THE FUTURE OF MOBILE PAYMENTS

A Study of UK Consumers by Prepaid International Forum
INTRODUCTION

- Mobile payments are an exciting new area of prepaid services that have received much hype in the media and excitement from industry observers.

- As usage of such forms of payment increase, Prepaid International Forum wanted to see how consumers feel about this emerging market.

- This study, based on a nationally representative sample of 1,000 UK adults*, looks into current rates of adoption, how this varies between different groups within society, which aspects of mobile payment most appeal to consumers and the risks most likely to pose a barrier to their successful future growth.

- Finally, we look into the issue of trust and the types of organisations from which consumers would be most willing to accept mobile payment services.

- The findings indicate that mobile payments are here to stay. However, there are still many lessons to be learned if they are to fulfil their potential and be fully accepted by consumers.

* Nationally Representative Survey of 1,000 UK adults conducted in March 2016
Over 1 in 10 now regularly use their mobile as a payment device

- 12% of adults have fully adopted mobile wallets as a means to make payments in their day-to-day lives.
- An equal proportion say that they occasionally use mobile payments, meaning that just under a quarter of UK adults (24%) are using this function on their mobile device.
- A further 33% say that, while they do not currently use mobile payments, they are open to the idea in the future.
- This leaves just 43% of the population as currently not willing to consider the use of mobile payments.

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Younger age groups are early adopters of mobile payments

- Usage rates are highest amongst younger age groups
- Of the 18 to 24 year olds questioned, just under half (49%) had used mobile payments, as had a third (33%) of 25 to 34 year olds
- Uptake then falls away sharply amongst people over the age of 55
- Age seems to be the only major factor in the appeal of mobile payments – the survey showed no significant variations between income or geography
Consumers aged 44 and under expect mobiles to replace plastic as their main payment tool

The expectation amongst consumers is that the use of mobile phones as a tool for making payments will continue to grow. For those aged 44 and below, the expectation is that mobile devices will in fact replace plastic cards as their main payment device.
Instant access and convenience the major drivers of growth

Consumers say that the ability to access live account data and the convenience of using their mobile (which is always at their side) are the biggest plus points of mobile payments. Added value services – e.g. the bonuses (such as discounts or free coffee) offered by brands providing such tools – and innovations – e.g. functions such as instant peer-to-peer money transfers – also have major appeal.

These advantages hold much wider appeal than the greater security or ability to create accounts instantly, showing how it’s the everyday experience of using the tools that will be crucial to their future success.
The major risks to growth would be failure to gain universal acceptance in stores and justification of fees

- Given the importance of convenience to their growth, it is understandable that the inability to use mobile payments in all situations would be the greatest risk to their future success.
- It is also clear that UK consumers are very sensitive to the issue of fees, even if there were added value services or discounts involved. It seems UK consumers hold the strong expectation that financial services should be provided without additional charges.
- Both of these are the major barriers which mobile payments will need to overcome to become more widely accepted.

Which of the following disadvantages of using your mobile as a method for payments would most put you off:

- It may not be universally accepted at all stores
- Possible fees that may be charged by providers of such services
- The need to proactively manage your account – e.g. to preload your device before it can be used
- The lack of a credit facility (i.e. you can only spend money you have already loaded onto your device)

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Younger consumers are more open to financial services being offered by brands

When asked which type of organisation they would trust to provide mobile payment services, the top answers were the banks (65%) or payments companies such as Visa and MasterCard (54%).

However, amongst younger audiences there is a higher degree of acceptance of such services being offered by other organisations, e.g. technology brands. This opens the door for respected brands to begin expanding into such services – especially with younger customers.

Some organisations displayed greater levels of trust with older audiences (e.g. the Post Office and Virgin) and may have more chance of introducing mobile payments services to this part of the market than technology brands such as Google.
Summary of findings

- Just under a quarter of UK adults (24%) have used their mobile device as a payment tool.
- 12% of adults have fully adopted mobile wallets and regularly make payments.
- 33% say that, while they do not currently use mobile payments, they are open to the idea in the near future.
- 43% of the population are currently not willing to consider the use of mobile payments.
- Of the 18 to 24 year olds questioned, just under half (49%) had used mobile payments.
- Uptake then falls away sharply amongst people over the age of 55.
- Consumers aged 44 and under expect mobiles to replace plastic as their main payment tool.
- Instant access and convenience are the major drivers of growth.
- The major risks to growth would be failure to gain universal acceptance in stores and justification of fees.
- When asked which types of organisation they would trust to provide mobile payment services, the top answers were the banks (69%) or payments companies such as Visa and MasterCard (54%).
- Attitudes to other brands offering mobile payments varied significantly according to age. Younger consumers were most willing to trust technology brands. Older consumers felt most comfortable with established brands with a history in financial services such as Post Office and Virgin.

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While only a minority of consumers are currently making regular use of mobile payments, there is a clear acceptance that mobile devices will, in future, grow to become a major part of day-to-day transactions.

Key to this growth will be establishing mobile as the most convenient and customer-centric method, with fresh innovations giving people positive reasons to change their current habits.

However, there is still much work to be done. For example, ensuring mobile wallets can be used universally and also overcoming the issue of fees.

What is clear however, is that mobile payment services have the potential become the norm. And that many consumers expect them to replace the need to carry plastic at some point in the future.

How quickly that becomes a reality is down to providers to listen to consumers, apply innovative thinking to meet their needs and successfully deliver on the promise of greater convenience.
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