



August 2010

## M-payments: Variety may trump grand schemes



**M-payments have stirred great expectations but shown limited market success so far.** According to Gartner, a technology advisory company, less than 1% of European and less than 2% of North American mobile users also pay with their mobile phones. Yet, new attempts to establish m-payments should not be written off automatically. It may not be the grand m-payment schemes many optimists imagine that succeed eventually, but a number of smaller, diverse and intuitively useful applications. [chart 1](#)

**M-payments usually cover payments involving a mobile phone** (e.g., paying a parking ticket via premium SMS). There are many varieties depending on the technology, the accounting vehicle, the purchase scenario or the service provider. Some definitions exclude purely mobile content (e.g., ringtones), others don't. A key distinction is between proximity payments at the point of sale and remote purchases. With the growing overlap of online and mobile experiences (mobile internet) the answer to what constitutes an m-payment is becoming increasingly blurred. [chart 2](#)

**Successful applications can be seen e.g. in Japan or in some developing countries.** M-payments will be much harder to establish in Europe and the US because the existing financial infrastructure (and cash) offers many alternatives – unlike in some developing countries. Moreover, the supply side is more fragmented than, say, in Japan. [chart 3](#)

**Few consumers are excited about purchases via their phone.** This points to serious adoption hurdles in Europe and the US. Potentially game-changing technologies (e.g., contactless payments via NFC) need substantial infrastructure investments and broad support from shops and merchants before consumers will sign up. [chart 4](#)

**Yet, there are some purchase scenarios that stir more interest than others.** Germans are more open-minded when it comes to mobility-related expenses. Lacking the right change to feed a parking meter is a scenario that quite convincingly illustrates the usefulness of m-payments. [chart 5](#)

**M-payments need to be safe and easy to use.** Moreover, German consumers don't want to reveal their mobile phone number during the payment process: nobody wants an unsolicited call from a business or a creepy salesman. [chart 6](#)

**Apps and mobile internet open up new business models.** Modern smartphones offer access to app stores and additional services. This has lowered the entry barriers of new m-payment solutions substantially because almost everybody can offer apps and mobile websites. As a consequence, we'll likely see a large number of different mobile applications with embedded payment capabilities. [chart 7](#)

**Many small front-end applications may integrate m-payments.** Apps and mobile internet unleash the creativity of developers to produce new, unexpected and useful applications. Each may only have a limited scope (e.g., a loyalty and payment app for a specific store) and rely on traditional payment options for settlement. In fact, German smartphone owners already use many apps in parallel. [chart 8](#)

**Mobility and location-based applications are a good starting point.** They combine the highest consumer interest, the most likely purchase scenario (on the move) and leverage the technical capabilities of modern phones. [chart 9](#)

www.  
dbresearch.com

### Author

Thomas Meyer  
+49 69 910-46830  
thomas-d.meyer@db.com

### Editor

Antje Stobbe

### Technical Assistant

Sabine Kaiser

Deutsche Bank Research  
Frankfurt am Main  
Germany

Internet: [www.dbresearch.com](http://www.dbresearch.com)

E-mail: [marketing.dbr@db.com](mailto:marketing.dbr@db.com)

Fax: +49 69 910-31877

### Managing Director

Thomas Mayer

**Great expectations - limited success**



Source: DB Research, 2010

1

M-payments have stirred great expectations but shown limited market success so far. According to Gartner, a technology advisory company, less than 1% of European and less than 2% of North American mobile users also pay with their mobile phones. Yet, new attempts to establish m-payments should not be written off automatically. It may not be the grand m-payment schemes many optimists imagine that succeed eventually, but a number of smaller, diverse and intuitively useful applications. [back to front page](#)

**Many varieties of m-payments**

Examples

<u>Technology</u>	<u>Accounting vehicle</u>	<u>Purchase scenario</u>	<u>Service provider</u>
SMS	Direct debit	Shop	Telecom operator
NFC (near field communication)	Credit card Pre-paid	Vending machine Remote purchase	Financial institution Third party
Mobile internet	Phone bill	Money transfer	

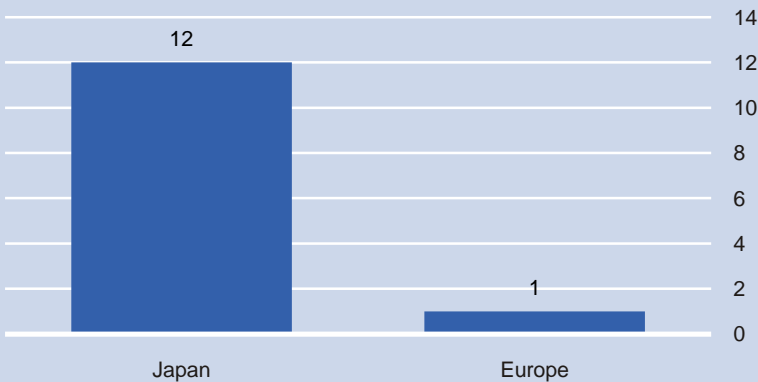
Source: DB Research, 2010

2

M-payments usually cover payments involving a mobile phone (e.g., paying a parking ticket via premium SMS). There are many varieties depending on the technology, the accounting vehicle, the purchase scenario or the service provider. Some definitions exclude purely mobile content (e.g., ringtones), others don't. A key distinction is between proximity payments at the point of sale and remote purchases. With the growing overlap of online and mobile experiences (mobile internet) the answer to what constitutes an m-payment is becoming increasingly blurred. [back to front page](#)

**Japanese inspiration**

Share of consumers using m-payments in stores (%)



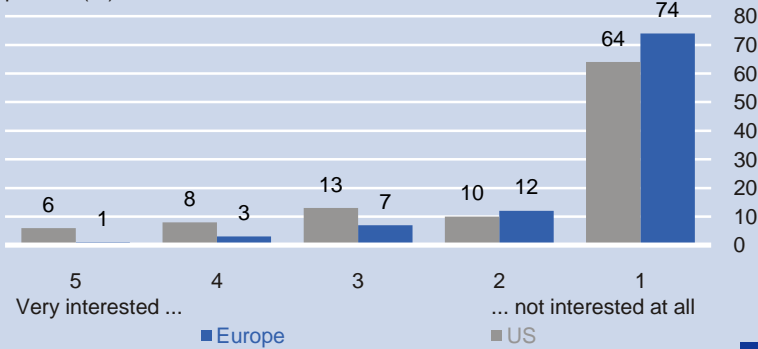
Source: Forrester Research Inc., 2009

3

Successful applications can be seen e.g. in Japan or in some developing countries. M-payments will be much harder to establish in Europe and the US because the existing financial infrastructure (and cash) offers many alternatives – unlike in some developing countries. Moreover, the supply side is more fragmented than, say, in Japan. [back to front page](#)

**Cold reception**

Q: How interested are you in buying products or services via your mobile phone? (%)



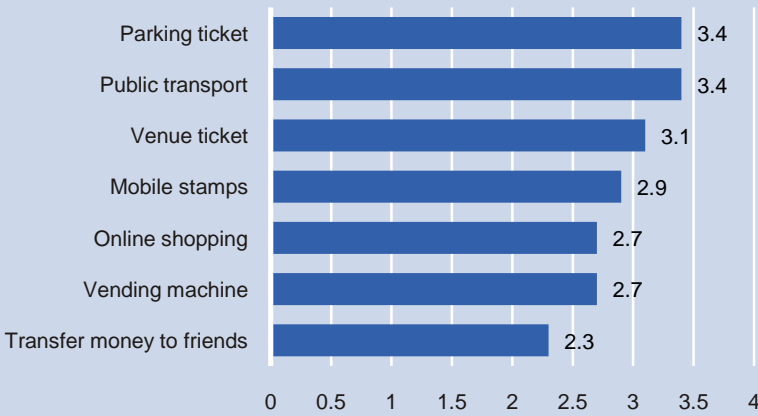
Source: Forrester Research Inc, 2010

4

Few consumers are excited about purchases via their phone. This points to serious adoption hurdles in Europe and the US. Potentially game-changing technologies (e.g., contactless payments via NFC) need substantial infrastructure investments and broad support from shops and merchants before consumers will sign up. [back to front page](#)

**Mobility-related expenses rank highest**

Q: In which situations can you imagine using a mobile payment service? Score from 1 (not at all) to 5 (very well)



Base: German consumers

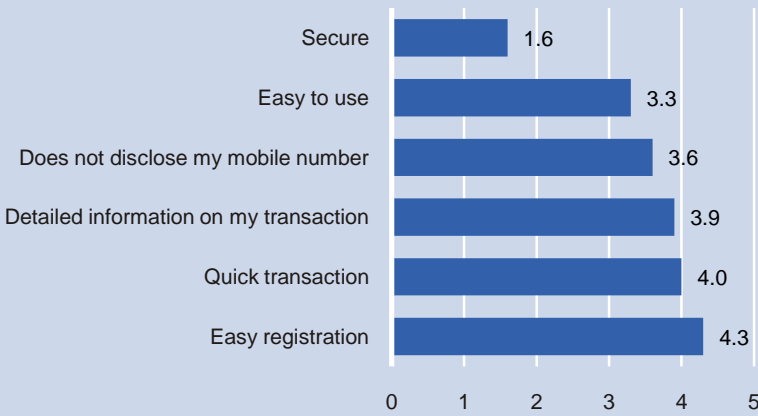
Source: Gaggemini, 2009

5

Yet, there are some purchase scenarios that stir more interest than others. Germans are more open-minded when it comes to mobility-related expenses. Lacking the right change to feed a parking meter is a scenario that quite convincingly illustrates the usefulness of m-payments. It also demonstrates a clear advantage of m-payments over other payment options: users can often extend the validity of the parking ticket via phone without having to return to the car. Mobility-related expenses are thus often seen as a way to enlist a critical mass of consumers upfront to a new payment system. [back to front page](#)

**Safe and easy**

Q: What are the most important characteristics of a mobile payment system? Rank from 1 (most important) to 6 (least important)



Base: German consumers

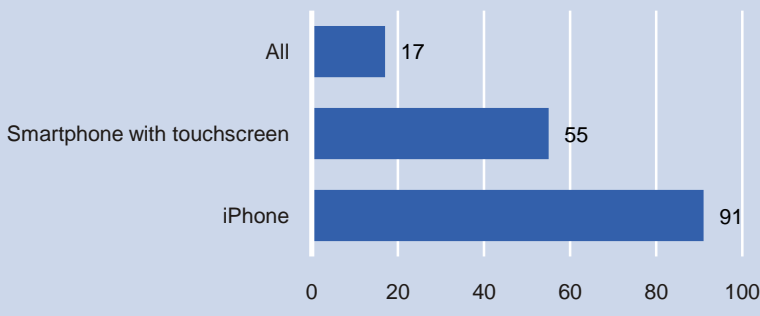
Source: Gaggemini, 2009

6

M-payments need to be safe and easy to use. Moreover, German consumers don't want to reveal their mobile phone number during the payment process: nobody wants an unsolicited call from a business or a creepy salesman. [back to front page](#)

### Smartphones lead the way

German consumers who access mobile internet by type of phone used (%)

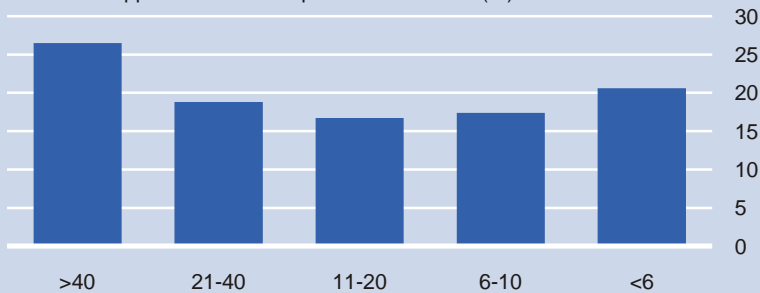


Source: Accenture, 2010 **7**

Apps and mobile internet open up new business models. Modern smartphones offer access to app stores and additional services. This has lowered the entry barriers of new m-payment solutions substantially because almost everybody can offer apps and mobile websites. As a consequence, we'll likely see a large number of different mobile applications with embedded payment capabilities. [back to front page](#)

### Many apps in parallel

Number of apps German smartphone owners use (%)

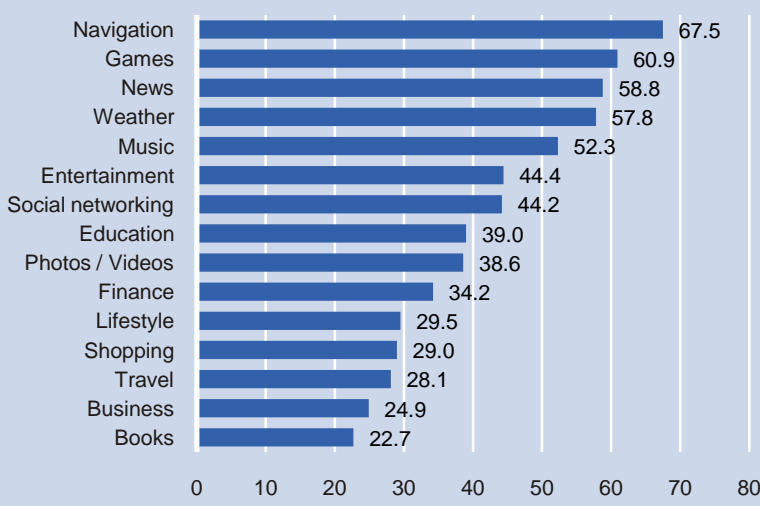


Base: German smartphone owners who use apps  
Source: Fittkau & Maaß, 2010 **8**

Many small front-end applications may integrate m-payments. Apps and mobile internet unleash the creativity of developers to produce new, unexpected and useful applications. Each may only have a limited scope (e.g., a loyalty and payment app for a specific store) and rely on traditional payment options for settlement. In fact, German smartphone owners already use many apps in parallel. [back to front page](#)

### Start with navigation

Types of apps German smartphone owners use (%)



Source: Fittkau & Maaß, 2010 **9**

Mobility and location-based applications are a good starting point. They combine the highest consumer interest, the most likely purchase scenario (on the move) and leverage the technical capabilities of modern phones. [back to front page](#)

© Copyright 2010. Deutsche Bank AG, DB Research, D-60262 Frankfurt am Main, Germany. All rights reserved. When quoting please cite "Deutsche Bank Research".

The above information does not constitute the provision of investment, legal or tax advice. Any views expressed reflect the current views of the author, which do not necessarily correspond to the opinions of Deutsche Bank AG or its affiliates. Opinions expressed may change without notice. Opinions expressed may differ from views set out in other documents, including research, published by Deutsche Bank. The above information is provided for informational purposes only and without any obligation, whether contractual or otherwise. No warranty or representation is made as to the correctness, completeness and accuracy of the information given or the assessments made.

In Germany this information is approved and/or communicated by Deutsche Bank AG Frankfurt, authorised by Bundesanstalt für Finanzdienstleistungsaufsicht. In the United Kingdom this information is approved and/or communicated by Deutsche Bank AG London, a member of the London Stock Exchange regulated by the Financial Services Authority for the conduct of investment business in the UK. This information is distributed in Hong Kong by Deutsche Bank AG, Hong Kong Branch, in Korea by Deutsche Securities Korea Co. and in Singapore by Deutsche Bank AG, Singapore Branch. In Japan this information is approved and/or distributed by Deutsche Securities Limited, Tokyo Branch. In Australia, retail clients should obtain a copy of a Product Disclosure Statement (PDS) relating to any financial product referred to in this report and consider the PDS before making any decision about whether to acquire the product.