Consumers and Mobile Financial Services

Maximilian Schmeiser Jeanne M. Hogarth Division of Consumer and Community Affairs Federal Reserve Board of Governors

The analysis and conclusions set forth in this presentation represent the work of the author and do not indicate concurrence of the Federal Reserve Board, the Federal Reserve Banks, or their staff. Mention or display of a trademark, proprietary product, or firm in the presentation by the authors does not constitute an endorsement or criticism by the Federal Reserve System and does not imply approval to the exclusion of other suitable products or firms.

Background

- Survey by Knowledge Networks
- Nationally representative probability-based online panel of respondents
 - December 22, 2011 to January 9, 2012
 - 2,290 respondents
- Report released March 2012 (http://www.federalreserve.gov/econresdata/ mobile-device-report-201203.pdf)

Key Findings

- Among *all* mobile phone users:
 - 21% used mobile banking in past 12 months
 - 12% used mobile payments in past 12 months
- Among *smartphone* users (44% of mobile phone users)
 - 42% used mobile banking in past 12 months
 - 23% used mobile payments in past 12 months

Key Findings

- 78% fully banked; 11% underbanked; 11% unbanked
- Underbanked more likely to be: 30-44, less educated, minority, lower income (under \$40,000), working or self-employed
- Unbanked more likely to be: 18-29, less educated, minority, low income (under \$25,000), laid-off or looking for work

Underbanked and Mobile

- > 9 out of 10 have mobile phone
 - 57% have smart phone
- Nearly 3 out of 10 (28%) use mobile banking
 22% plan to use in next 12 months
- I out of 6 (17%) use mobile payments
 - 3 out of 5 pay bills
 - 1 out of 5 transfer money

Unbanked and Mobile

- 3 out of 5 (63%) have mobile phone
 - 26% have smart phone
- 10% use mobile banking
 19% plan to use in next 12 months
- I out of 8 (12%) use mobile payments
 - 2 out of 5 pay bills
 - 1 out of 3 make purchase
 - 1 out of 4 transfer money

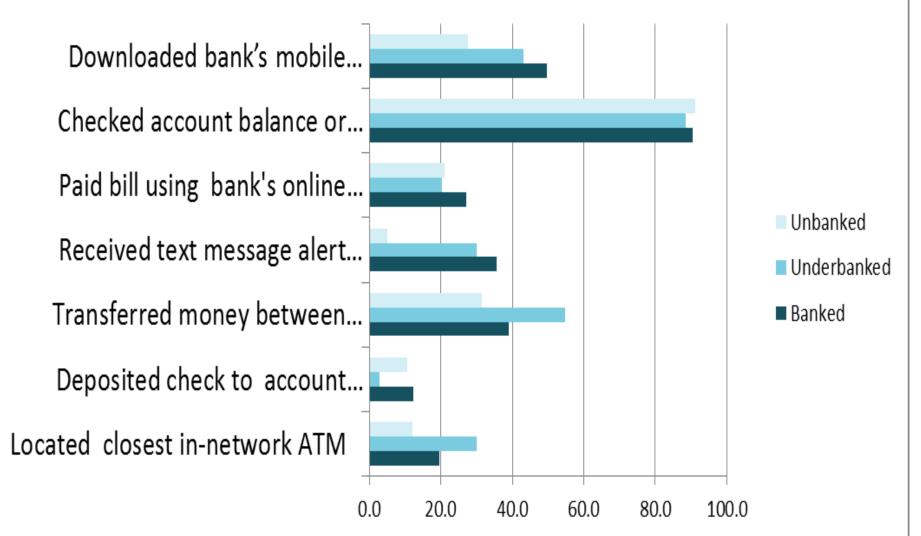
Mobile Banking Definition

Mobile Banking uses a mobile phone to access your bank account, credit card account, or other financial account

You can use mobile banking by:

- Accessing bank's web page through web browser
- Text messaging
- Using downloaded application

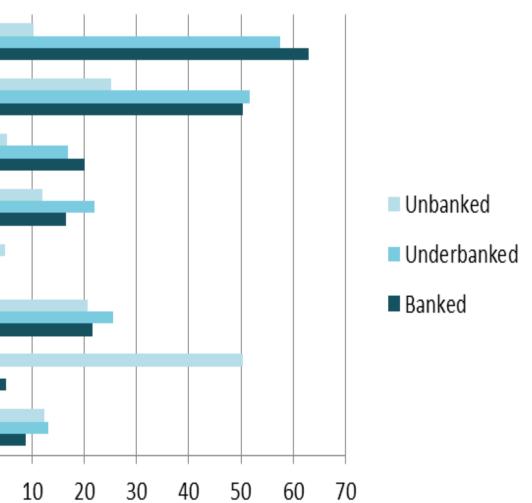
Q25. Using your mobile phone, have you done any of the following in the past 12 months?



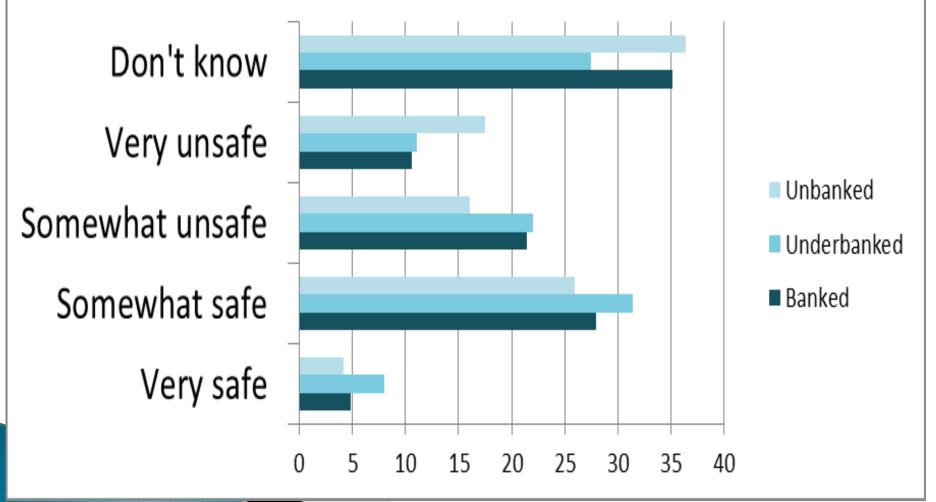
Q36. What are the main reasons why you have decided not to use mobile banking?

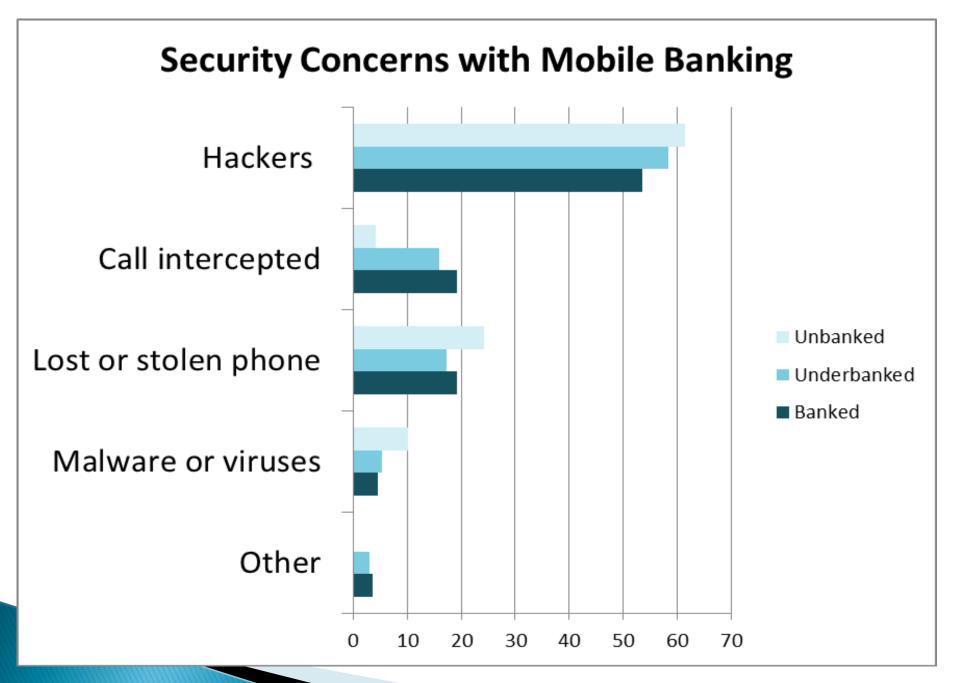
Banking needs met without ... Concerned about security High cost of data access Hard to see screen Bank charges fee Don't trust the technology Don't have account Hard to set up

Ω



Rate the Security of Mobile Banking for Protecting Your Personal Information





Mobile Payments Definition

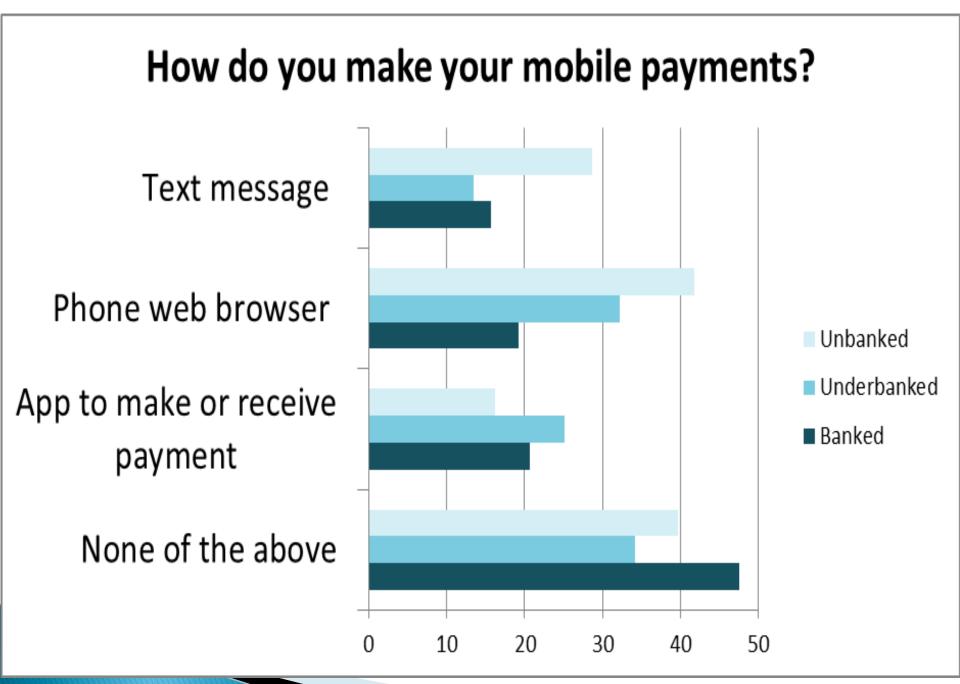
Mobile payments are purchases, bill payments, charitable donations, payments to another person, or any other payments made using a mobile phone

You can make payments by:

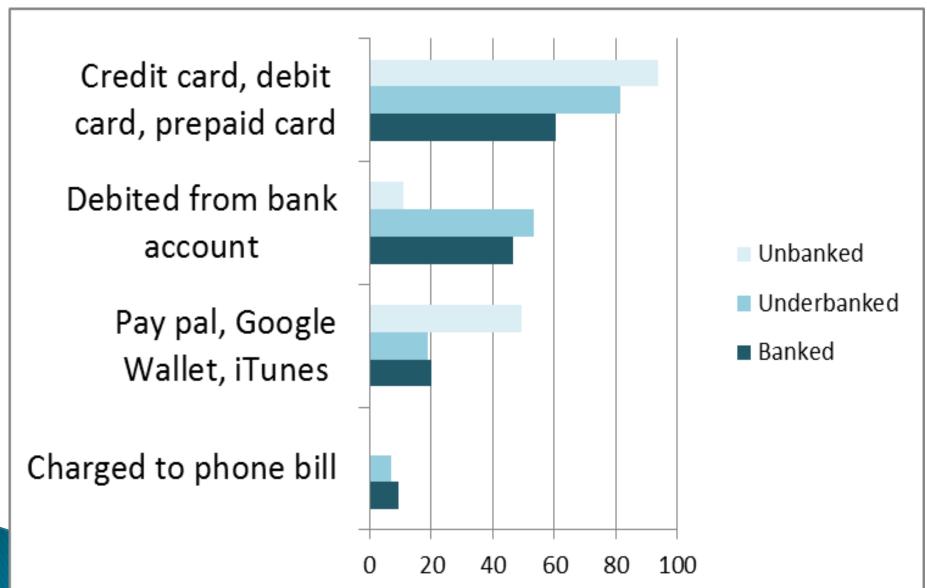
- · Accessing web page through the web browser
- Text message
- Using downloadable application

The amount of the payment may be:

- · Applied to your phone bill (e.g. Red Cross donation)
- Billed to credit card
- Debited from bank account or prepaid card

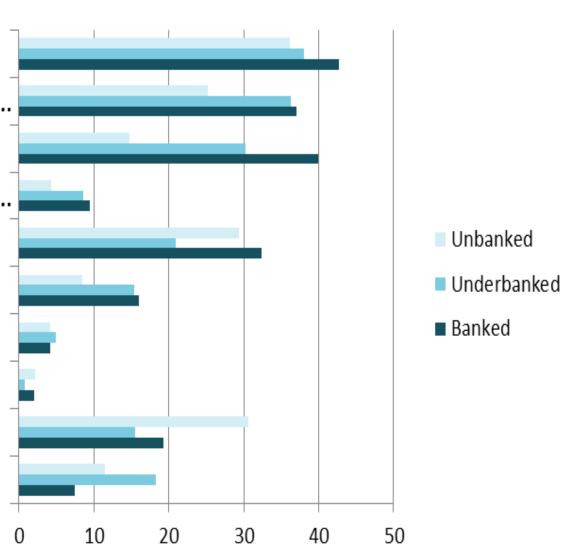


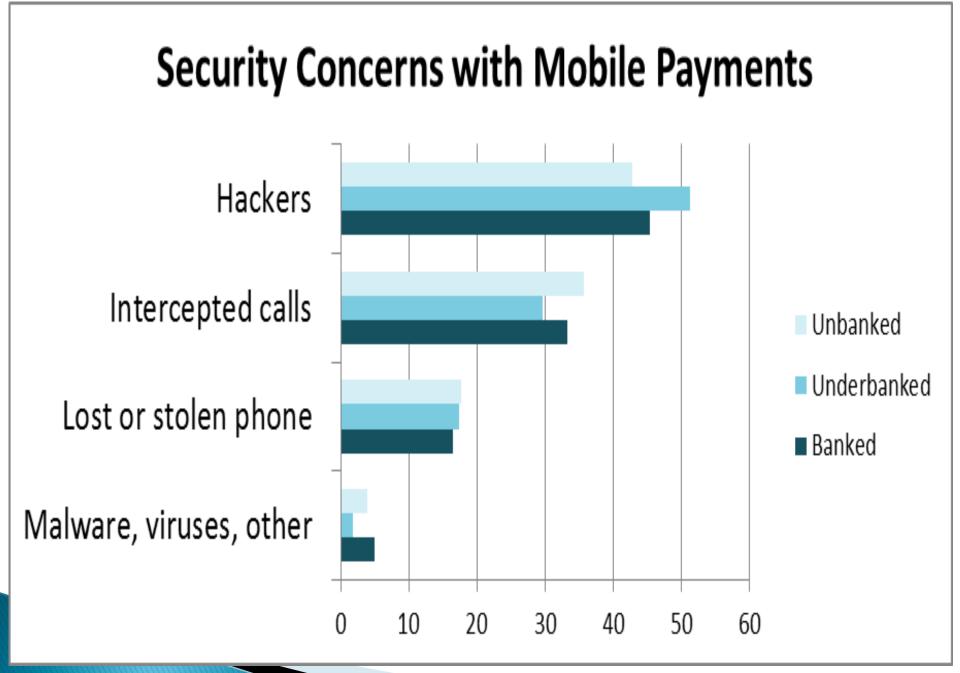
Where does your mobile payment come from?



Q39. What are the main reasons why you have decided not to use mobile payments?

Concerned about security Easier to pay with other ... Don't see any benefit Don't know if stores use ... Don't have feature on phone Cost of data plan Not offered by bank Bank charges fee Don't trust technology Difficult to set up

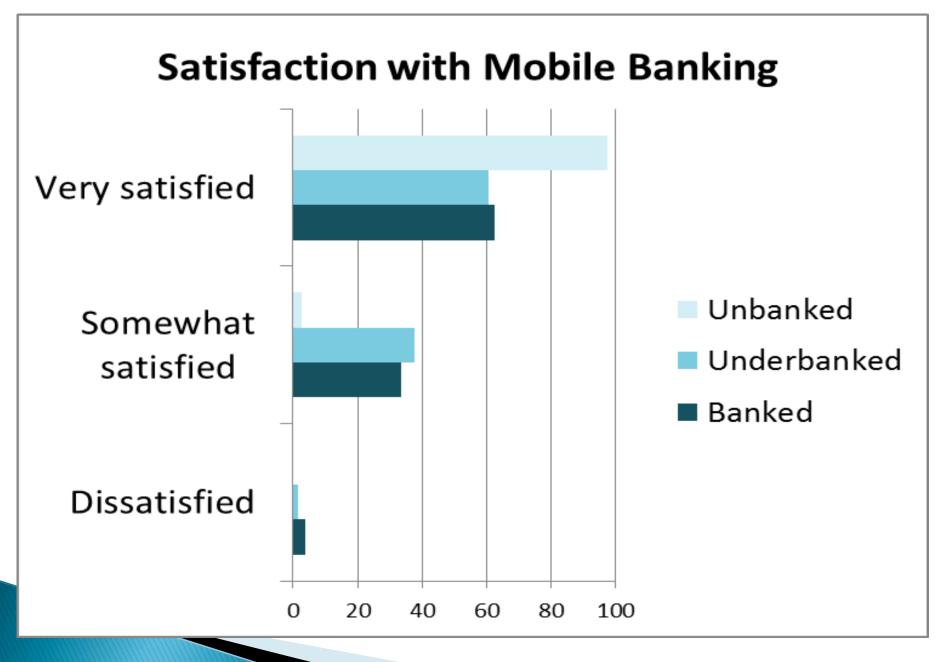


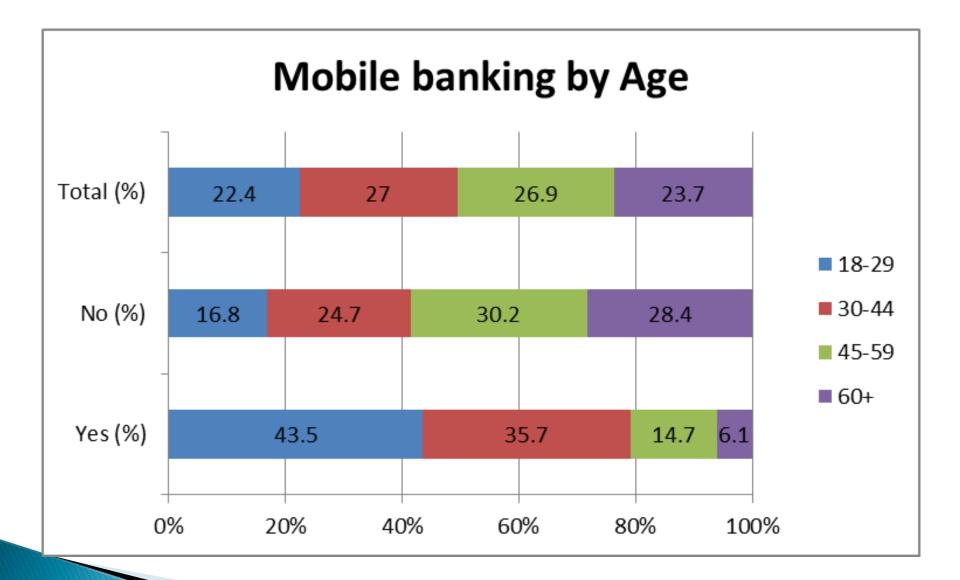


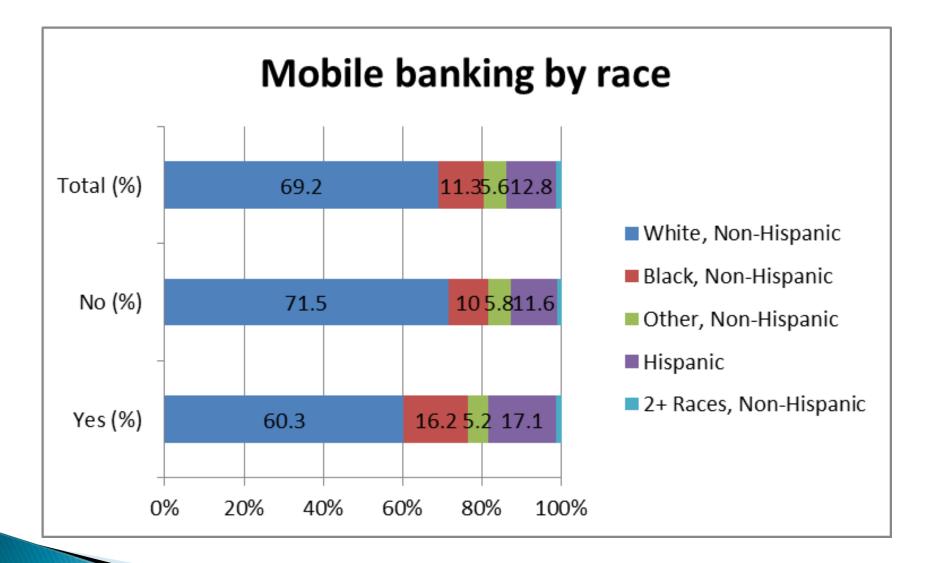
Conclusions

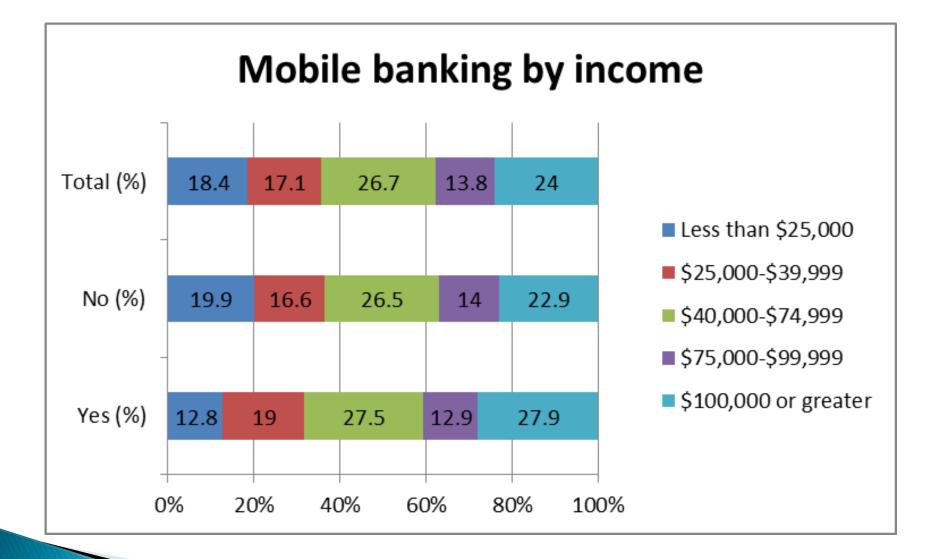
- Use of smartphones linked to mobile banking and mobile payments
 - Potential for use to increase as more consumers get smartphones
- Mobile payments used less frequently than mobile banking
 - Infrastructure issues
 - Value proposition -- convenience over other forms of payment
- Need to address concerns about usefulness and security

Extra mobile banking slides



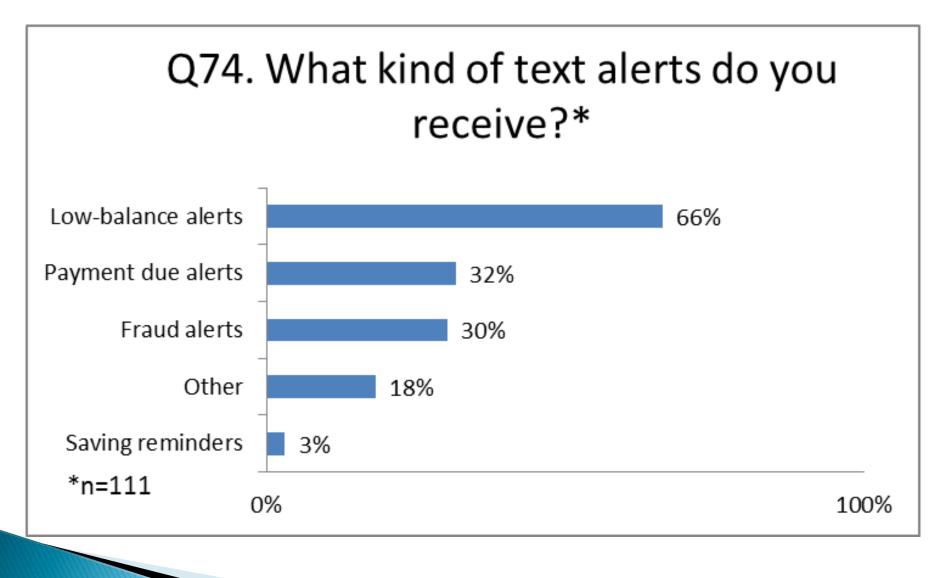




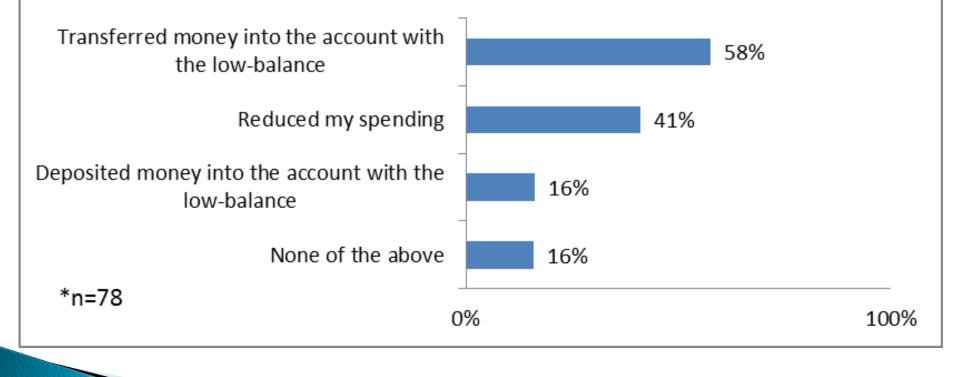


Room for Growth?

- 11% of those not currently using mobile banking think that they will probably use it within the next 12 months
- 17% of those who don't think they will adopt mobile banking within 12 months indicate that they are likely to do so eventually



Q75. Thinking of the most recent low-balance alert you received by text message, which of the following actions did you take after receiving the alert?*

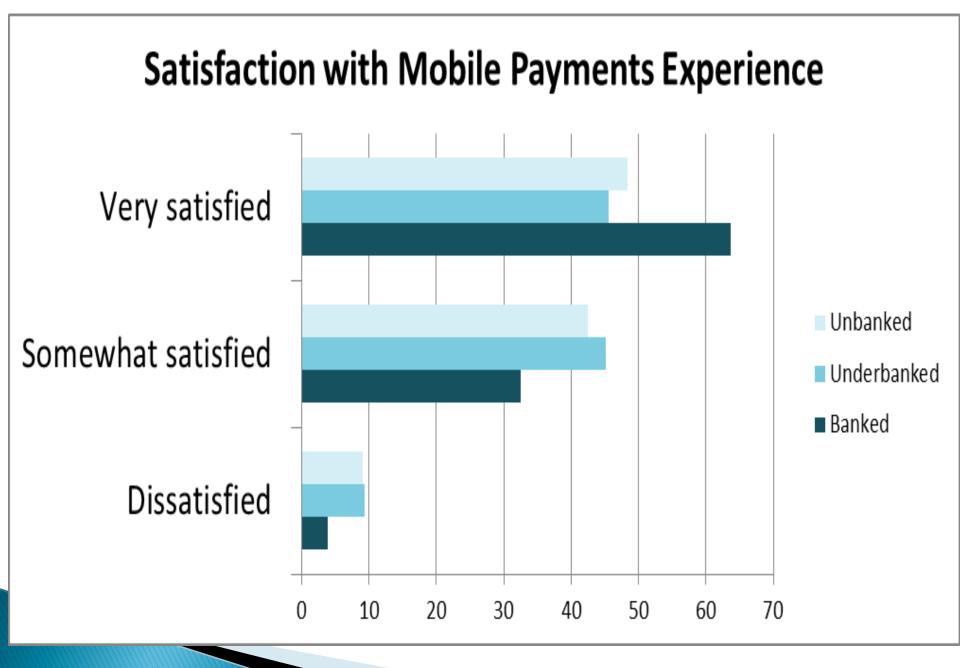


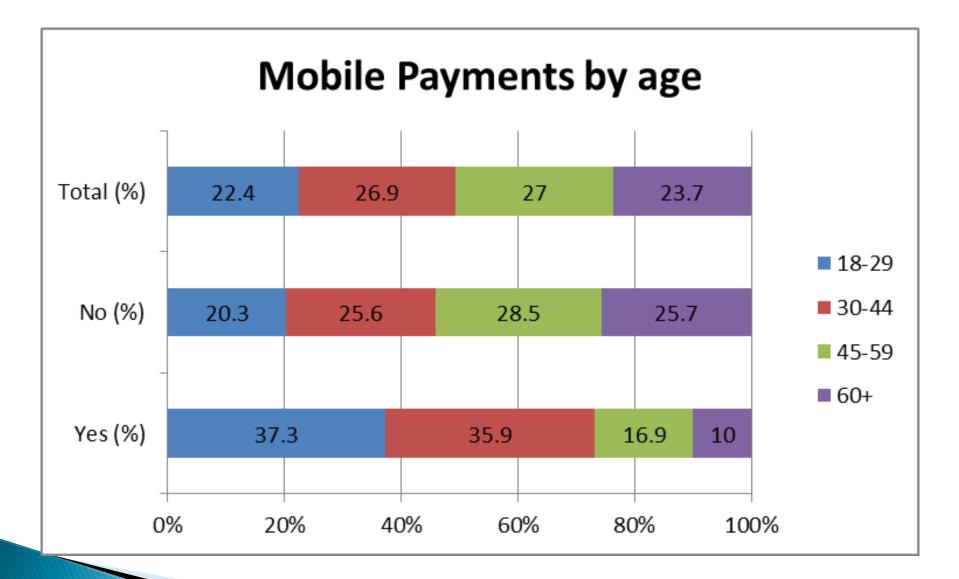
Q46. Would you like to use your mobile phone for any of the following purposes, assuming they were made available to you?*

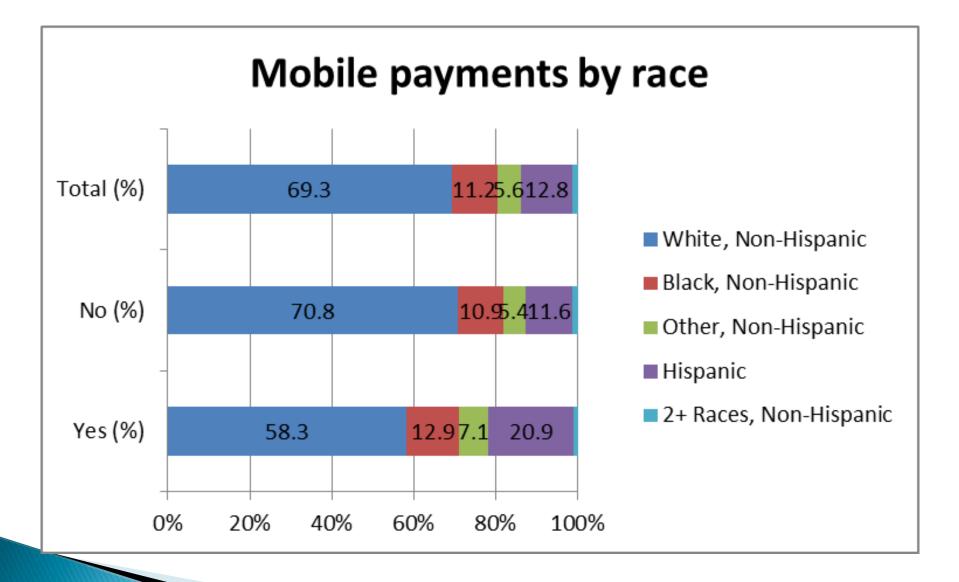
Compare prices when shopping			48%
To receive offers and promotions based on where you are		33%	
Track your finances on a daily basis		31%	
To receive and manage discount offers and coupons		31%	
Buy things at the point of sale		25%	
	As a membership card	24%	
As a form of photo identification		23%	
	Purchase tickets to events	23%	
Organize and track gift cards, loyalty and reward points		21%	
	As a ticket for buses	19%	
	As a key to enter your house	18%	
*n=2002	Refused to answer	18%	
0%			100%

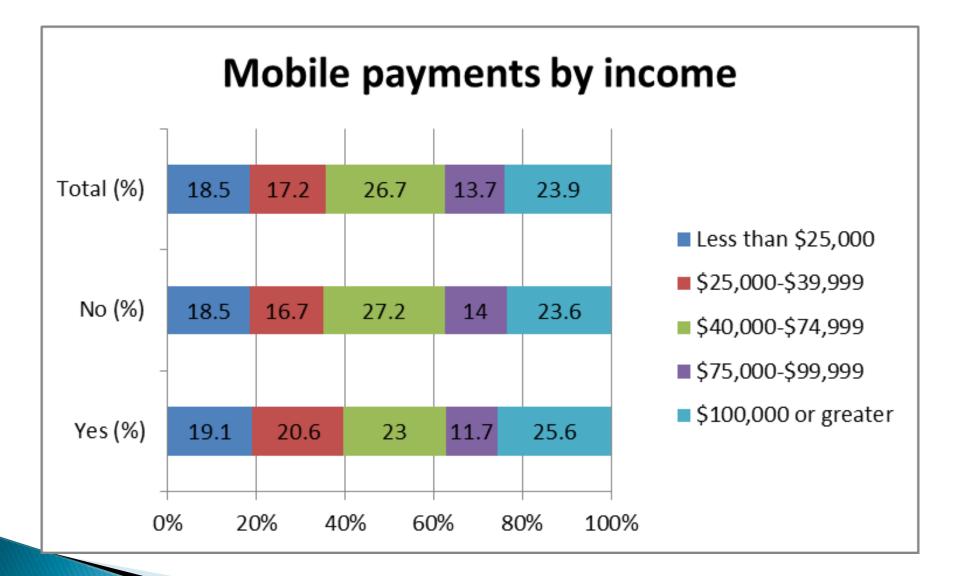
Extra mobile payment slides

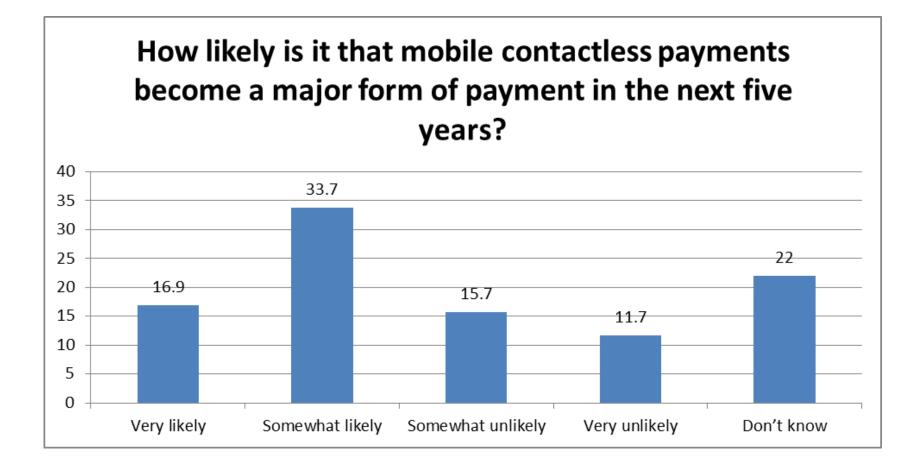
27











Would you use mobile "contactless" payments if the they were made available to you?

