



MOBILE PAYMENTS

Mobile systems are moving into payment ecosystem

The vision has been well drawn: Mobile payments as an accepted practice in everyday life.

In fact, much of the infrastructure is already in place; by 2010 there were already more mobile phone users in the world (5 billion) than payment cards (4 billion-plus). But efforts to turn this concept into reality are trial and error, even if some initiatives have reached large-scale user adoption.

Technology now enables bank transfers, bill payments, store payments and distance payments using mobile phones. The key sweet spot, though, is the small-payment function of less than €20, which in Europe still involves cash 90% of the time. More broadly, mobile phones are also seen as capable of replacing debit cards in a broader range of transactions with a value of up to €190 (although there is no technical obstacle to much larger payments).

NOTE THIS

- Mobile payments may not necessary replace, but complement existing methods, as well as meet new uses such as distribution of transport and other tickets, topping up of accounts and person-to-person payments.
- There are three types of mobile payment systems: e-money, where the customer taps an electronic account managed on the phone; use of the phone as a debit card allowing payments from the customer's bank account; and payments added to the customer's phone bill.
- Most mobile payments currently employ text messaging to exchange transaction data, with nearly 30% using near field communications technology. SMS is simple but expensive, subject to technical problems and potentially insecure; NFC is more efficient but less widely available, with a more costly infrastructure.
- Mobile payments have been blocked in Europe by a lack of consumer appeal. Yet NTT DoCoMo in Japan had 15 million contactless payment users by August 2010, while M-PESE in Kenya built up a base of nearly 10 million users within three years.

Further Details:  Kurt Salmon