

Adoption is King - How Adoption of Mobile Payment is Affected by VAS

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For a long time mobile payments have been predicted to have a promising future. However adoption rate by consumers and merchants alike is by far not at any desired level or even close to a breakthrough. In order for widespread adoption, mobile payments need to offer significantly more than just core payment functionality. Otherwise it's definitely set to fail. Many of today's initiatives have already made painful and costly experiences. And Softcard who was taken over by Google for much less than \$100 millions (while its shareholder poured over \$800 million into Softcard) will not remain the last in that row. This paper investigates the impact of various Value Added Services (VAS) on consumer adoption of Mobile Payments, based on a consumer survey among 310 Young European consumers in the age interval of 18-35, conducted in December 2014.

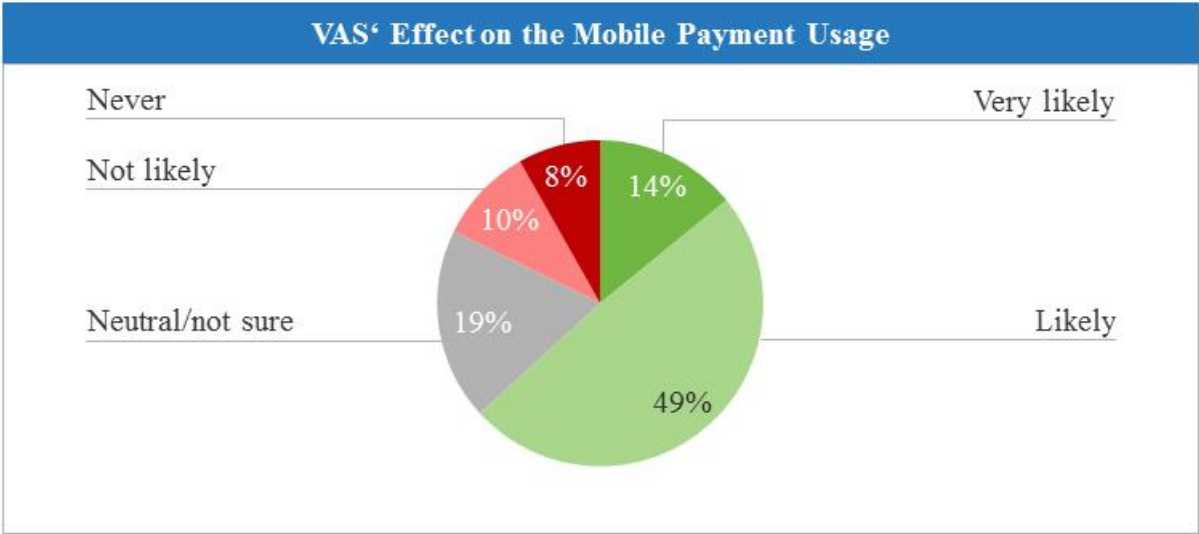
Multiple studies reveal that young consumers between 18-35 years are typically early adopters of new technologies and services. It was therefore quite logical to explore in more depth, the perspective and needs of this group which is widely seen as the most attractive consumer segment in Smartphone based mobile payments. Common wisdom is that *universality, simplicity, ease of operation, security, and transaction funding neutrality* are important to drive adoption for mobile payment/mobile wallet.

What is however, the role of mobile VAS in this game? Does VAS play an important role to drive adoption to a level sufficient enough to get the mobile payment bandwagon rolling?

#1: An attractive offering of mobile Value Added Services will significantly increase the usage of Smartphones for payment services

More than 63 percent of all respondents perceive mobile VAS like coupons, loyalty cards or tickets as beneficial and will likely or very likely to incentivize to use their Smartphones more frequently for mobile payments. Only 18 percent of the respondents do not expect a change in their behavior triggered by VAS. This demonstrates that the market would be much more

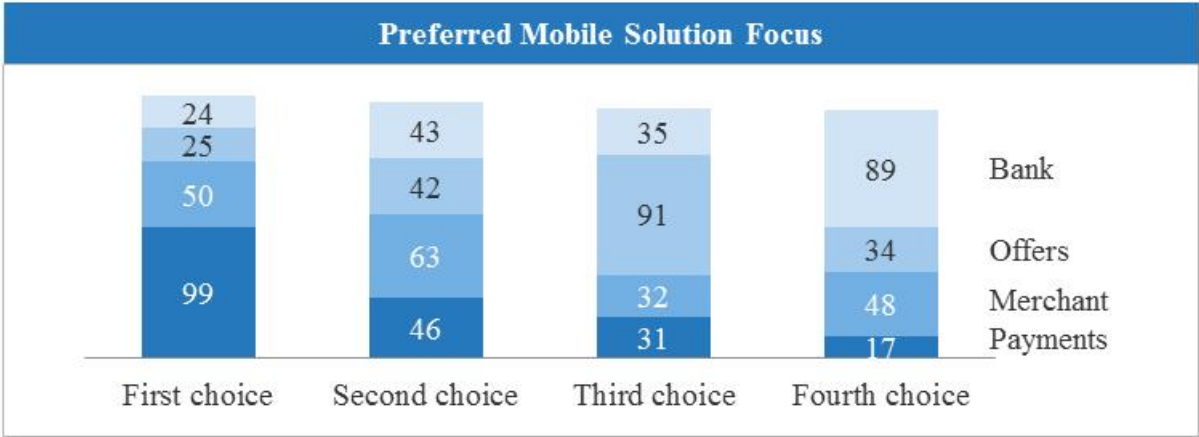
receptive if and only if service providers would be ready to compose a set of VAS with real benefits for consumers.



Question: How likely are you to increase the usage of your smartphone for payments if using your phone would also generate instant coupons, discounts, rewards from retailers/merchants? (e.g., Starbucks, McDonalds, Wal-Mart)

#2: Payment functionality itself is an anchor for mobile Wallets, but not a differentiator

In our survey, we explored in detail which particular set of features are perceived as most important in the eyes of young Europeans. From the four service categories of a mobile wallet, payment related features came out highest (score 613), followed by merchant centric features (score 501), and specific offers such as coupons and loyalty rewards (score 442). Bank specific services/features are seen as least important (score 384).



Question: Rank the focuses listed below in order of its importance being in a mobile wallet application. (To simplify the results and put them into ranking, choices were assigned with points. The first choice assigned with 3 points, the second choice with 2 points and the third choice assigned with 1 point.)

Consumers prefer payment features as their first choice. Payment is the anchor point for any mobile wallet concept - necessary but not a satisfactory ingredient for wallet success. The second and the third choices of the respondents revealed an interesting point: *Merchant-*

focused applications, which offers personalized, targeted deals, was preferred in the second rank, even over *Offer-focused* application (location-based deals).

Participants, despite their unwillingness to share personal information, would like to benefit from targeted, personalized offers, but: there will be no free lunch if consumer data are withheld. Finally, the least favorite option is *Bank-focused* mobile payment applications. Why do the respondents not want bank focused applications? Here is the hook: They don't want just bank related features, they simply want bank applications to be separated from mobile payment applications. Thus, bank related features did not rank high among other features in the mobile payment applications.

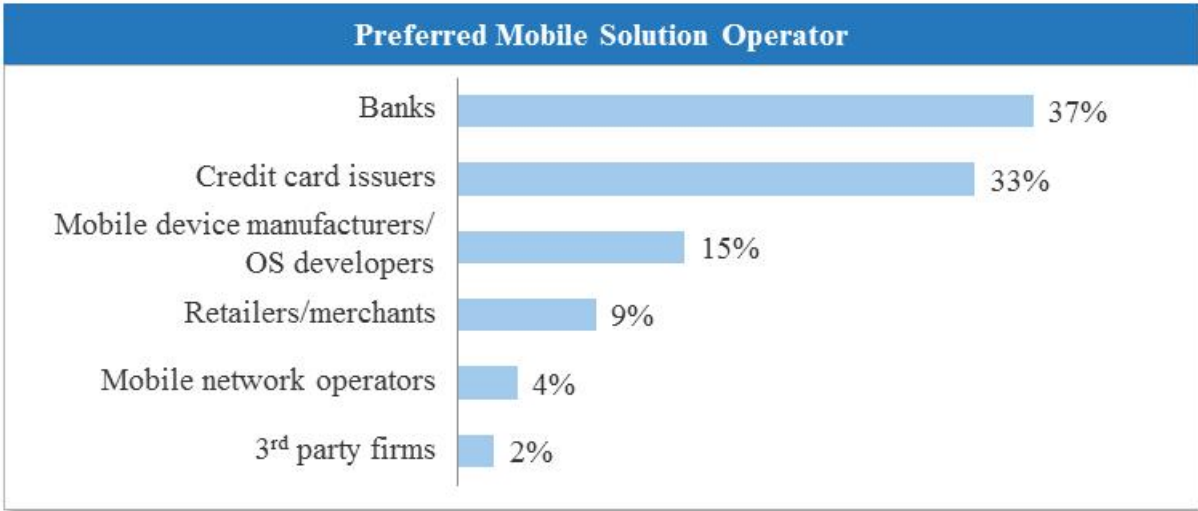
#3: Privacy remains to be an issue – a dilemma for Service providers

Despite the positive perception towards VASs in general, there are significant concern by users to give away personal information in response to better targeted offers. Nevertheless, 37 percent of participants are ready to share personal information with Service Providers. The acceptance to share personal information needs to grow otherwise a serious dilemma for Service Provider arises: Mobile wallets simply need data to provide effective VAS. We see that with respect to privacy, banks and credit card companies are perceived as way more reliable and trustworthy than merchants and MNOs. A lot of educational work needs to be done to convince users for the value they may receive by providing meaningful enough amount of data.

#4: Mobile Payment is primarily a game for financial institutions – less for MNO's

When asked to choose their preferred mobile payment solution provider, respondents clearly preferred financial institutions. Banks lead the way with 37.1 percent, closely followed by credit car issuers with 33,3 percent. This seems to be a tough challenge for mobile operators.

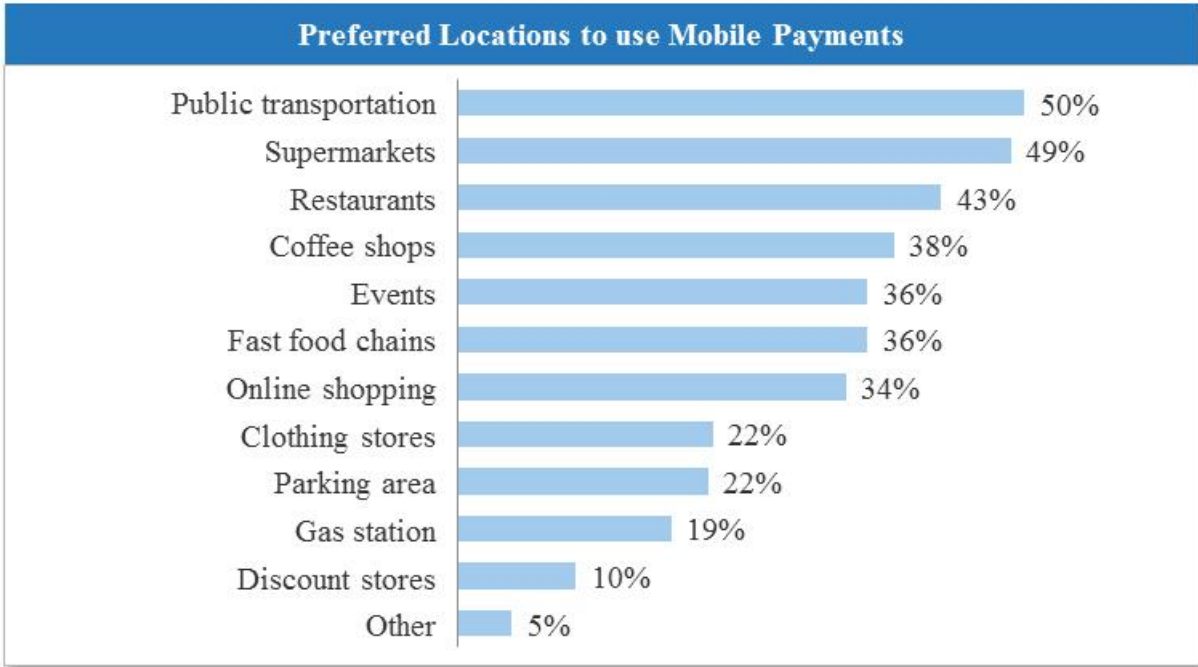
These preferences can be understood by the reasons of perceiving mobile payments as a financial product and a habit of payment with financial institutions. It can well be assumed that consumers would prefer MNOs, if they would perceive mobile payments as a mobile service rather than a financial activity, which is not the case today in the world of banked consumers. Certainly one of the many reasons why Softcard failed eventually. In unbanked markets however, MNOs are well accepted as the agents of choice to transfer payments and pay for goods.



Question: Which of the following sector firms' mobile wallet/payment application would you prefer to use?

#5: Public transport and supermarkets will be usage sweet spots

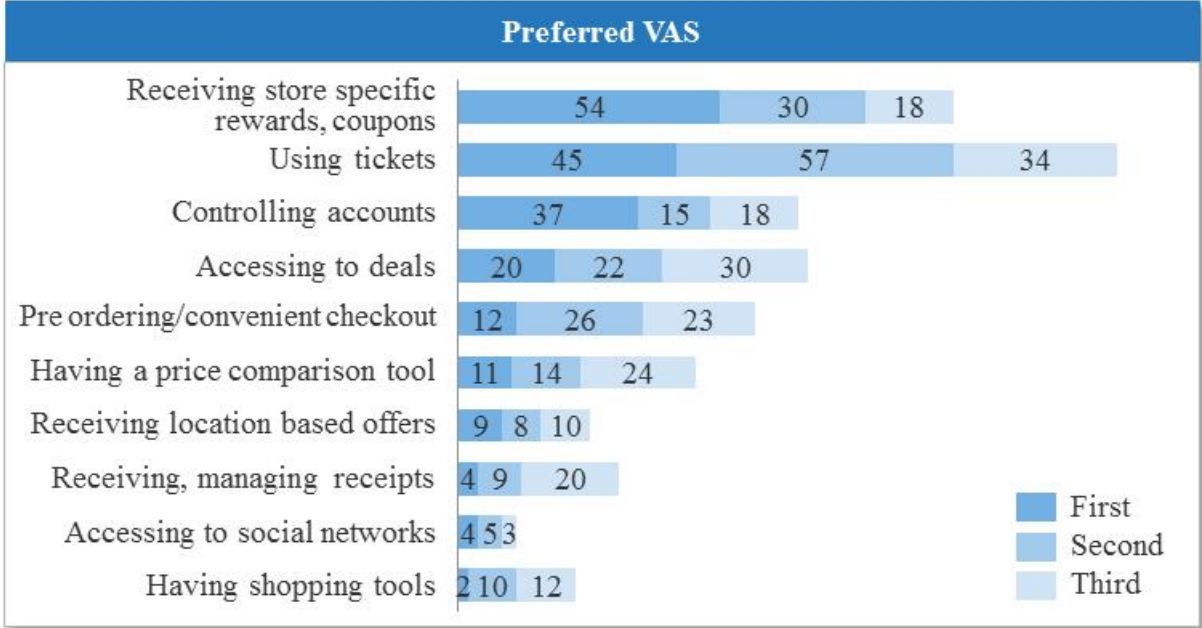
When asking users to choose two places *where* they would prefer to use mobile payments, Public Transportation and Supermarkets came out as the top places by nearly half of the respondents. But also Dining related options as Restaurants, Coffee shops and Fast Food chains are ranking high in consumers' preferences. Discount Stores and Gas stations however were the least preferred locations for mobile payment transactions. Service Providers should compose their VAS portfolio in accordance to the location ranking, thus expecting increased propensity for adoption.



Question: Which of the following locations would you choose to use mobile payment? (Please select 2)

#6: Ticketing, the top choice to drive adoption of mobile payments

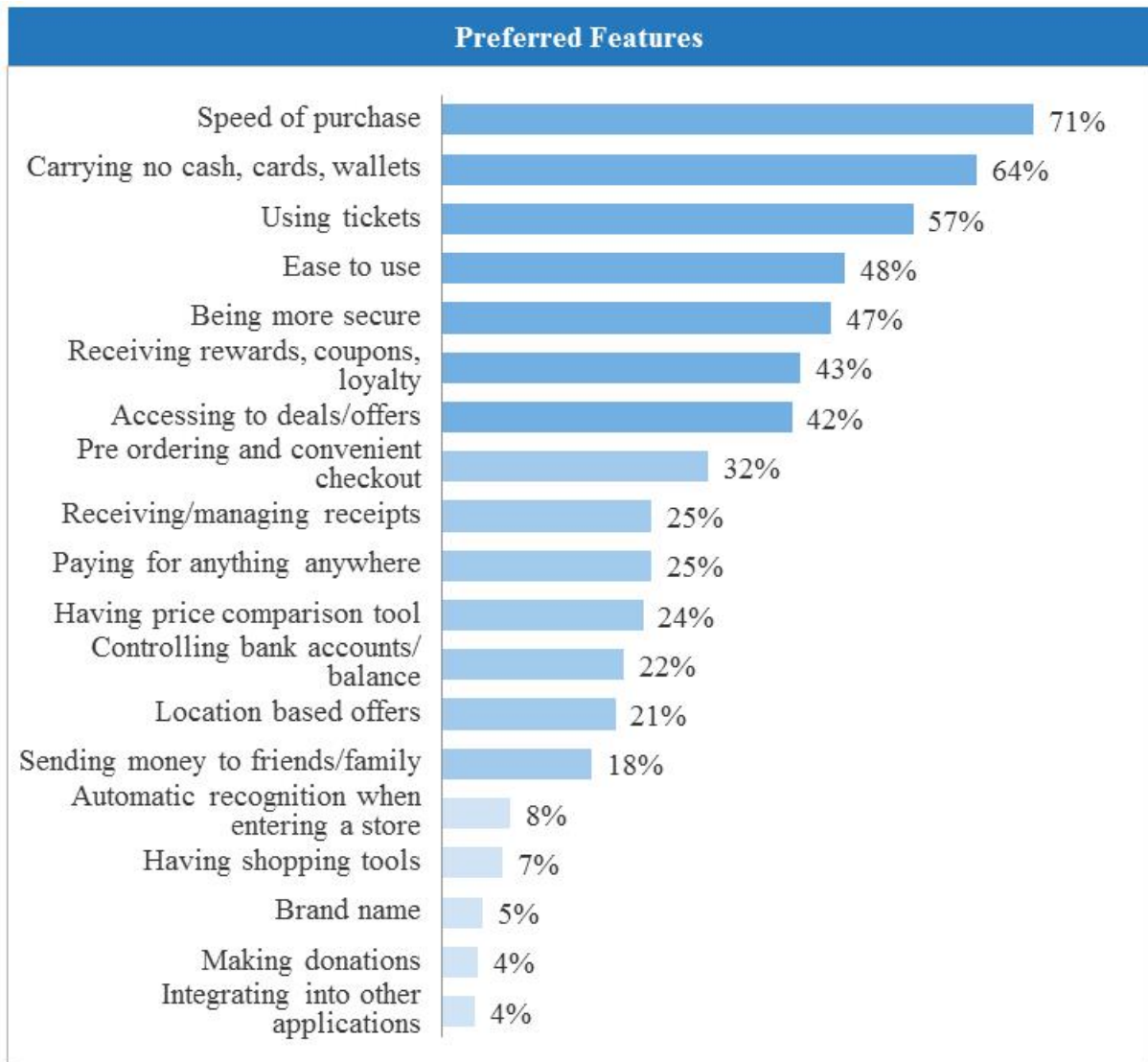
Comparing the VASs among each other, participants were asked to choose 3 services out of 10 listed VASs and rank them. Mobile ticketing was the top choice of consumers, confirming previous results (score 283). *Receiving store specific rewards* was ranked close second (score 240). *Account management* (score 159), *access to deals* (score 134) and *pre-ordering* (score 111) also got considerable points from consumers. An interesting result was that *Receiving location-based offers* features were not in the top five. Consumers obviously either do not want to receive offers just based on their locations, or they do not see a benefit from them.



Question: Which of the following services for mobile wallets would you most likely use? (Please select 3 and prioritize them)

#7: Not every trigger point or incentive works equally well in increasing user adaption

There are many features which could potentially serve as incentives for users to use mobile payments more frequently. When participants were asked to select only 5 features/factors to comprise their ideal mobile application it turns out that consumers prefer a combination of both core mobile payment features and supplementary services. Not surprisingly, core features as *Speed of Purchase* (1), *Carrying no cash and cards* (2), *Ease of Use* (4) and *Being More Secure* (5) were 4 of the top 5 selected features of consumers. Using tickets via smartphones selected by 56.5 percent of the consumers came out surprisingly high and was ranked three in the list. Other VASs were chosen by more than 40 percent of the respondents were receiving rewards, coupons and accessing to deals. Obviously, not every VAS create the same level of interest.



Question: Which of the following reasons/features incentivize you to use mobile payment? (Please select 5)

Summary:

Young European consumers confirm their interest in mobile payments as long as they come in the context of a minimum set of VAS. They are very pragmatic in expecting quantifiable value beyond the core, enabling service. Mobile Payment convenience is a hygienic factor, a must have, however it is not enough as a satisfactory driver for adoption.

About mobileVision:

mobileVision Group is an international consulting firm focused on new business launch management in the internet and mobile space. The firm specializes in advising, managing, operating and staffing challenging launches, particularly in Mobile Financial Services. mobileVision has offices in Berlin, Munich, London and San Francisco.