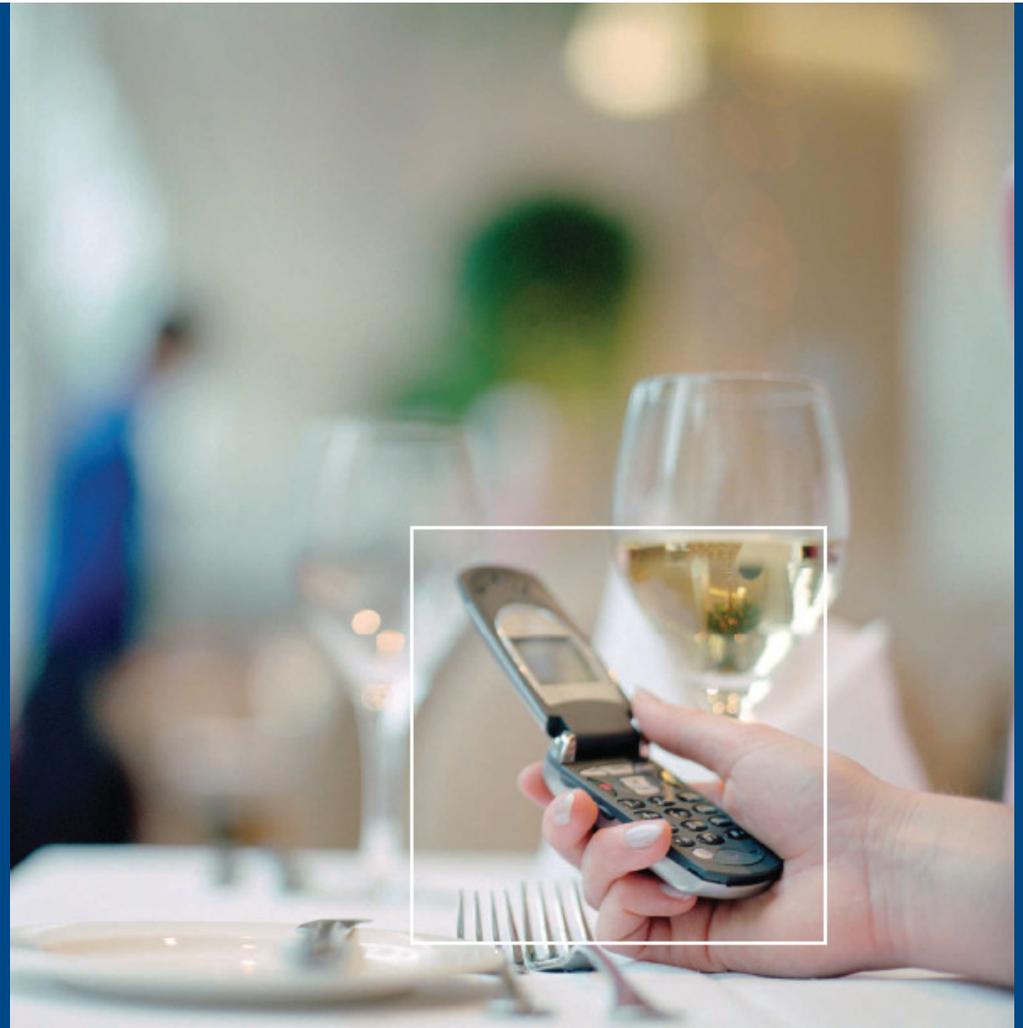


Arthur D Little

M-payments surging ahead: distinct opportunities in developed and emerging markets

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- 1 Introduction**
- 2 The current m-payment market
- 3 Summary

This year’s edition of our Global M-Payment Report specifically looks at the differences of the developments in developed and emerging markets: There are distinct opportunities!



Source: Arthur D. Little

More than 70 interviewed industry experts, representing 35 countries on 6 continents contributed to the fourth edition of Arthur D. Little's Global M-payment Report series



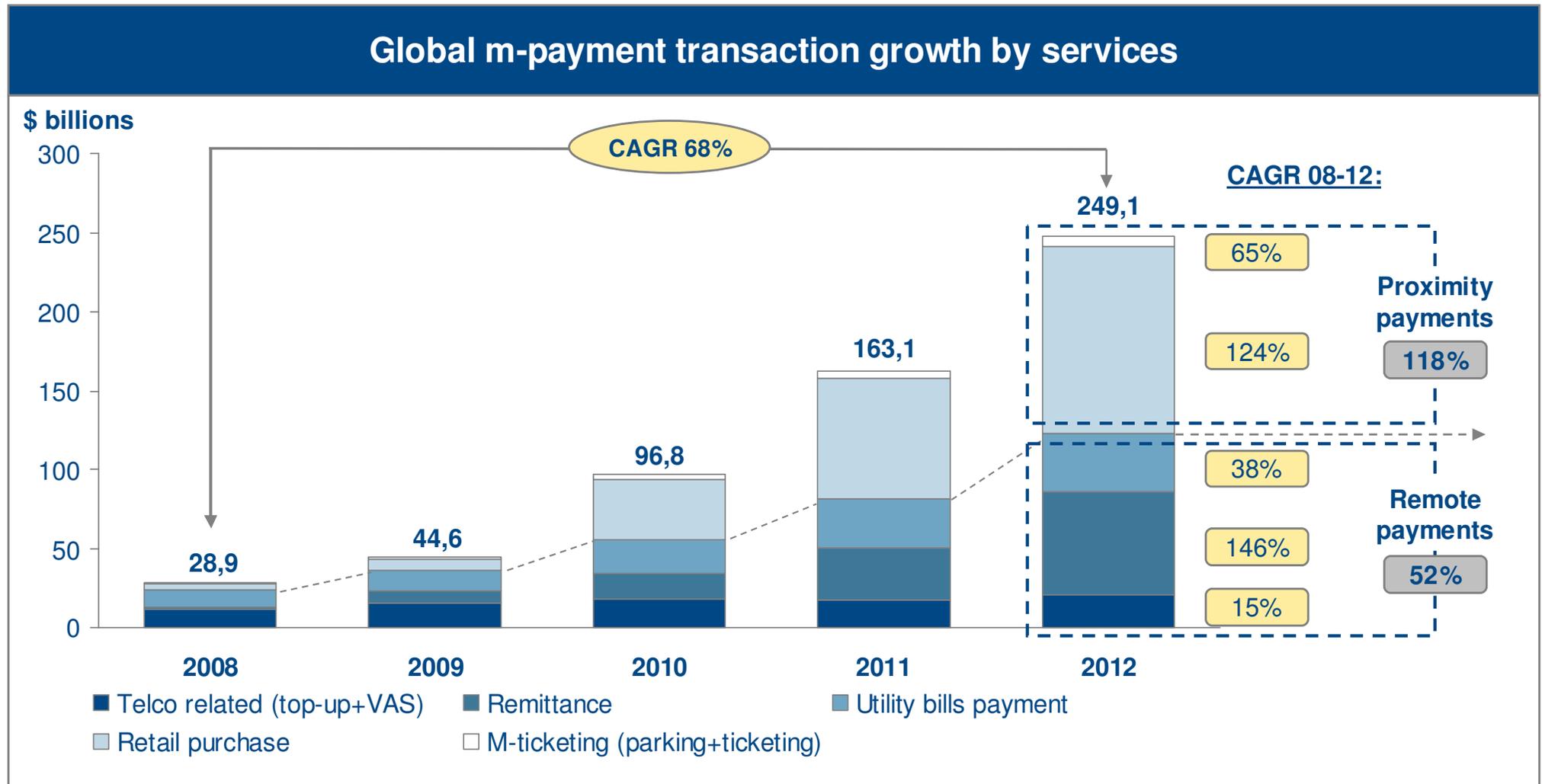
Interviews with industry executives from 35 countries

1 Introduction

2 The current m-payment market

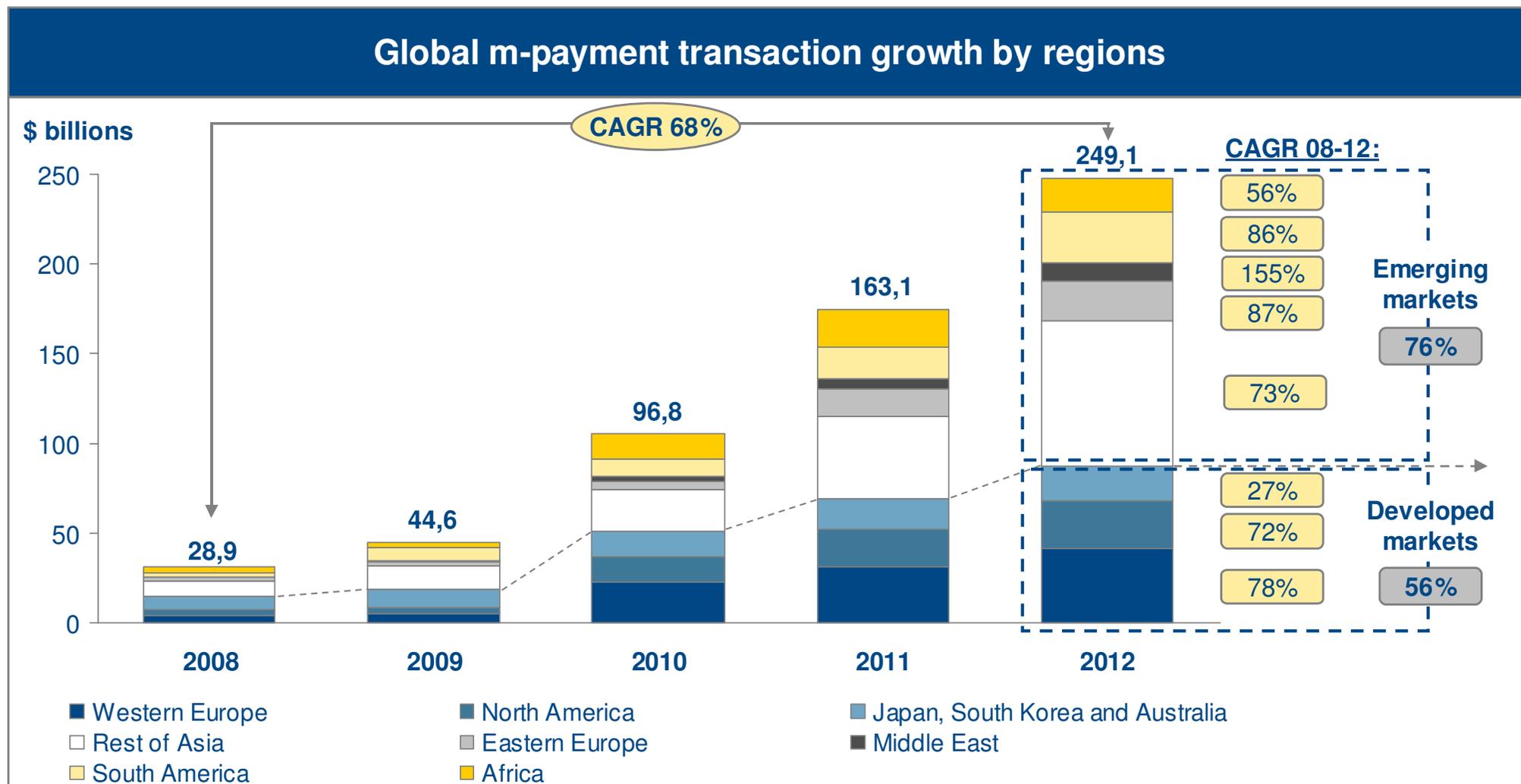
3 Summary

We expect total m-payment transaction volume to reach almost USD 250 billion in 2012 growing at 68% p.a. – Proximity payments will grow faster, reaching a share of 51% in 2012



Source: Arthur D. Little analysis

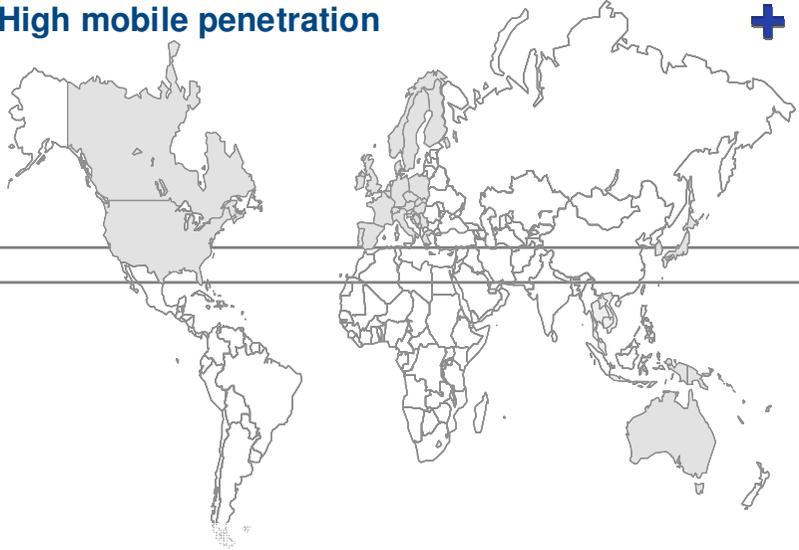
From a regional perspective, we expect developed markets to grow slower than emerging markets: **Developed markets will capture a global market share of 35% in 2012**



Source: Arthur D. Little analysis

2 The current m-payment market – Growth influencing factors

The developments in both developed and emerging countries are influenced by economic, technological, social and cultural factors, leading to distinct opportunities for market players

	Developed markets	Emerging markets
Economic & technological factors	<ul style="list-style-type: none"> ■ Developed banking infrastructure — ■ Regulatory restrictions — ■ High internet penetration — ■ High mobile penetration + 	<ul style="list-style-type: none"> ■ Low penetration of banking infrastructure + ■ Low income per capita + ■ Low internet penetration + ■ High mobile penetration + 
Social & cultural factors	<ul style="list-style-type: none"> ■ Credit-card usage legacy — ■ High computer literacy + ■ Technology savvy (especially in East Asia) + 	<ul style="list-style-type: none"> ■ High percentage of emigration + ■ Low computer literacy — ■ Cash based societies +

Source: Arthur D. Little analysis

+ Stimulating m-payments — Inhibiting m-payments

2 The current m-payment market – Differences within developed markets

M-payments in developed countries have been recognized mainly only as potential cost saver and market differentiator applicable to niche segments, with the exception of East Asia

Differences within developed markets



East Asia

Rest of developed markets

Applicability and benefits from m-payment

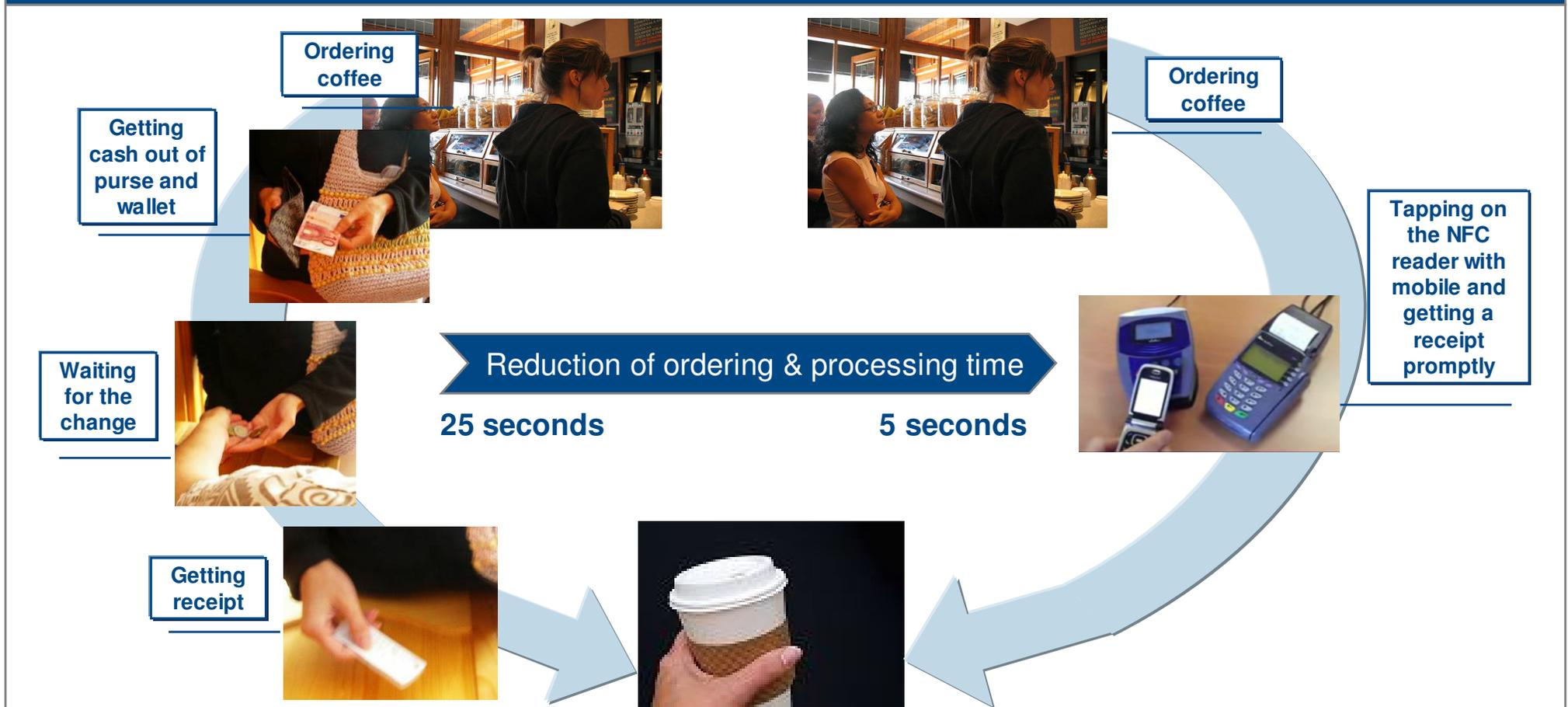
- **East Asian market is still leading with regards to diversity of services and technologies applied**
 - Services ranging from m-ticketing to in-shop m-payment
 - Technologies ranging from SMS, over IrFM to NFC
- **In other developed countries m-payment services are still massively applicable only to niche segments**
 - Air time top-up
 - M-parking
 - P2P transfers - remittance
- **Value chain players have different benefits from entering the m-payment market**
 - **MNOs** → *new revenue channel*
 - **Banks** → *market differentiator*
 - **Parking management companies (merchants)** → *cost saver*
 - **End-user** → *a mean for convenient, simple and fast transactions*

2 The current m-payment market – Near Field Communication (NFC) brings advantages

There is a current hype about the upcoming Near Field Communication (NFC) technology and it does provide benefits for involved value chain players – However,...

Example

Cash vs. NFC mobile based coffee purchasing

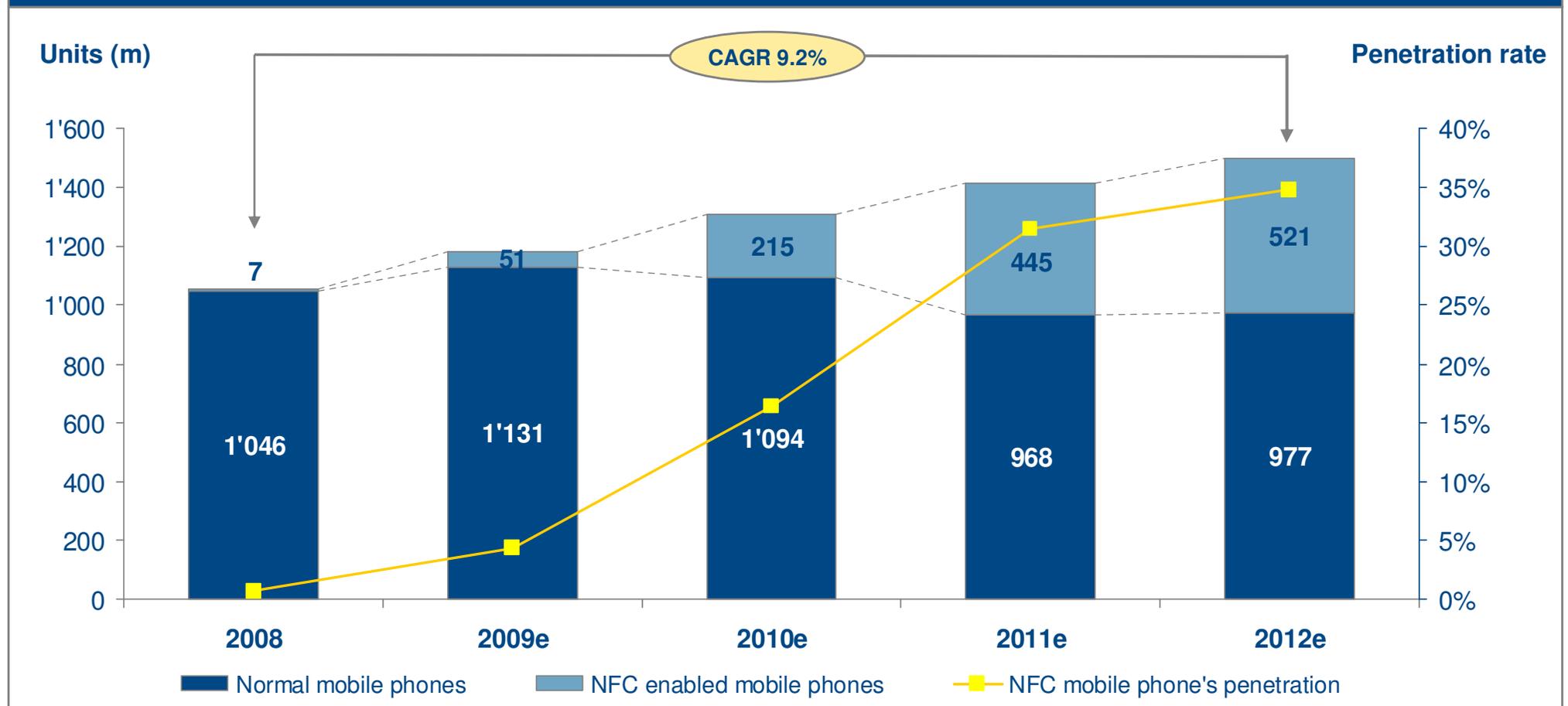


Source: Arthur D. Little analysis

2 The current m-payment market – Expected growth of NFC

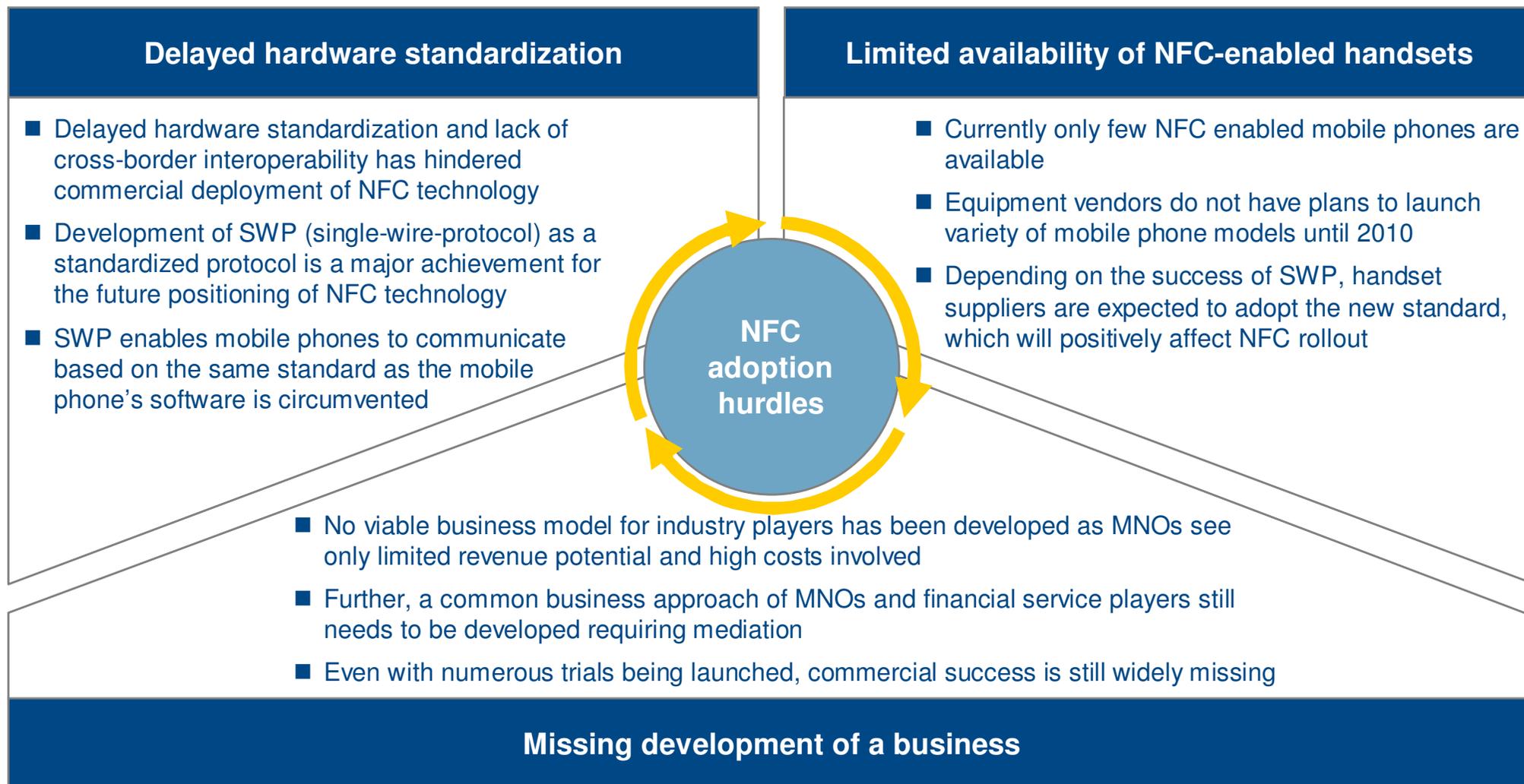
...although research institutes expect high growth rates, we do not expect to see a massive NFC adoption in a majority of developed countries until 2011, at the earliest – Why?

Mobile phones shipped worldwide and penetration of NFC enabled phones 2008 - 2012



Source: Bear Stearns, Interviews, Arthur D. Little analysis

Adoption hurdles are threefold: delayed hardware standardization, limited availability of NFC-enabled handsets and no viable business case for industry players

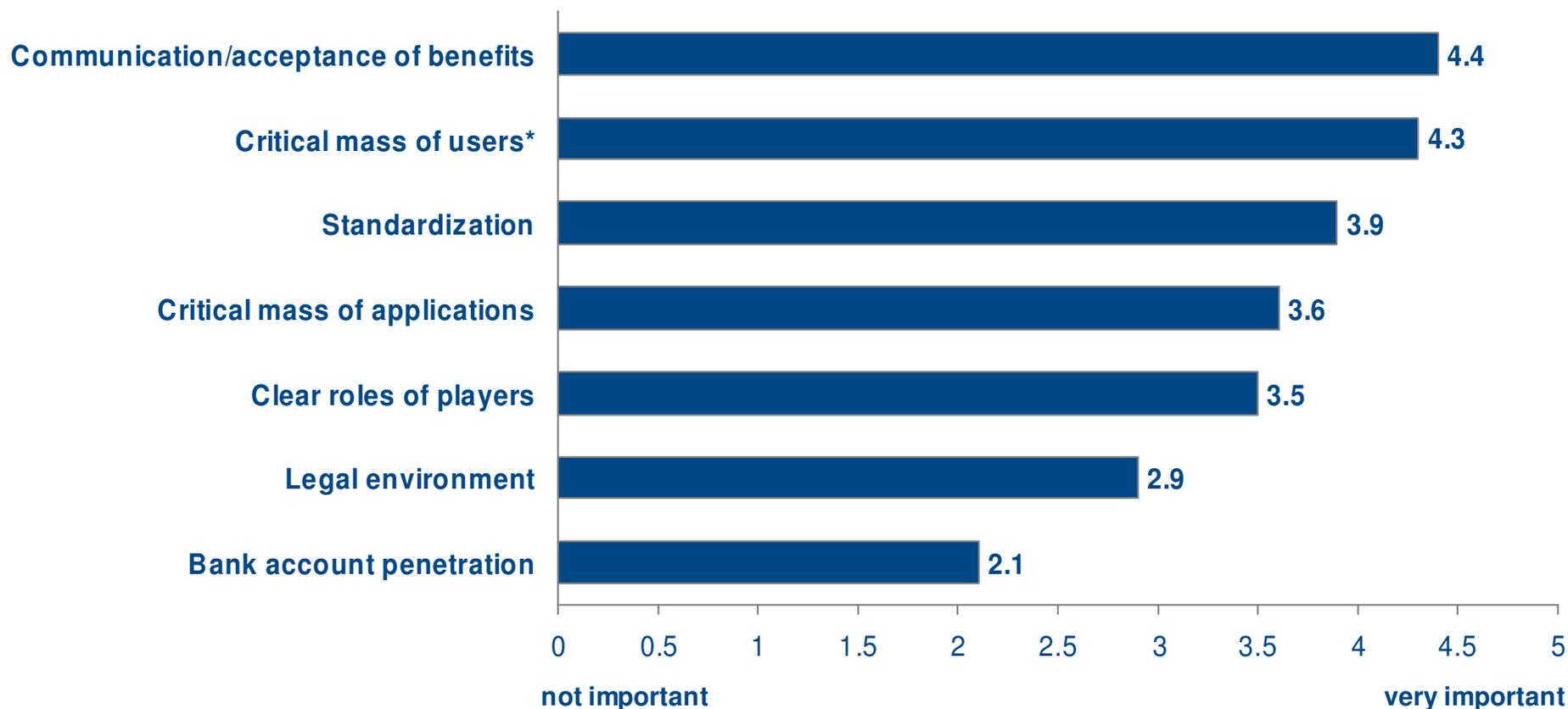


Source: Arthur D. Little analysis

2 The current m-payment market – Key success factors

To develop and successfully implement m-payment services, market players need to consider to following key success factors in developed markets

Key success factors for m-payment services in developed markets (2008)



*Users include retailers and consumers

Source: Arthur D. Little analysis

2 The current m-payment market – Achieving a critical mass of users

In order to achieve a critical mass of users and to speed up market adoption, it is critical to leverage the existing customer relationships and to motivate retailers

Enablers of mass market adoption

Retailers



Automatic service activation



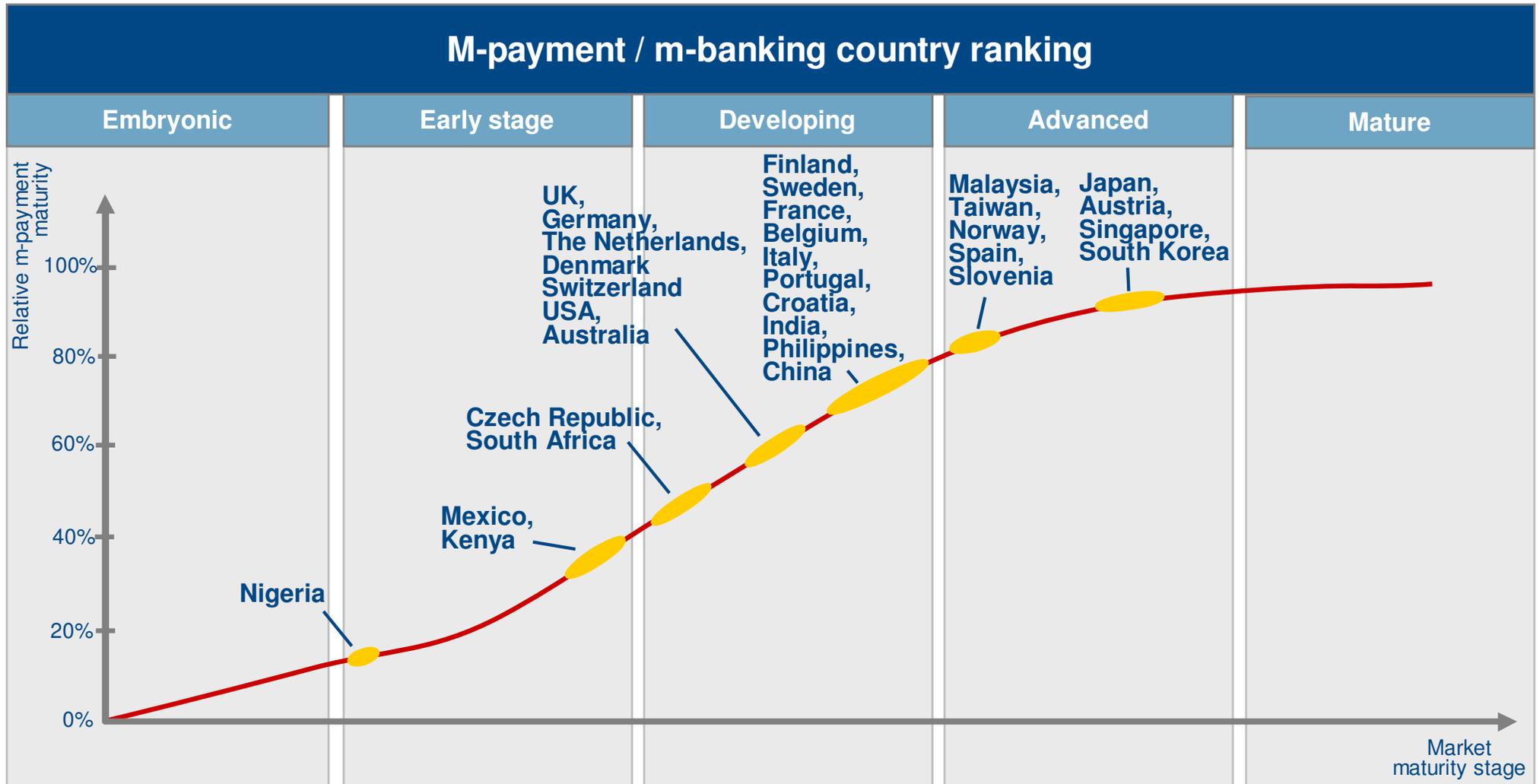
M-payment usage ready mobile phones

Keys to market adoption

- **Leveraged existing customer base**
 - Automatic service activation for all users (e.g. Vodafone and O2 in Germany)
 - Marketing activities enable effective communication of customer benefits
 - Service bundles simplify new service adoption
- **Existence of critical mass of retailers**
 - Offering incentives (POS subsidies, coverage of marketing costs)
 - Organizing trainings for retailers

2 The current m-payment market – Country rankings

The m-payment and m-banking industry has been growing steadily: Most countries have already entered the developing phase of the market maturity curve



Source: Arthur D. Little analysis

Agenda

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Due to a different starting point in respect to economic, technological, social and cultural factors, m-payments are developing differently in emerging and developed markets

Trends in developed countries

- M-payments are **unlikely to substitute existing payment systems**, as massive adoption is limited to
 - convenience enhancing applications and
 - niche segments, where an increase in the current satisfaction level is easier to achieve
- Improved regulations and movements towards a liberal ecosystem will **push market developments into going “cross-border”**
- Despite current hype, we **do not** expect to a **massive NFC adoption** in a majority of developed countries **until 2011** at the earliest

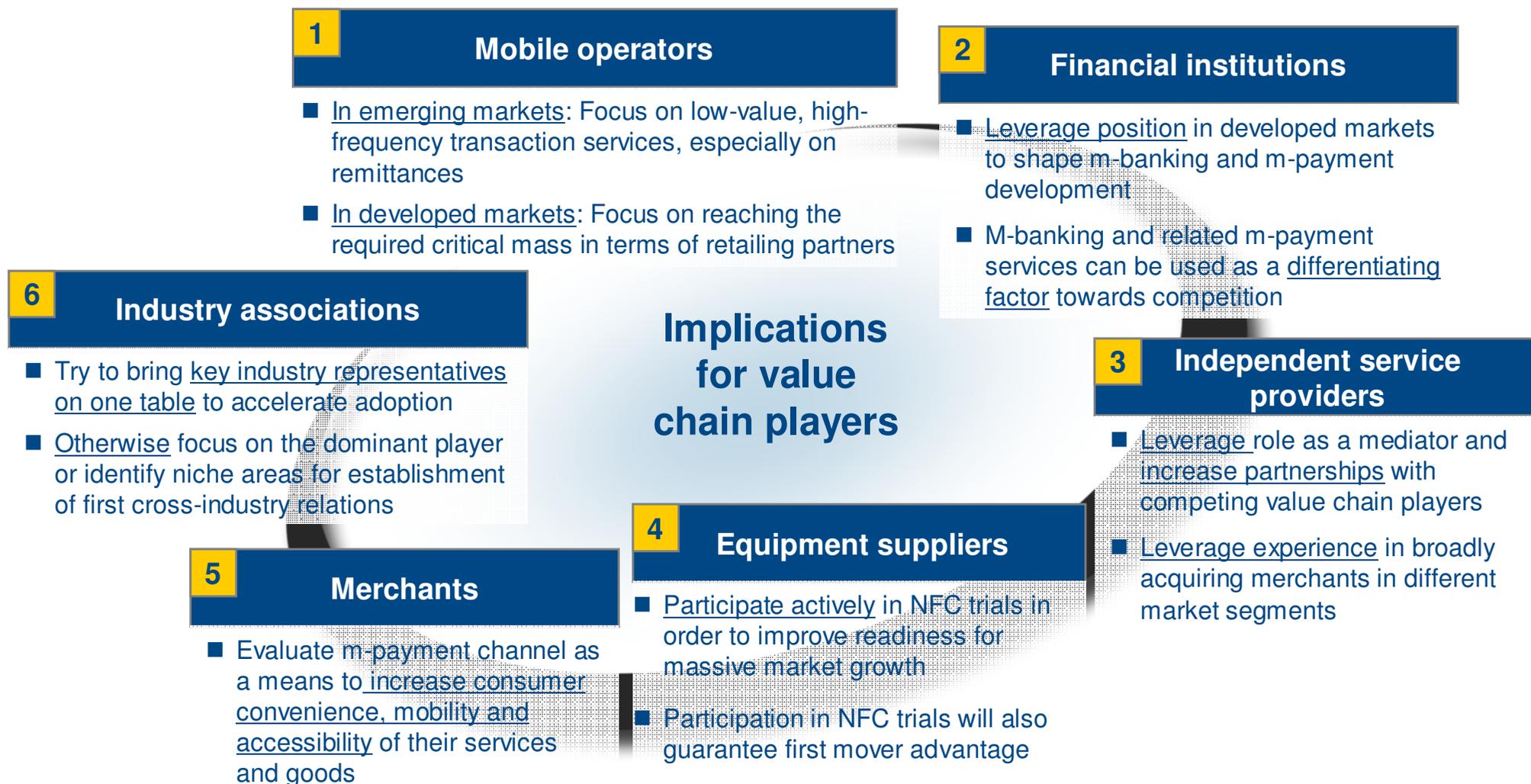
Trends in emerging countries

- M-payment services will become **the first widespread cashless payment** system, enabling cost-effective and secure transactions
- End-users’ benefits will mainly be created through **low-value but high-frequency transaction services**
- **Remittance** will be the strong **growth driver** for m-payment transaction volume and cross-border cooperation
- New **Know-Your-Customer (KYC) norms** will be developed, forcing market players to find the balance between convenience of use and security concerns

Arthur D. Little expects the m-payment transaction volume to reach USD 250 bn. in 2012

- Developed countries will grow at 56% p.a. representing 35% of the total transaction volume in 2012
- Emerging countries will grow at 76% p.a. representing 65% of the total transaction volume in 2012

In order to secure m-payment success, value chain players need to leverage existing know-how and need to assure market awareness



Have we caught your interest? Please feel free to have a look at the executive summary or order the full report free of charge – Visit www.adl.com/mpayment

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Global M-Payment Report Update – 2009



In the last five years, markets with mobile payment offers have matured with a variety of players entering the industry value chain and new services being launched. Initially, there was a race to enter the market and a strong rivalry between different technological propositions that would facilitate mobile transaction channels. Today, we observe that, in many national markets, only one or two dominant mobile payment platforms have prevailed, and key issues now being addressed include cross border interoperability and standardization.

Despite the financial crisis, Arthur D. Little expects m-payments to grow globally at 68% p.a. and to reach a transaction volume of almost USD 250 billion by 2012, while there will be distinct opportunities in developed and emerging markets. Arthur D. Little's new global m-payment report provides insights into the current stages of the m-payment market development in different countries and regions, and draws conclusions for relevant value chain players.

If you are interested in the full report, please contact [Dr. Karim Taga](#) or [Gregory Oswald](#)

Released: April 2009

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ADL_Global_M_Payment_Report_Update_2009_Executive_Summary.pdf (.PDF, 1.01 MB)

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