

# Mobile Money Study: A Baseline View January 2010

**Data Innovation, Inc.**

**Sima Vasa, CEO and Founder**



**Data Innovation, Inc.**

Think of us as a member of your team.

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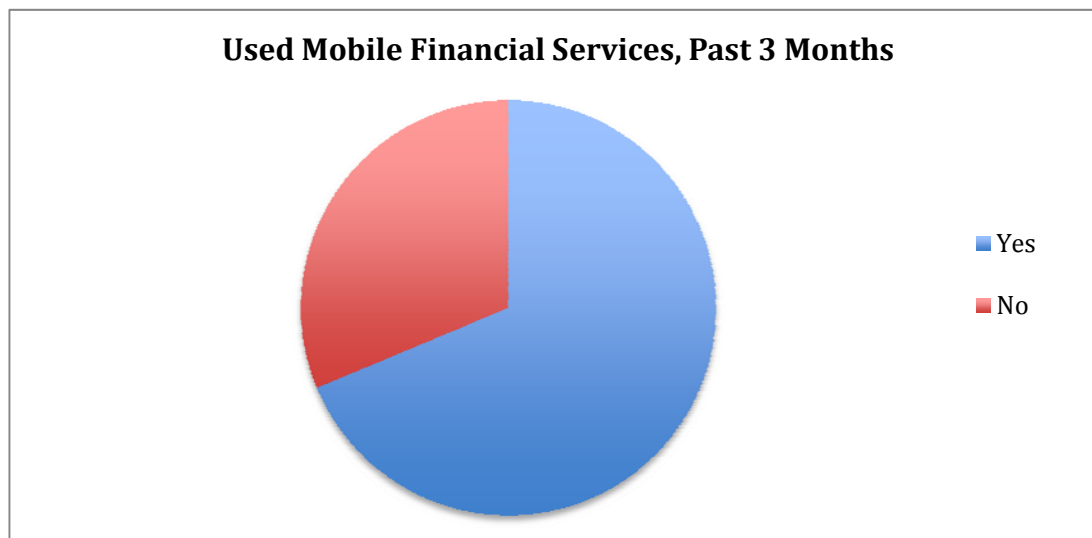
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### Executive Summary

In just a few short years, the market for mobile financial services has gone from nearly non-existent to rapid growth and adoption. The TowerGroup estimates that the number of active mobile banking users in the United States will grow from 10 million in 2009 to 53 million by 2013. The rise in mobile banking and payment usage is driven by higher rates of mobile phone penetration, greater smart phone ownership, faster mobile data networks, and increased mobile data usage. In addition, the tight economic climate has encouraged consumers to keep a closer eye on their finances. Mobile financial services allow them to do so, regardless of their location.

Offering robust mobile services is more important than ever to financial institutions. Without such services, financial institutions are likely to be seen as behind the curve by their customers. Mobile services also provide another customer touch point, can help divert traffic from more costly channels, and can help lay the foundation for more advanced services and cross-sell opportunities in the future.

Data Innovation conducted the baseline research to understand the penetration of mobile financial services and uses of those services among smart phone users. The unique differentiation of our approach is that all of our research is conducted on mobile handsets. All respondents are validated and cannot participate if they do not use a smart phone. Response rates to Data Innovation surveys have been above 40%. Baseline data was collected in December 2009. Financial institutions report that smart phone users are driving adoption, and the Data Innovation Mobile Money Study confirms this fact. In our survey, 246 smart phone users completed a mobile questionnaire (on their handsets) on the topic of mobile financial services. The study found that nearly 70% of respondents had used some type of mobile banking and/or payment service in the past three months.

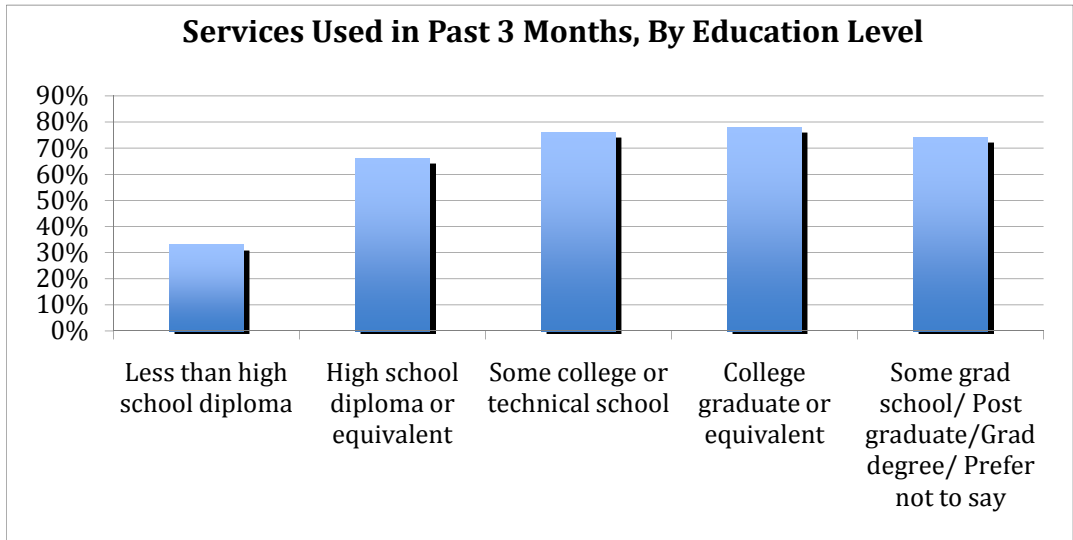


(N = 246; Source: Data Innovation, Inc. 2010)

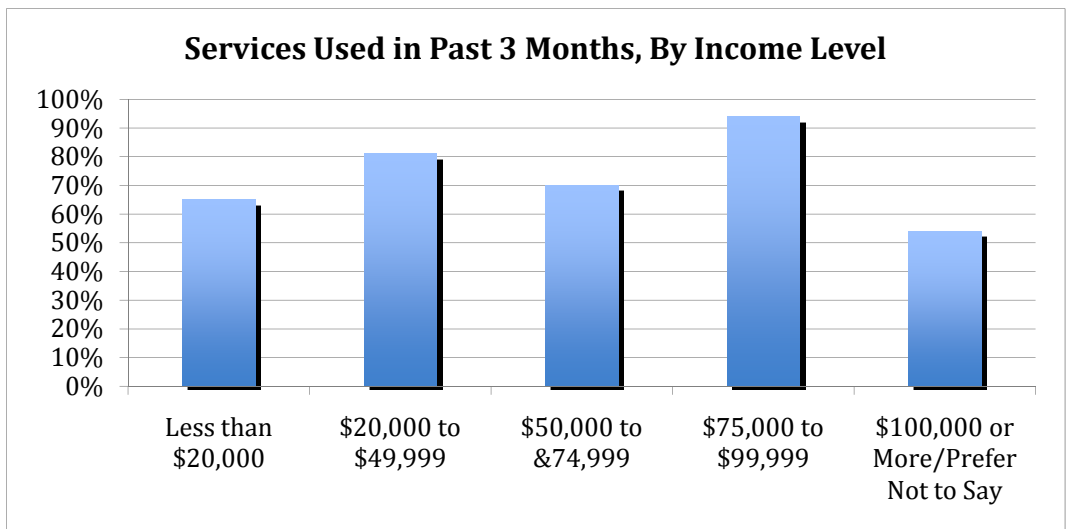
## Variations by Demographics

Data Innovation did not find any significant difference between the percentage of men and women who reported using mobile banking and payment services, nor did the study identify any noticeable difference in usage based on the type of smart phone a respondent owned. As we continue to collect these data, we will continue to further slice the data to tease out differences among key demographic segments.

We did, however, notice some variations based on education and income levels. As the charts below show, a higher percentage of respondents with some college or technical schooling, and those with college degrees, reported using mobile financial services in the past three months. In addition, a higher percentage of respondents with an annual income between \$75,000-\$99,999 and \$20,000-\$49,999 reported accessing mobile banking/payment services in the past three months.



(N=187; Source: Data Innovation, Inc. 2010)



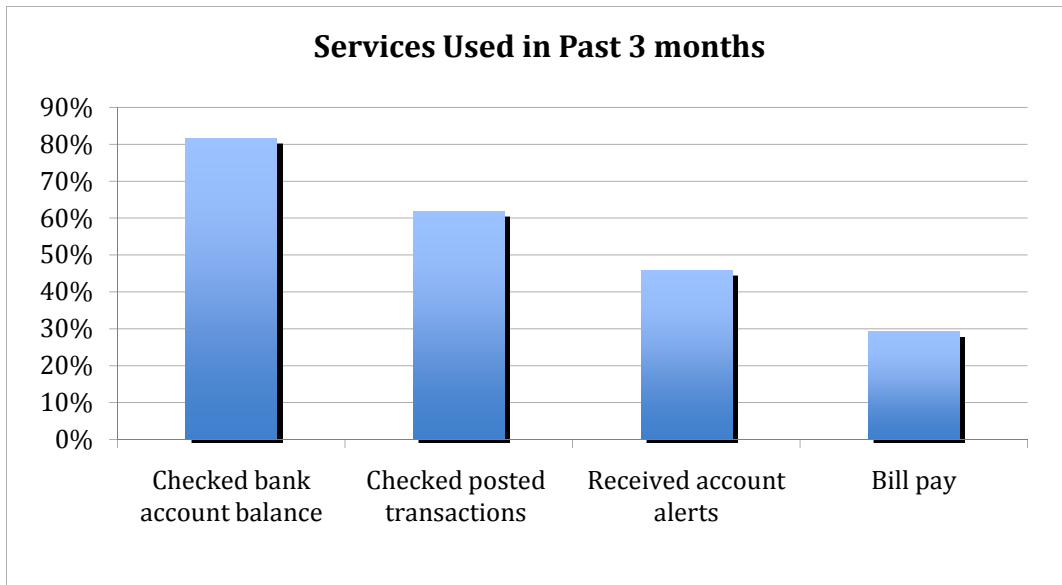
(N=187; Source: Data Innovation, Inc. 2010)

## Mobile Banking

### Leading the Way for Mobile Financial Services

As expected, the most popular mobile banking service was checking account balances, with 82% of respondents stating that they had accessed this service on their device, followed by checking posted transactions (62%). These were the first and most basic types of mobile services offered by the banking industry, and some would argue the most useful, as well.

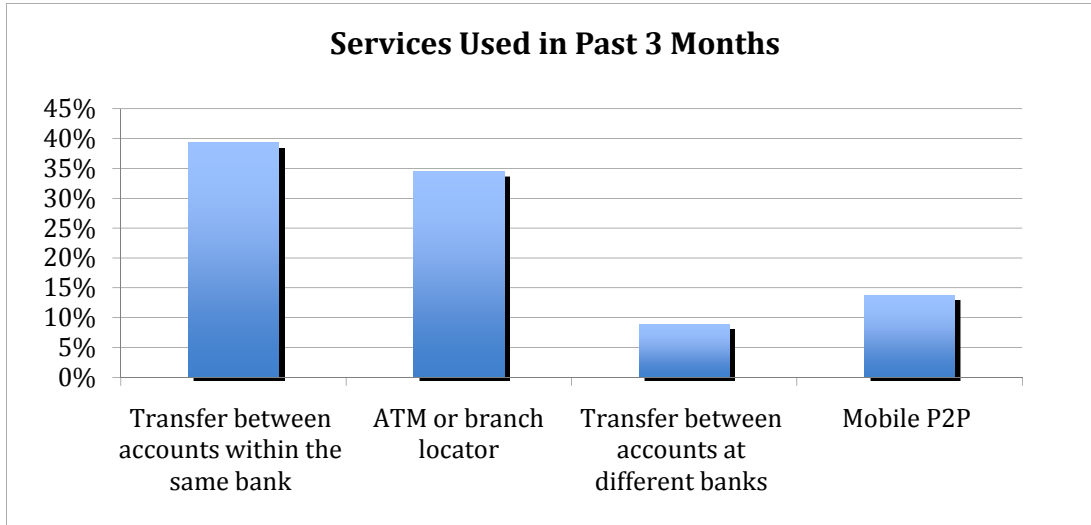
Today, banks are working to expand the types of mobile financial services they offer. Some of these newer services include mobile account alerts and mobile bill pay, and 46% and 29% of respondents report using the services respectively.



(N=181; Source: Data Innovation, Inc. 2010)

Nearly 4 out of 10 respondents reported transferring money between accounts at the same bank, while only 9% stated that they had transferred money between accounts at separate banks. The lower percent of people reporting bank-to-bank transfer is largely due to the limited availability of this type of service.

Mobile ATM and branch locator services were also popular, with 35% of respondents reporting that they had used the service, while only 14% used mobile peer-to-peer service. The lower incidence of mobile P2P can be attributed to the fact that this service is still emerging and is not widely available from banks. Consumers who do use mobile P2P most likely use the service from a non-bank vendor such as PayPal or OboPay.

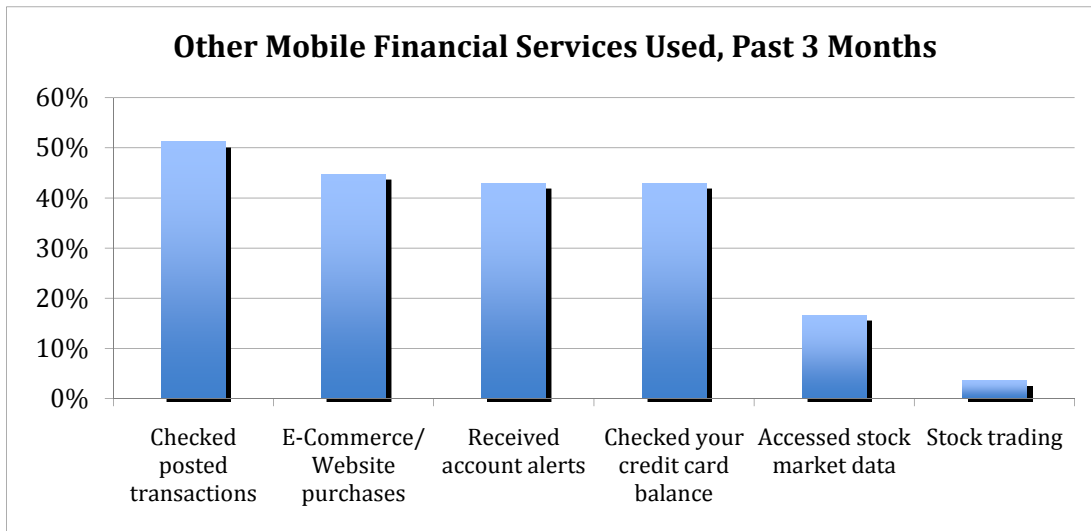


(N=181; Source: Data Innovation, Inc. 2010)

## Other Mobile Financial Services

### Picking up Steam

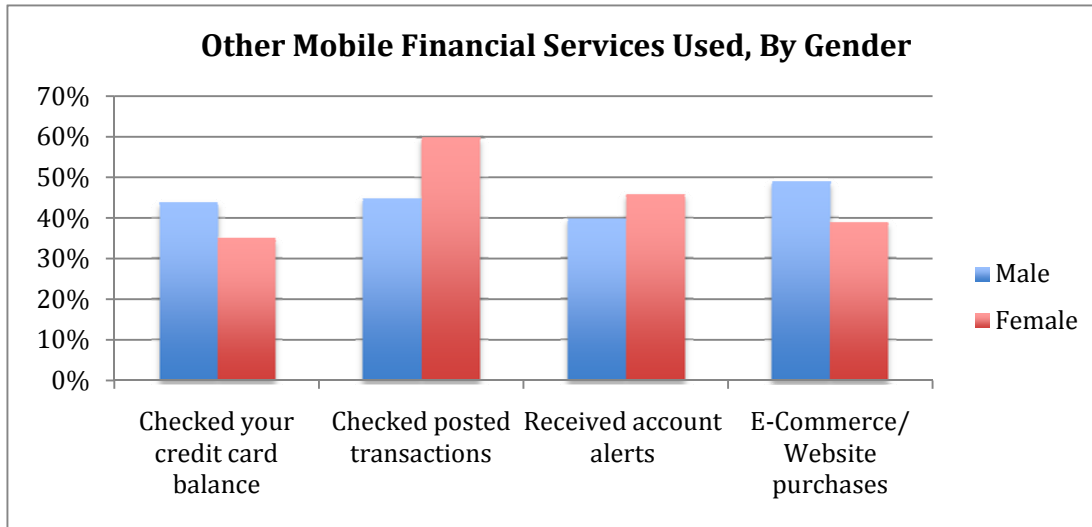
While banks were the first financial institutions to offer mobile services, the Data Innovation study found that respondents were also using other types of mobile financial services. Slightly more than half of the respondents reported checking posted transactions to their credit card in the past three months. In addition, more than 40% reported conducting a mobile commerce transaction, receiving account alerts from their credit card company, and checking their credit card balance wirelessly. Less than 20% reported accessing stock market data or trading stocks using their handset.



(N=181; Source: Data Innovation, Inc. 2010)

In regard to other types of mobile financial services, there were some variations by gender. Men were more likely to check credit card balances, while women were more likely to look at transactions posted to their credit card. Men were more likely to engage in mobile commerce

(making purchases from a website from their mobile device) and women were more likely to receive account alerts.



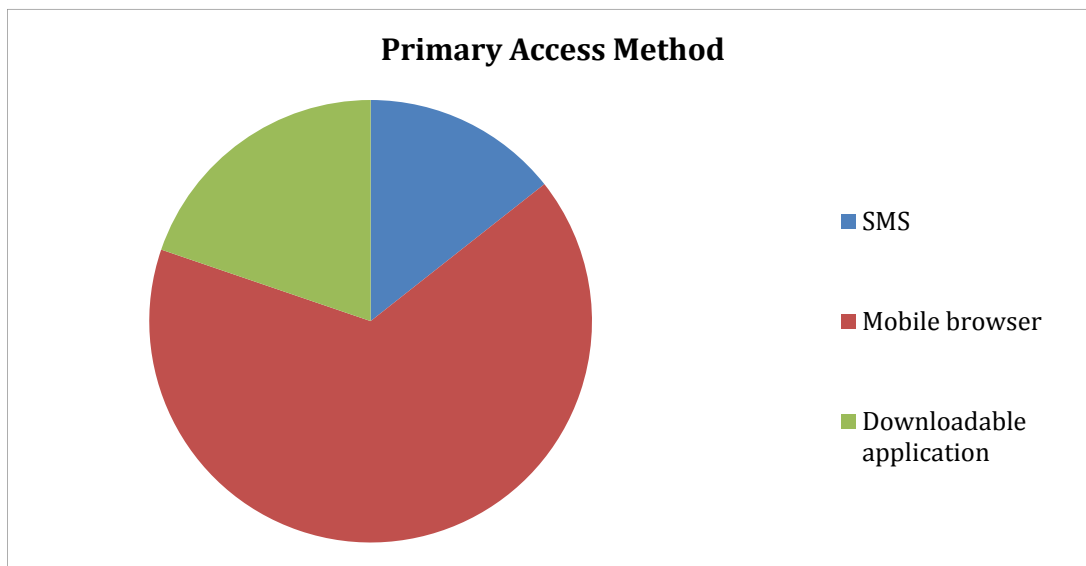
(N=134; Source: Data Innovation, Inc. 2010)

### Access Methods

#### Mobile Browsers Lead the Way

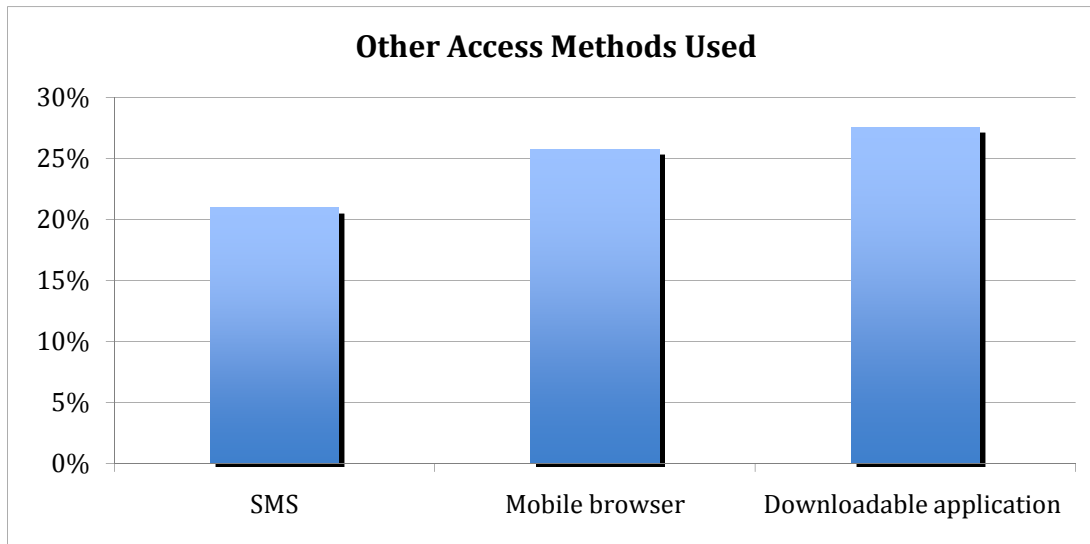
Mobile phones and smart phones allow users to get to mobile financial services via three access methods or modalities. These are SMS (short messaging service or text messaging), mobile browser (the Internet browser on the device), and a downloadable application.

By a large lead, study respondents use their device's mobile browser to access mobile banking and payment services. This may be because web browsing is easier on a smart phone than a traditional feature phone, and because most financial institutions have a mobile browser banking/payment offering.



(N=180; Source: Data Innovation, Inc. 2010)

Many banks now offer multiple access methods to their customers. The premise is that a consumer may use one modality, such as SMS, for simple transactions like finding an account balance, and another modality, such as the browser or downloadable application, for more complex transactions such as bill pay or fund transfers. However, the Data Innovation Mobile Money Study shows that consumers tend to stick to one modality. When asked about other modalities used, only 28% stated that they also used a downloadable application, 25% said they also used a mobile browser, and 21% reported using SMS.



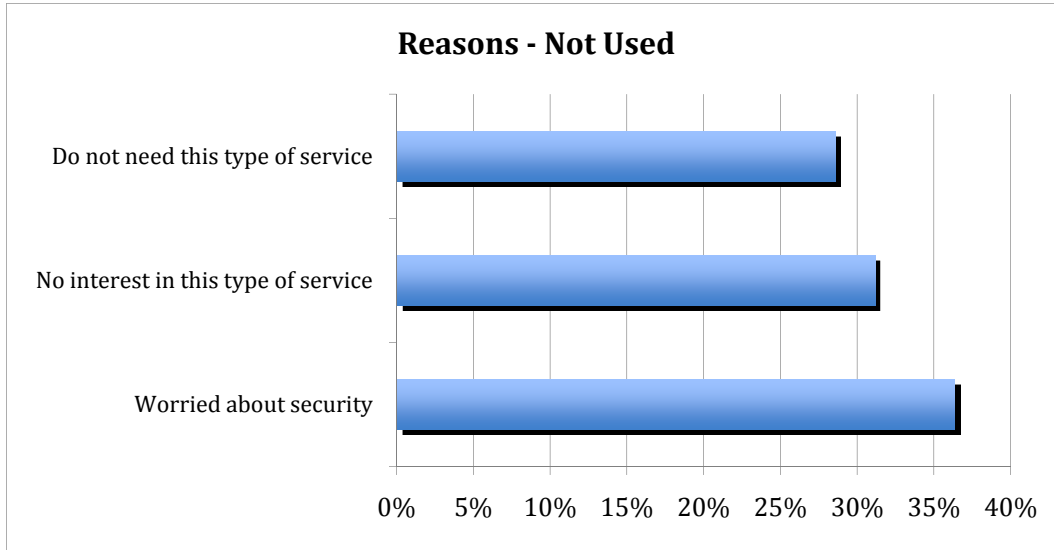
(N =180; Source: Data Innovation, Inc. 2010)

## Non-Users

### What's Stopping Adoption?

Some respondents to the Data Innovation Mobile Money Study did not use mobile financial services. When asked why, 36% stated that they were concerned about the security of the service. Nearly one-third of respondents stated they were simply not interested in conducting financial transactions on their device, and 29% did not feel they had a need for mobile banking/payment services.





*(N =83; Source: Data Innovation, Inc. 2010)*

Some respondents said that the services currently available were too basic or not useful, or that services were too difficult to use on their device. Other respondents said that they did not know if their bank offered this type of service, or did not believe that the services were available.

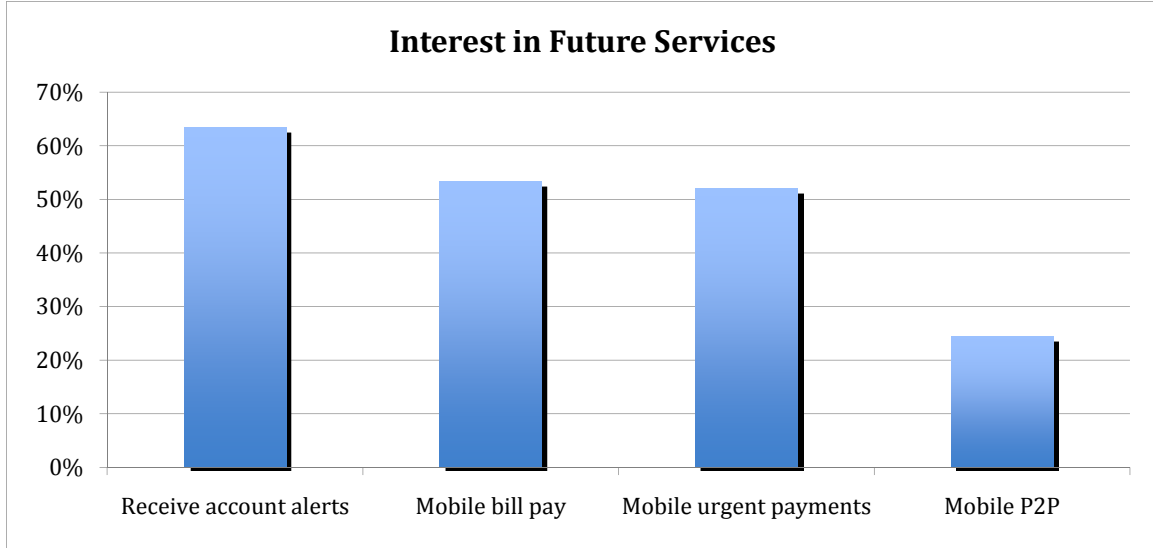
### Services of Interest – Future

#### What Consumers Want Next

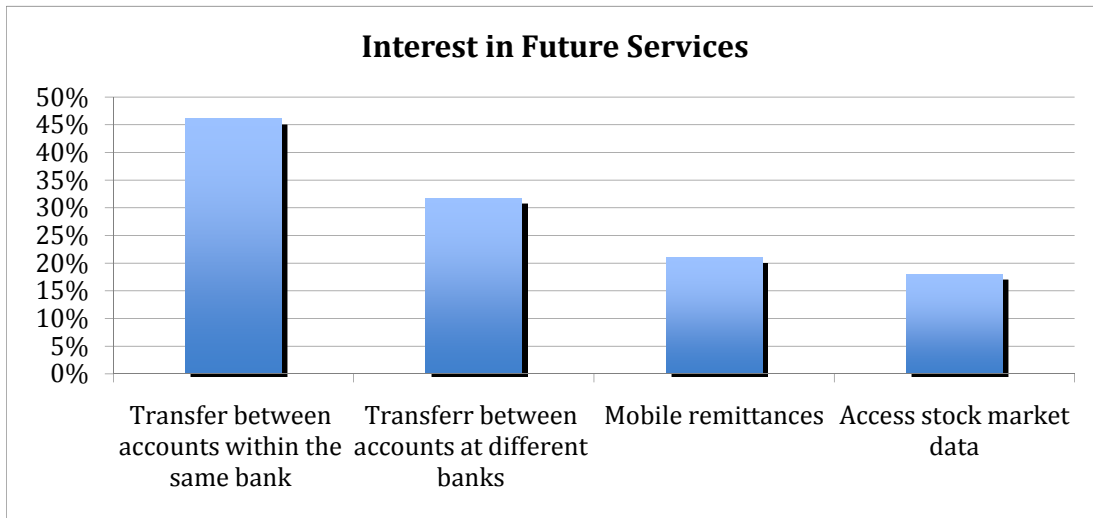
As mobile banking and payment usage grows, financial institutions are working to determine what services their customers most desire, and which services will be most useful. Data Innovation asked respondents to the Mobile Money Study what services they were interested in using in the future.

Six out of 10 respondents stated that they were interested in receiving account alerts from their financial institution for items such as large purchases or when a bill was due. More than half of respondents reported an interest in mobile bill pay and the ability to execute an urgent payment from their smart phone. A quarter of respondents also reported an interest in mobile P2P services.

In addition, 46% percent of respondents stated that they wanted the ability to transfer money between accounts at their bank, and 32% stated that they wanted the ability to transfer money between accounts at various banks. Slightly more than 20% of people wanted the ability to conduct mobile remittances via their device, and 18% wanted the ability to access stock market data.



(N =180; Source: Data Innovation, Inc. 2010)



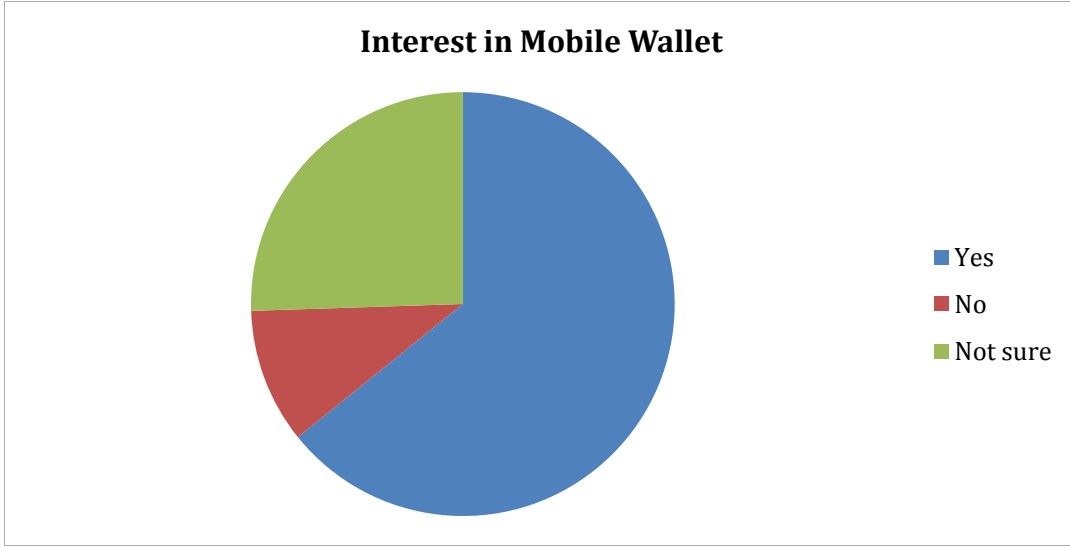
(N =180; Source: Data Innovation, Inc. 2010)

## Mobile Wallet

### Consumers Ready for the Next Level of Mobile Finance

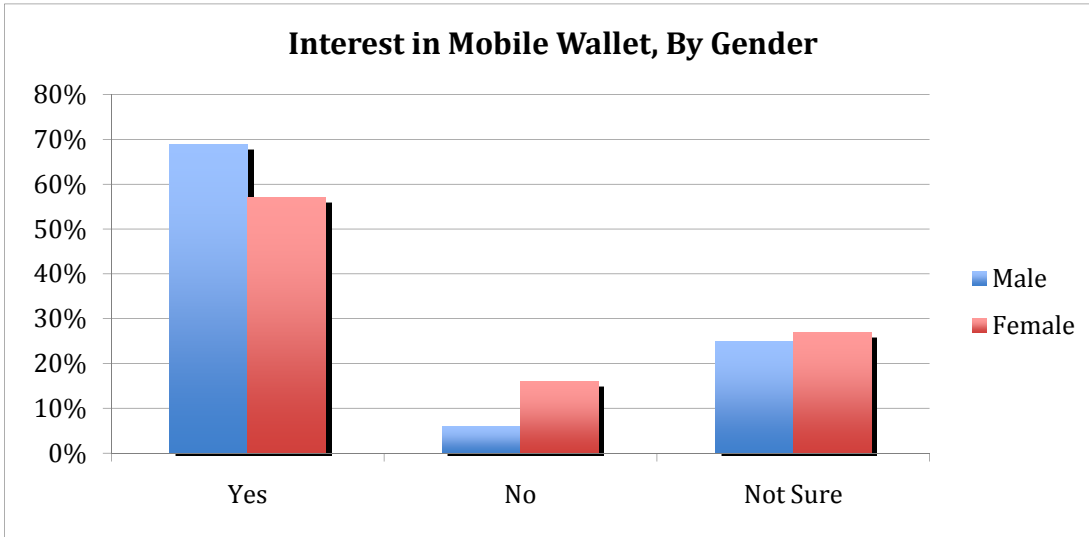
The “end goal” for mobile financial services is the widespread availability and usage of a Near Field Communication (NFC), also known as a mobile wallet. A mobile wallet would allow consumers to store debit and credit card information on their mobile phone, transforming the handset into a payment device. Mobile wallet technology would also allow for other services, such as the storage of loyalty and membership information on the phone, mobile ticketing, smart poster reading, and Bluetooth pairing.

Although no commercial mobile wallet solution is available in the United States today, nearly two-thirds of respondents stated that they would be interested in this type of technology and service. Only 10% stated they were not interested in a mobile wallet, and 25% said they were not sure, which could indicate that they need more information on the service.



(N =243; Source: Data Innovation, Inc. 2010)

Men were somewhat more responsive to the idea of a mobile wallet, with 69% stating they were interested in the idea, versus 57% of women.



(N =187; Source: Data Innovation, Inc. 2010)

### Glossary of Definitions

Mobile ATM/Branch Locator – a service that allows a user to locate a bank affiliated ATM or a bank branch.

Mobile Banking – a service offered by banks and credit unions that allows customers to access account information and conduct financial transactions using their mobile device.

Mobile Financial Services – a term that applies to a variety of services available on the mobile device, including but not limited to mobile banking and mobile payments.

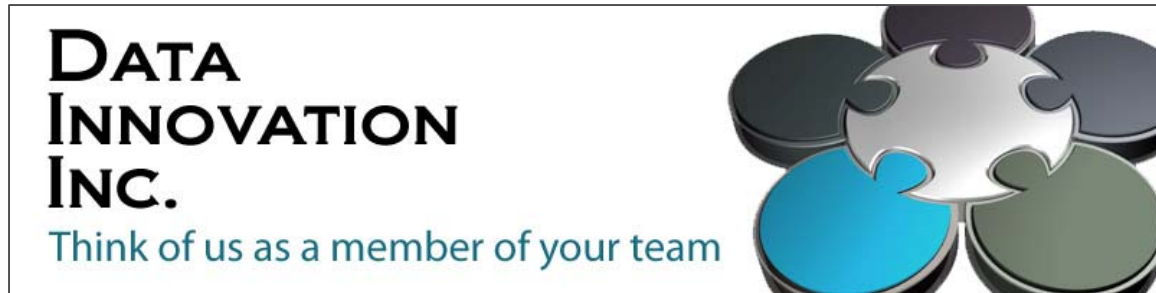
Mobile Payments – a service that allows customers to initiate and complete payment transactions using their mobile device.

Mobile Remittances – a service that allows cross-border money transfers conducted using a mobile device.

Mobile Urgent Payments – a service that allows for same day payment of a bill and thereby allows the user to avoid late charges.

Mobile P2P – a service that allows customers to transfer money to an individual or a business using a mobile device.

Near Field Communications (NFC) – a short-range wireless communication technology; an extension of the ISO/IEC 14443 proximity card standard; allows a mobile phone to become a “mobile wallet.”



### About Data Innovation, Inc.

Data Innovation, Inc. specializes in mobile industry market research. Data Innovation's Mobile Customer Insight Platform™ capitalizes on consumers' frequent engagement with mobile devices. Our panel is screened for key demographics and we have the ability to conduct real-time, location-based surveys. Our specific services include syndicated products regarding adoption and use of mobile services, custom research, and panel access to screened consumers.

The Mobile Money Study is the baseline view of the penetration and use of mobile financial services. We plan to conduct more in-depth analysis in the next quarter. This first report is distributed free with our compliments.

Contact us to learn more.

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