



Trends in U.S. Payments Advances: Factoring in the Consumer's View

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JupiterResearch – Background

- ✓ JupiterResearch—a global research and advisory firm analyzing the Internet, consumers’ online behaviors and emerging consumer technologies
- ✓ Leveraging industry insights, analysis and proprietary annual surveys and forecasts, JupiterResearch helps inform business decisions that directly impact competitive performance
 - ✓ JupiterResearch Financial Services Consumer Survey
 - ✓ JupiterResearch Wireless Consumer Survey
 - ✓ JupiterResearch Individual User Survey
 - ✓ Mobile Payments and Contactless Payments Forecasts, other ad-hoc surveys

Consumers' payment habits are evolving...

➤ ...and Convenience, Speed & Security are Drivers

- ✓ Cash and checks declining // electronic payments growing
 - ✓ 40% of consumers carry less cash than 5 yrs ago
- ✓ Young Adults 18-34 driving many of these changes
 - ✓ Higher overall usage of plastic, higher preference for debit / P2P vs. credit
- ✓ Habits shift because TANGIBLE VALUE is delivered

➤ New Technologies and Opportunities

- ✓ Cash Displacement...Speed and Convenience at POS
- ✓ Contactless—Targeting Sub-\$25 POS transactions
- ✓ Mobile Payments—Welcome to Round Two
- ✓ Other innovations (eg.— Biometrics) on hold in U.S., for now



U.S. contactless payments: making progress towards critical mass

✓ Supply trends and merchant acceptance generally positive

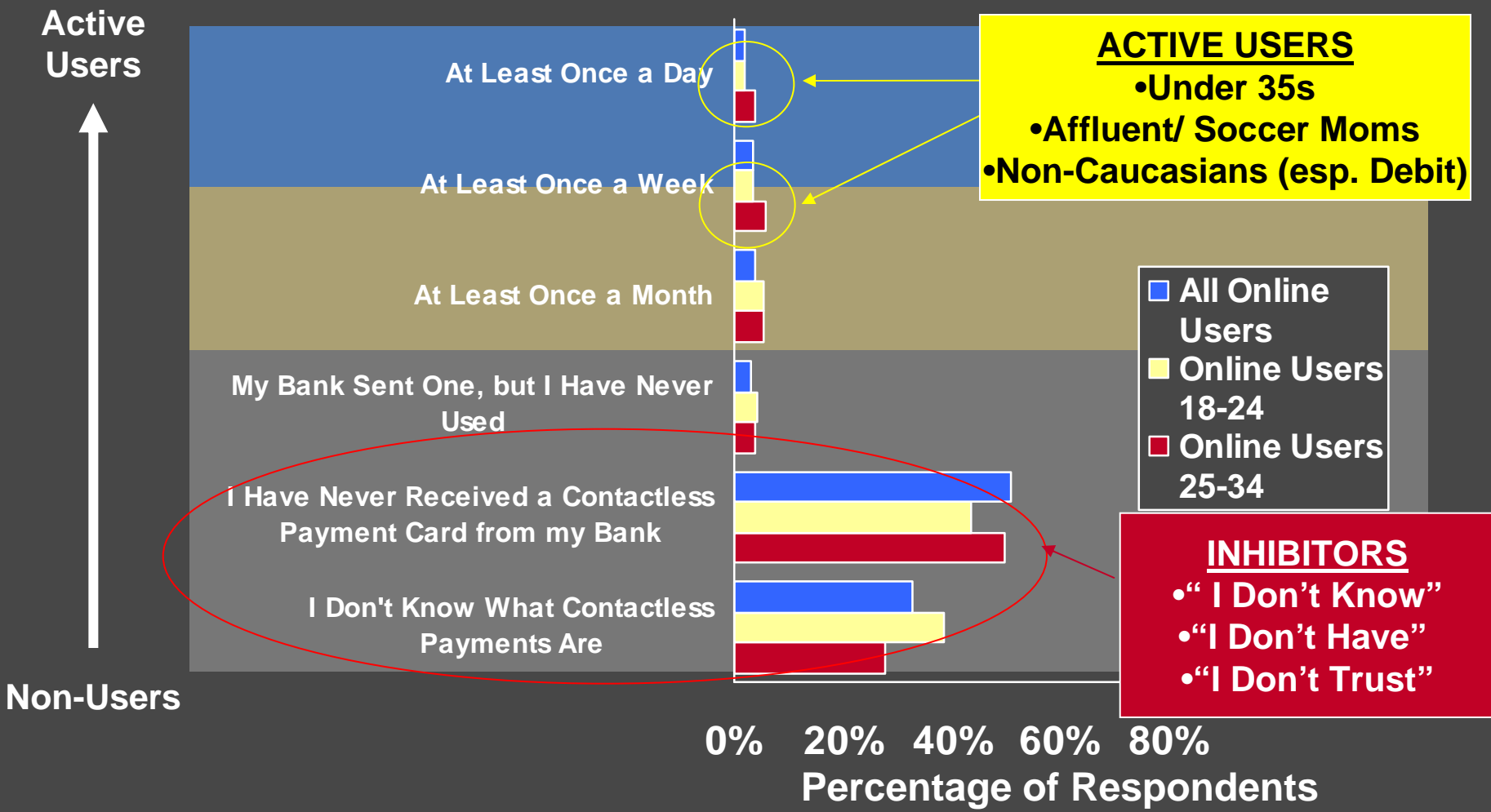
- In the U.S.—Total open-network contactless reached 35 million in 2007, up from 19 million in 2006

✓ Consumer uptake is positive, but more extensive/ innovative marketing needed

- AmEx ExpressPay fob—July 08 elimination shows challenges of seeding a non-standard form-factor

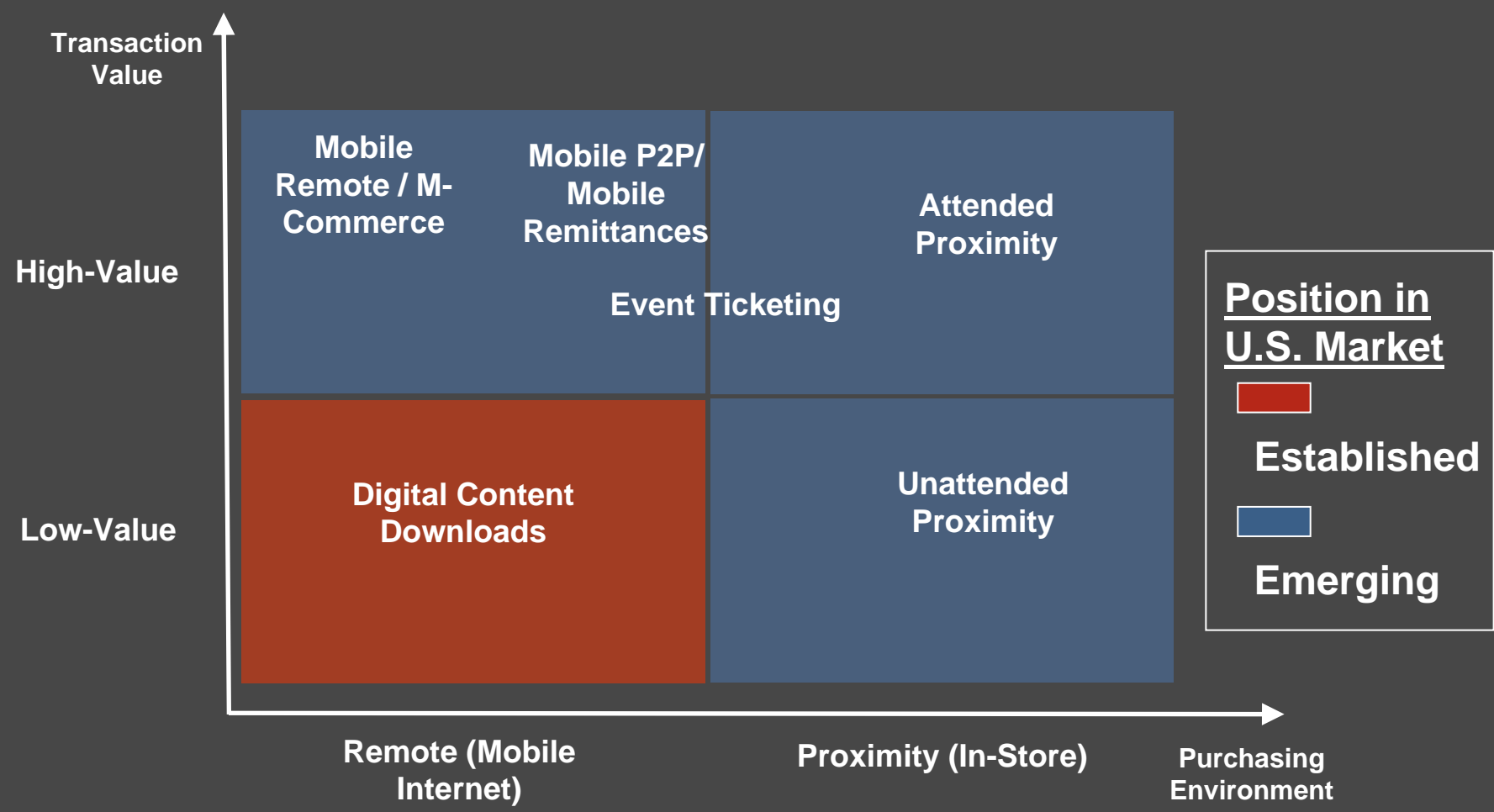
✓ Globally, impact of the “network effect” from multiple deployments is becoming visible

Contactless: Early Adopters Get the Value, But Awareness/ Visibility Still Hurdles



Question: Issuers of credit and debit cards are introducing contactless payment cards, which are waved near a reader in a store rather than swiped through it. Which of the following best describes your usage of such contactless payment cards? (Select one.)

U.S. m-payments—renewed focus, but consumers centered on digital



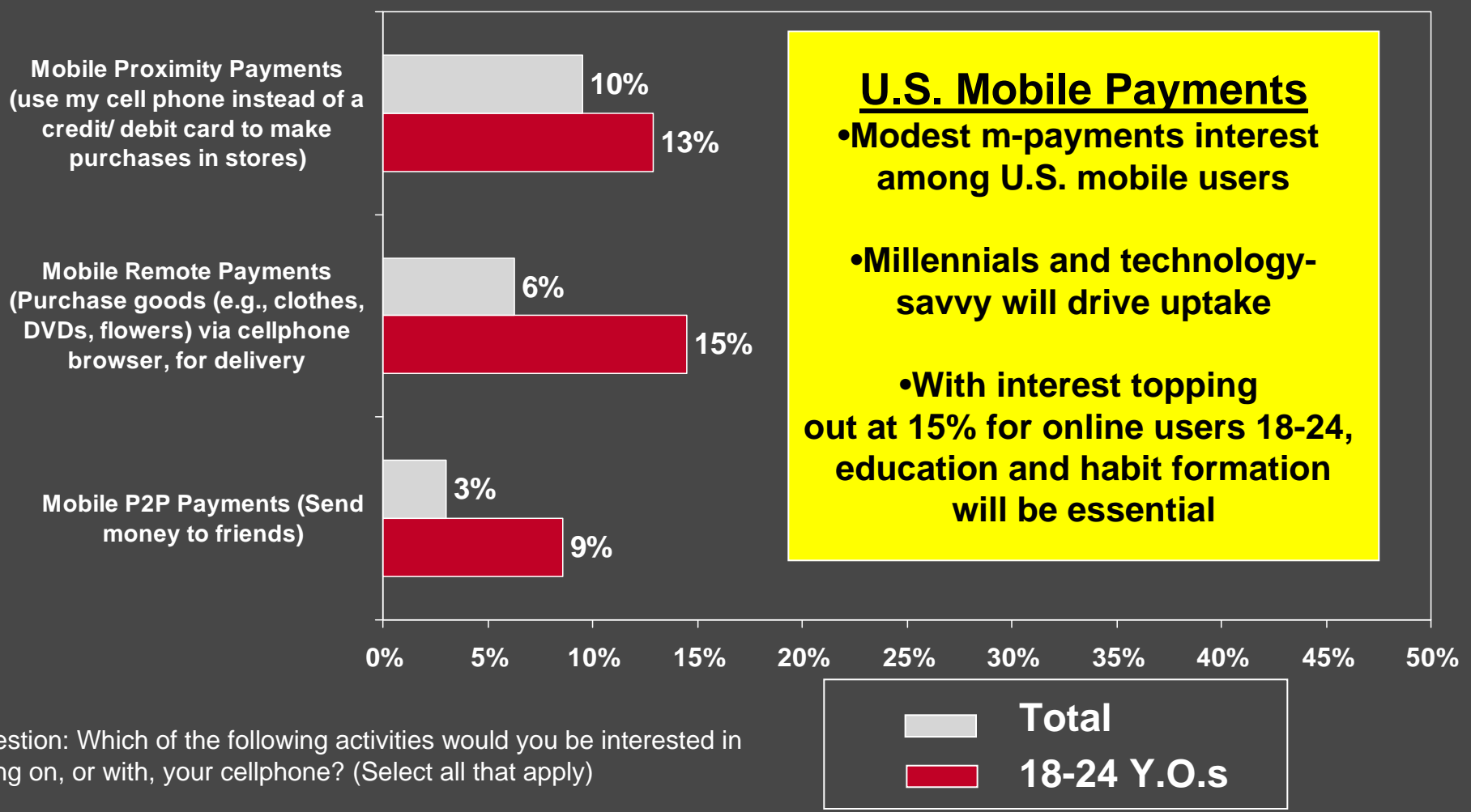
Globally, the U.S. lags in m-payments advances / uptake



Region	Contactless Payments	Mobile Remote/ P2P Payments	Mobile Proximity
USA	Continued supply-driven expansion/ merchant acceptance	Some deployment/ limited uptake. M-banking will be interim step	Several pilots using NFC devices
Japan/ Korea	Market-leader in contactless payments/ Japan relying on FeliCa	Increasing usage for m-commerce, ticket sales, etc	Broad contactless usage converging with mobile proximity
W Europe	Contactless payments deployed in UK, pilots occurring in other markets	Pan-European efforts (Simpay) have faltered vs. national efforts (Austria's Paybox, U.K.'s Payforit, Nordic efforts)	GSMA PayBuyMobile Consortium, multiple NFC payment pilots
Emerging Markets	Many emerging markets lack bank card infrastructure	Smart (Philippines), Safaricom's mPesa (Kenya) Orange Money (Cote d'Ivoire)	SMS transactions for the unbanked



Beyond ecosystem and device questions, U.S. consumer demand must still be cultivated



Question: Which of the following activities would you be interested in doing on, or with, your cellphone? (Select all that apply)

Conclusions

- ✓ **Consumer payment habits do change...but they change for a reason**
- ✓ **U.S. consumers who use contactless get the value, but increased visibility and marketing support are still necessary**
- ✓ **Mobile devices as payment tokens—advancing globally, with renewed attention even in the U.S.**
- ✓ **However, U.S. consumers still show marginal interest in paying by cellphone**
 - ✓ **Interim steps – like mobile marketing, mobile advertising, and “engaged mobile shopping” – essential in cultivating mobile user habits for mobile transactions**