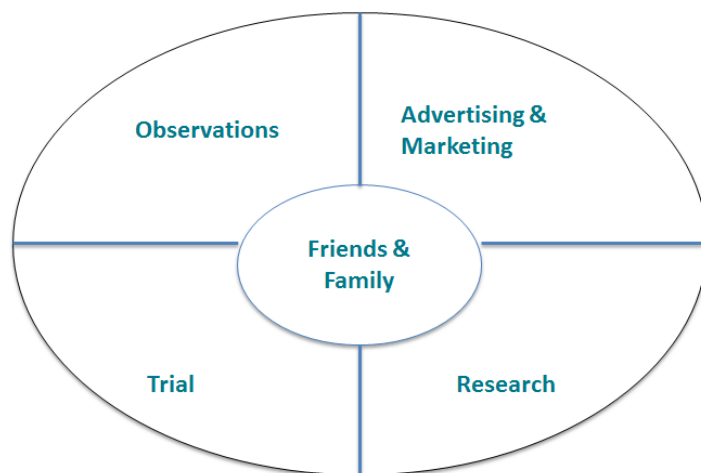
Bundling the loyalty and couponing mechanism together with a digital gift component and wrapping it around a payment mechanism would be a way of generating more engagement from consumers with the product and enhancing their satisfaction.

Would it work? It does. Look at Starbucks. That is a Closed Loop model for sure, but it shows that this bundled offering can drive real value for both the consumer and the retailer. \$3 billion has been loaded onto Starbucks cards linked to their mobile account in 2012 alone. Plus there are over 7 million customers on their loyalty programme. In the US alone.

The importance of word-of-mouth in building awareness

We have talked a little about use of mobile payments and satisfaction with the experience but who actually informed users about the availability of mobile payments and crucially how to use a payment application on a phone? We asked those who made payments on their mobile who had influenced them to use their phone as a payment device.

The graphic below illustrates the aggregated findings of this question across the four countries. The insight is that social interactions are key drivers of building awareness of mobile payments. Across the UK, France & Germany this was a particularly strong result. In Italy it was less so with more self-research taking place. However there was still a significant influence derived from interactions with friends and family.



Factors raising awareness of Mobile Payments – 4 Country Study (Source: Gx Mobile Payments Survey: February 2013)

Due to the expense and the fragmented nature of traditional communications channels, positive word-of-mouth is essential. If a user has a higher level of satisfaction, they are more likely to communicate this with friends and family. THEY are also more likely to repurchase products or services using a mobile application.



Satisfaction: Positive Word of Mouth: Repurchase: (Source: Gx)

Consumers influence each other – by talking to each other or observing behaviour. The closer the relationships the more likely they are to talk about the experience. This works for both positive and negative experiences that consumers have. The influence of close relationships can also act as a driver for non-users to try mobile payments.

Conclusion

Irrespective of their country, adopters show very consistent patterns of attitudes and behaviours. They are truly innovators and early adopters and share more with their fellow adopters than they share with their fellow countrymen. Whilst there are some subtle cultural differences that are unique to each country, consumers who use mobile payments technology have very similar experiences, wants and needs.

What is important to keep in mind is that to adding value to current users of mobile payments will lead to them being more satisfied with their experience which ultimately feeds into them evangelising the product or service. They will actively become a promoter - be this through word-of-mouth or through online channels such as social media and forums.

Keep in mind though that poor experiences will have the opposite effect and instead of promoting a product or service, they will actively become a detractor.

About Gx

Since 2004, Gx has operated as the global exchange for prepaid and emerging payments. We are a pioneering membership organisation that has acted as a catalyst for bringing companies together to achieve their collective and individual business objectives and enable them to maximise their growth potential. Our purpose is to empower businesses through informative and inspiring events, insightful data-driven intelligence and expert, consultative support.

If you would like to learn more about Gx and the Services that we offer then please contact Lindsay Harben at lindsay.harben@yourgx.com