

The Global Rise of Smartphonatics: Driving Mobile Payment and Banking Adoption in the Americas, EMEA, and Asia-Pacific

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IMPACT POINTS

- This Impact Report provides an overview of consumers' adoption of and attitudes regarding mobile payments and mobile banking. The report is based on a survey of 4,200 consumers in 14 countries, conducted by ACI Worldwide in Q1 2012.
- Current use of mobile payments across the countries studied ranges from roughly two-thirds of consumers in China and India to just a little more than one in 10 in France and Canada, with an average of 35% for the countries included in the study.
- Mobile banking adoption is higher than mobile payment penetration in every one of the 14 countries surveyed, with an overall average of 45%, and India is leading the way with 76% adoption.
- Citizens of the countries with the highest levels of mobile payment adoption place the highest importance on mobile payments and money movement.
- In seven of the countries studied, at least two-thirds of the consumers surveyed are interested in having their mobile phone replace their payment cards.
- Across the globe, one segment of consumers—Smartphonatics—is driving the demand for mobile payments and banking.
- The range of Smartphonatics across countries varies widely. India has the highest percentage of Smartphonatics, followed by South Africa. The fewest Smartphonatics are found in Germany, France, and Canada.
- The differences in mobile payment and banking behavior between Smartphonatics and other consumers are stark. In the past six months, 70% of Smartphonatics have used their mobile device to make a payment and 80% have used their device for banking purposes. In contrast, among other consumers, less than a quarter have made a mobile payment and only one-third have made mobile banking transactions.
- The smartphone is simply an enabler—not a driver—of changing behavior. What makes the Smartphonatics important is their changing behavior which provides a blueprint for how later adopters of the technology will behave.
- Thirty-six percent of Gen Yers are Smartphonatics, as are nearly one-third of Gen Xers. Just 18% of baby boomers and 6% of seniors are Smartphonatics.
- Seventy percent of Smartphonatics have used their mobile device to make a payment, and 80% have used their device for banking purposes in the past six months.
- Among other consumers (“non-Smartphonatics”), less than a quarter have made a mobile payment and one-third have made mobile banking transactions.
- Smartphonatics are leading the charge away from the use of cash in the United States. Nearly two-thirds of U.S. Smartphonatics say they're using less cash than they did three years ago. Among other consumers, about half are using less cash.

INTRODUCTION

With approximately 5.9 billion mobile subscribers worldwide mobile phone access is ubiquitous in many countries. Although feature phones still dominate the wireless landscape, smartphone adoption is surging. According to VisionMobile, smartphone adoption has reached more than 27% around the world.

Smartphones are transitioning from luxury items to lifestyle staples, and many financial institutions (FIs) have launched mobile banking services or are in the process of developing, deploying, or planning for mobile payment capabilities. Financial institutions have many questions about consumers' behaviors and attitudes regarding mobile services. Who will be the early adopters? What technology requirements will these consumers place on FIs? How should mobile services be marketed to consumers?

Based on a Q1 2012 study of 4,200 consumers in 14 countries, Aite Group identified a segment of consumers called "Smartphonatics" (pronounced smart-fa-NAT-ics): consumers who change their shopping, financial, and payment behavior as a result of owning a smartphone.

Not all smartphone owners are Smartphonatics. Many use their smartphone to browse the Web, but don't change—or give up—the channels and methods they previously used to shop for products, access their financial accounts, or make payments for the goods and services they buy.

Smartphonatics, however, aggressively change how they shop for products and services, how they interact with their banks and bank accounts, and how they pay for goods and services. They exist across the globe, and while their ranks differ across countries, one thing is consistent: Their mobile payment and banking behaviors stand out from those of other consumers.

Smartphonatics are driving the adoption of mobile payments and banking and setting the bar for how financial institutions will have to respond over the next five years.

This report looks at Smartphonatics across the globe, and considers how their mobile payment and mobile banking behavior is shaping consumers' needs and requirements.

METHODOLOGY

In Q1 2012, ACI Worldwide, a global leader in electronic payments for FIs, retailers, and processors, conducted a survey of 4,200 consumers in 14 countries across three regions:

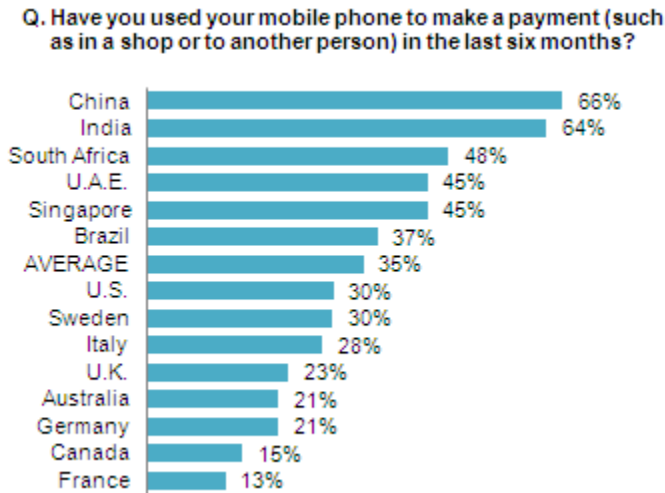
- **The Americas (North and South America):** Brazil, Canada, and the United States
- **EMEA (Europe, the Middle East, and Africa):** France, Germany, Italy, South Africa, Sweden, the United Arab Emirates, and the United Kingdom
- **The Asia-Pacific:** Australia, China, India, and Singapore

For the purposes of our analysis, the survey data was weighted to represent the overall age distribution of each country's population. With 300 surveys conducted in each of the 14 countries, in each country, the data has a margin of error of 6 points at the 95% level of confidence.

THE GLOBAL PICTURE

Current use of mobile payments across the countries studied ranges from roughly two-thirds of consumers in China and India to just a little more than one in 10 in France and Canada, with an average of 35% for the countries included (Figure 1). Mobile banking adoption is higher than mobile payment penetration in every one of the 14 countries surveyed, with an overall average of 45%, and India is leading the way with 76% adoption (Figure 2).

Figure 1: Mobile Payment Usage



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

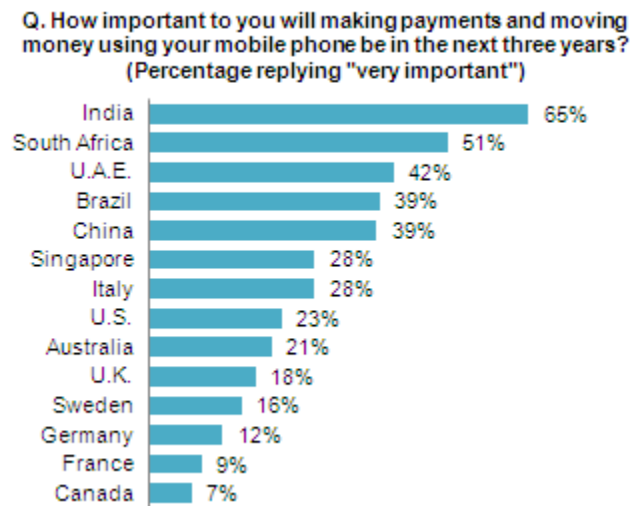
Figure 2: Mobile Banking Adoption



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Citizens of the countries with the highest levels of mobile payment adoption place the highest importance on mobile payments and money movement. Roughly two-thirds of Indian consumers consider making payments and moving money using their mobile phone in the next three years to be “very important” to them—in contrast to less than one in 10 French and Canadian consumers (Figure 3).

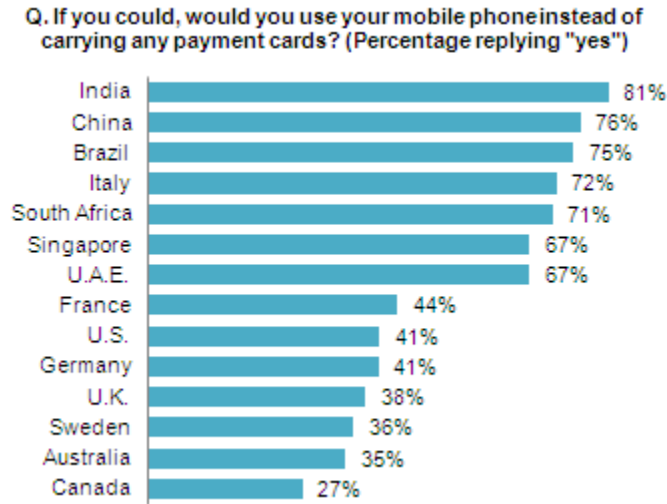
Figure 3: Importance of Mobile Payments and Money Movement



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

The lack of importance of mobile payments and money movement in a number of countries belies the interest that many consumers across the globe have in using their mobile phone to replace carrying payment cards. In Brazil, for example, although 39% of consumers consider mobile payment and money movement to be “very important,” 75% would use their mobile phone to replace cards. Even in France, where just 9% of French consumers place a high importance on mobile payments and money movement, 44% express interest in replacing their payment cards (Figure 4).

Figure 4: Interest in Replacing Payments Cards With a Mobile Device



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Aite Group believes that these two factors—perceived importance of mobile payments and money movement, and interest in replacing payment cards with a mobile device—combine to define an important, globally emerging, segment of consumers that Aite Group calls Smartphonatics: consumers who change their shopping, financial, and payment behavior as a result of owning a smartphone.

Using the survey results, Aite Group defines Smartphonatics as consumers who consider mobile payments and money movement to be “very important” *and* who express an interest in using a mobile phone to replace their payment cards. Across the global sample, nearly one in four consumers fits this description (Table A).

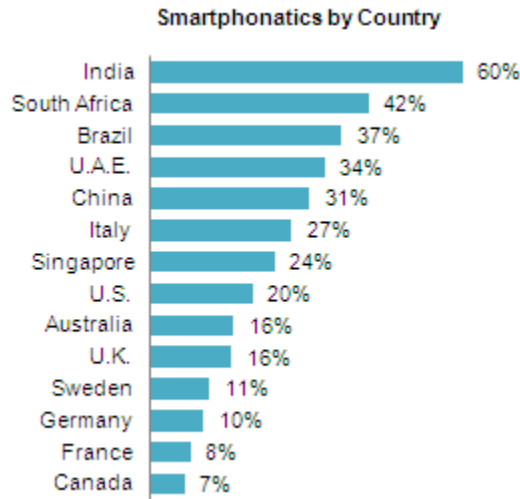
Table A: Identifying Smartphonatics Globally

		Interest in using mobile phone instead of carrying payment cards	
		Low	High
Importance of mobile payments and money movement	Very important	4%	Smartphonatics 24%
	Less important	41%	31%

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

The range of Smartphonatics across countries varies widely. India has the highest percentage of Smartphonatics, followed by South Africa. The fewest Smartphonatics are found in Germany, France, and Canada (Figure 5).

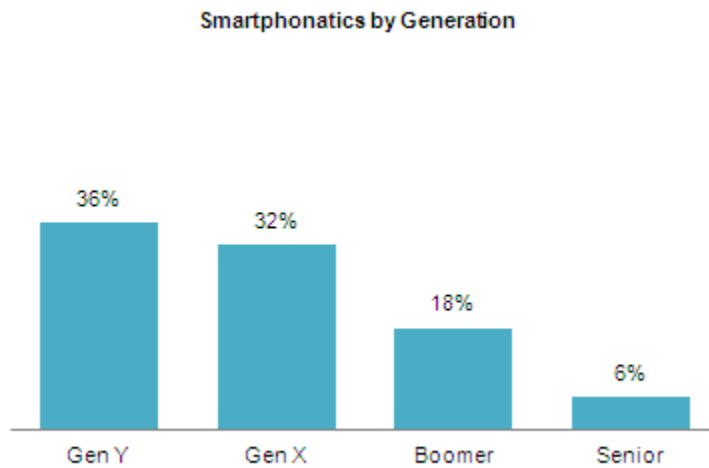
Figure 5: Smartphonatics by Country



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Demographically, Smartphonatics are young. Thirty-six percent of Gen Yers (consumers between the ages of 20 and 31) qualify as Smartphonatics, and almost one-third of Gen Xers (ages 32 to 46) are in this segment. Just 18% of baby boomers (47 to 65), and 6% of seniors (66+) are Smartphonatics (Figure 6).

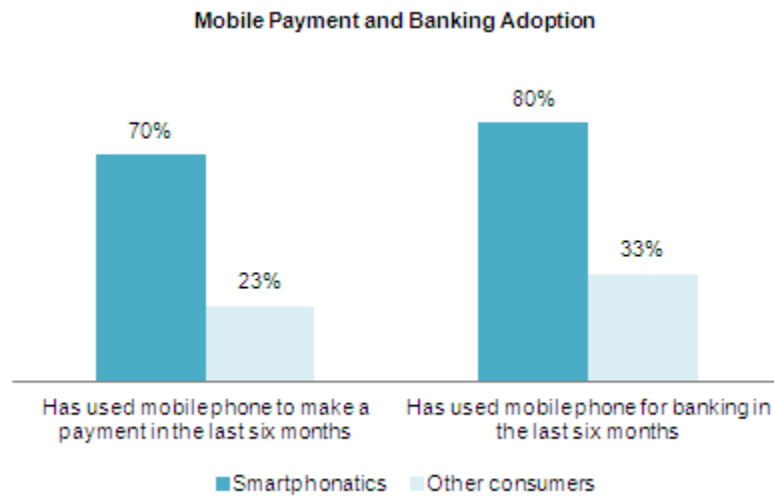
Figure 6: Smartphonatics by Generation



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

The differences in mobile payment and banking behavior between Smartphonatics and other consumers are stark. In the past six months, 70% of Smartphonatics have used their mobile device to make a payment and 80% have used their device for banking purposes. In contrast, among other consumers, less than a quarter have made a mobile payment and only one-third have made mobile banking transactions (Figure 7).

Figure 7: Mobile Payment and Banking Adoption



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

The remainder of this report explores the differences between Smartphonatics and other consumers in the Americas, EMEA, and the Asia-Pacific.

MOBILE PAYMENTS AND BANKING IN THE AMERICAS

MOBILE PAYMENTS AND BANKING IN THE UNITED STATES

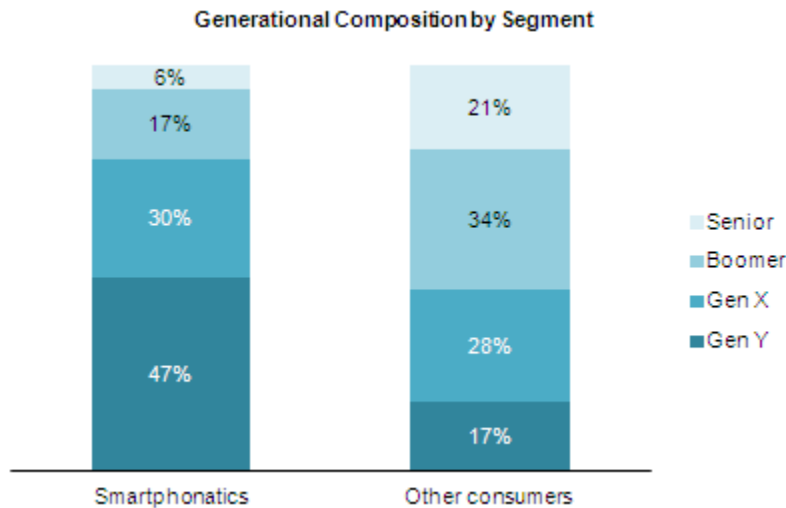
In the United States, one in five consumers is a Smartphonatic (Table B). They're young—almost half are Gen Yers—and highly likely to have already made mobile payments and mobile banking transactions (Figure 8 and Figure 9).

Table B: Smartphonatics in the United States

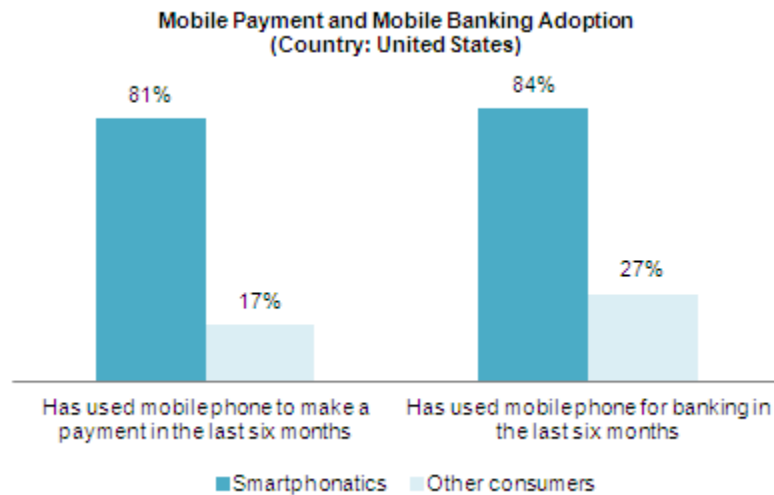
		Interest in using mobile phone instead of carrying payment cards	
		Low	High
Importance of mobile payments and money movement	Very important	3%	Smartphonatics 20%
	Less important	56%	21%

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Figure 8: Generational Composition by Segment in the United States



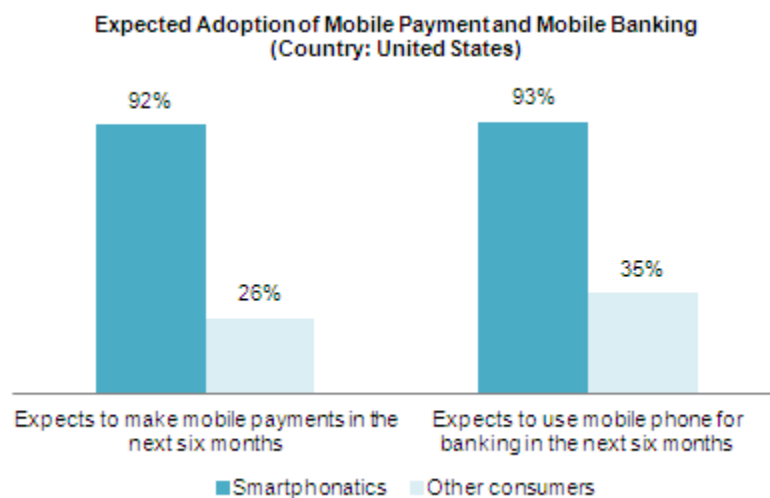
Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Figure 9: Mobile Payment and Mobile Banking Adoption in the United States

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

EXPECTED ADOPTION OF MOBILE PAYMENTS AND BANKING

The 20% of Americans who are Smartphonatics aren't just those who are currently using a mobile device for payments and banking—they're the group that will be doing these mobile activities in the remainder of 2012 as well. More than 90% of Smartphonatics expect to make mobile payments or banking transactions in the next six months. In contrast, among other consumers, just 26% expect to make mobile payments and 35% anticipate using their mobile phone for banking purposes (Figure 10).

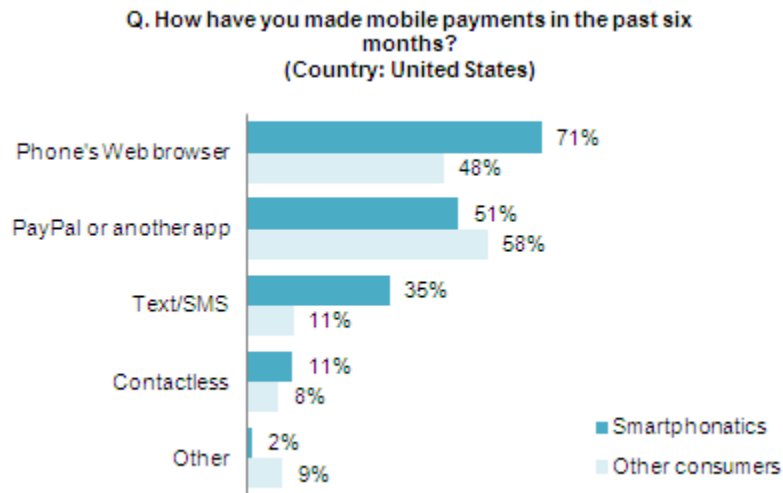
Figure 10: Expected Adoption of Mobile Payment and Mobile Banking in the United States

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE PAYMENT METHODS USED

The methods used for making mobile payments transactions differ between Smartphonatics and other consumers. Smartphonatics are more likely to use their phone's Web browser than other consumers, who rely more on apps like that provided by PayPal (Figure 11). Notably, 43% of Smartphonatics used more than one method to make a mobile payment in contrast to 18% of other consumers.

Figure 11: Mobile Payment Methods Used in the United States

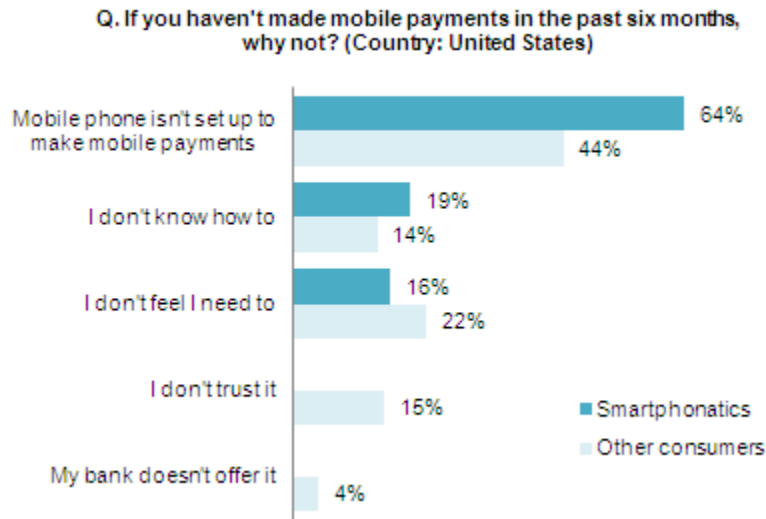


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

REASONS FOR NOT MAKING MOBILE PAYMENTS

Why haven't U.S. consumers made mobile payments? Among the small percentage of Smartphonatics who haven't, nearly two-thirds said that their mobile phone isn't set up to do so. Forty-four percent of other consumers cited this reason for eschewing mobile payments (Figure 12).

Figure 12: Reasons for Not Making Mobile Payments in the United States

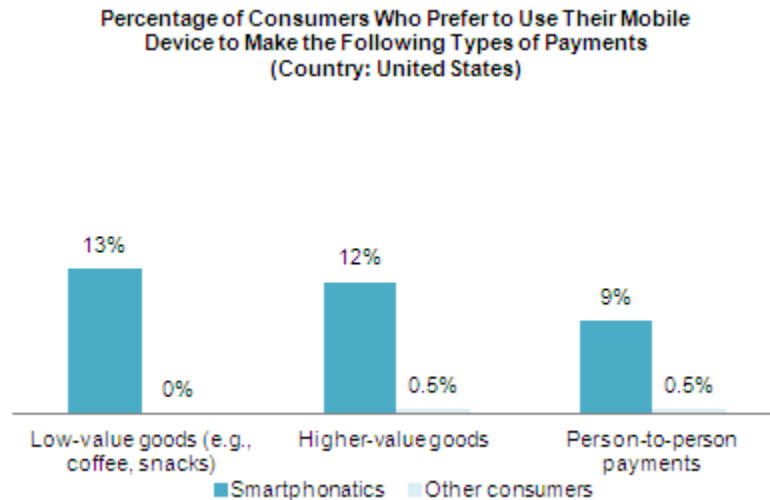


Source: ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

PAYMENT METHOD PREFERENCES

The differences between Smartphonatics and other consumers are reflected in their choice of payments. Paying with a mobile device is already the preferred method of payment for small-ticket items, higher-value goods, and person-to-person transactions among a small percentage of Smartphonatics (Figure 13). This percentage is sure to increase as the number of retail locations accepting mobile payments rises.

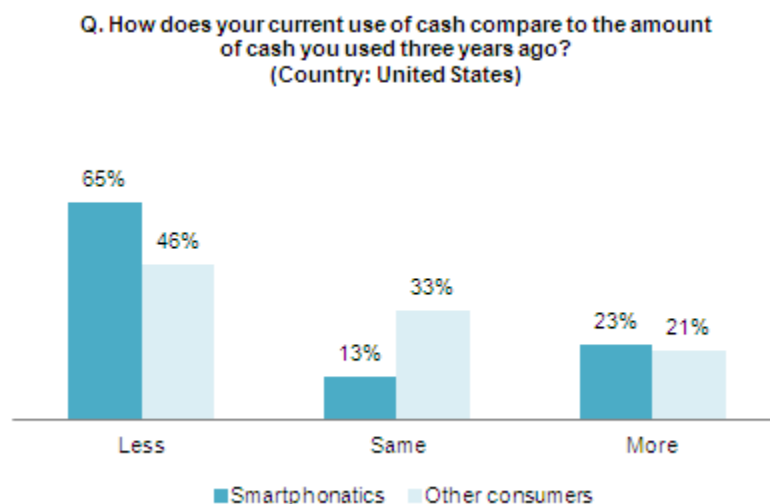
Figure 13: Mobile Payment Preferences in the United States



Source: ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

More broadly, Smartphonatics are leading the charge away from the use of cash. Nearly two-thirds of Smartphonatics say they're using less cash than they did three years ago. Among other consumers, about half are using less cash (Figure 14). This is evident in consumers' payment preferences when buying lower-value goods. The percentage of Smartphonatics who prefer to use cash for small-ticket items has declined from 39% three years ago to 29% today. That percentage has also declined among other consumers, but only from 61% to 55% (Table C). The use of debit cards has increased in both groups, and the shift away from cash should further accelerate as more retail locations begin accepting mobile payments.

Figure 14: Change in the Use of Cash in the United States



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Table C: Changes in Payment Method Preferences in the United States

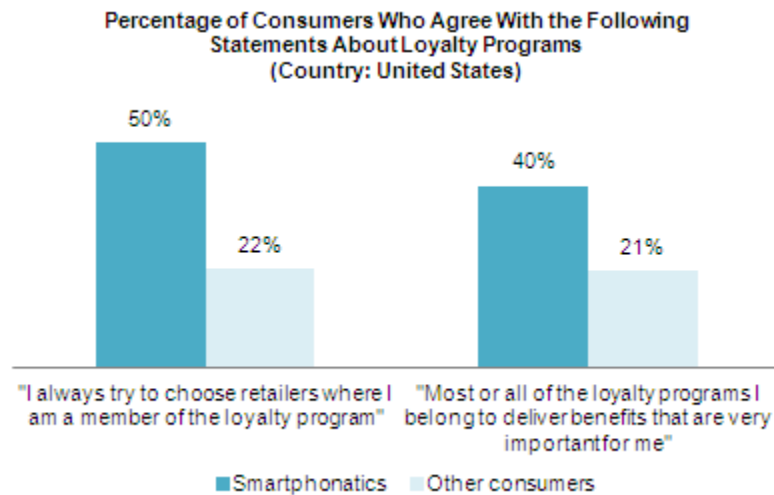
Q. Which payment method did you (do you) prefer when buying low-value goods?			
		Three years ago	Today
Smartphonatics	Cash	39%	29%
	Debit card	34%	40%
	Credit card	16%	16%
	Check	5%	2%
	Mobile phone	4%	13%
	Prepaid card	2%	0%
Other consumers	Cash	61%	55%
	Debit card	21%	25%
	Credit card	15%	17%
	Check	2%	1%
	Prepaid card	1%	0%
	Mobile phone	0%	0%

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

LOYALTY PROGRAM ATTITUDES

Smartphonatics also differ from other consumers in their attitudes about loyalty programs. While both segments are equally likely to participate in retailer loyalty programs (averaging about three programs per person), more than twice as many Smartphonatics always try to choose retailers whose loyalty programs they belong to. A possible explanation for this is that Smartphonatics are about twice as likely as other consumers to say that the benefits of the programs they belong to are “very important” to them (Figure 15).

Figure 15: Retailer Loyalty Program Attitudes in the United States



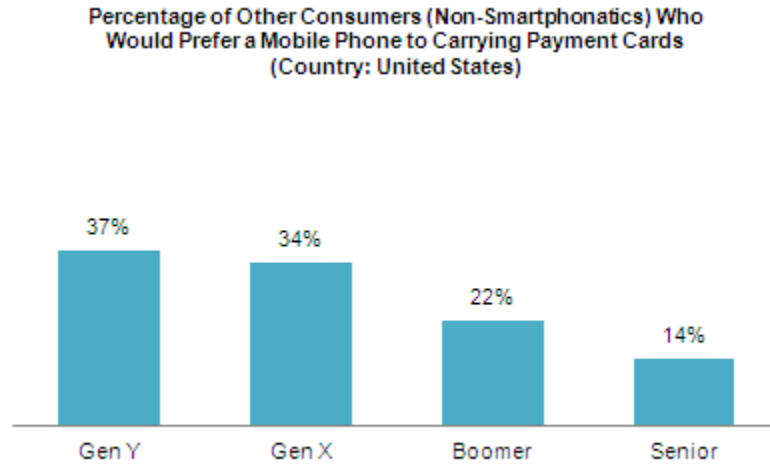
Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE COMMERCE ATTITUDES¹

By definition, Smartphonatics are interested in replacing their payment cards with a mobile device. That doesn't mean, though, that other consumers aren't interested. More than a third of Gen Y and Gen X non-Smartphonatics indicated an interest in replacing their payment cards. That percentage declines to about one in five baby boomers and just 14% of seniors (Figure 16).

1. In this report, mobile payments are defined as payments that involve a mobile device in the initiation and confirmation of the payment. Mobile commerce is defined as payment-related information, such as merchandizing, offers, coupons, and tender steering, as well as payments from a mobile device. A key element of mobile commerce is the mobile wallet, a “virtual wallet” that can be filled with various types of accounts, rewards, discounts, and other services.

Figure 16: Interest in Replacing Payments Cards With a Mobile Device in the United States

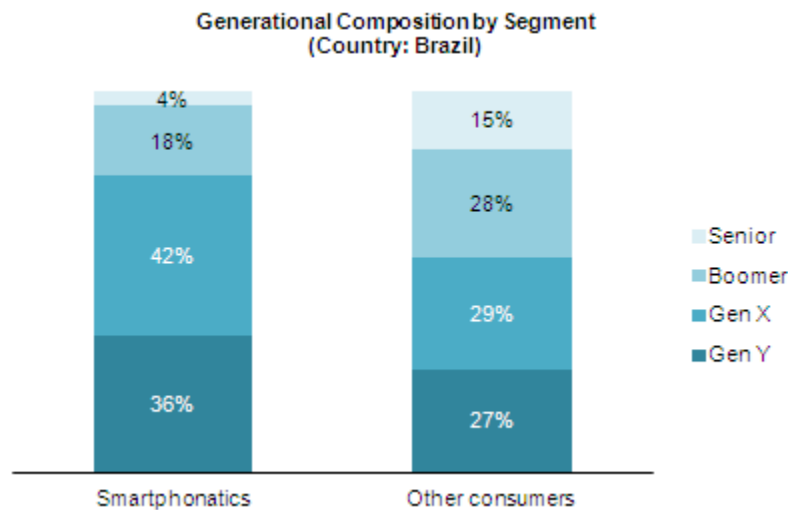


Source: Q1 2012 ACI Worldwide study of 4,200 consumers in 14 countries

MOBILE PAYMENTS AND BANKING IN BRAZIL

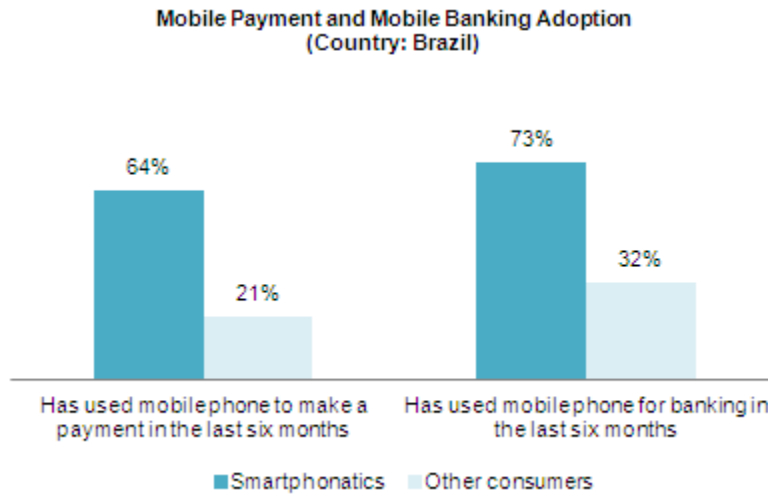
Of the 14 countries studied, Brazil has the third-highest percentage of Smartphonatics with 37% of Brazilians in this segment. Nearly eight in 10 Smartphonatics are Gen Xers or Gen Yers (Figure 17). Roughly two-thirds of them made mobile payments, and three-quarters did their banking with a mobile device. In contrast, among other Brazilians, just 21% made mobile payments and 32% used a mobile device for banking purposes (Figure 18).

Figure 17: Generational Composition by Segment in Brazil



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Figure 18: Mobile Payment and Mobile Banking Adoption in Brazil

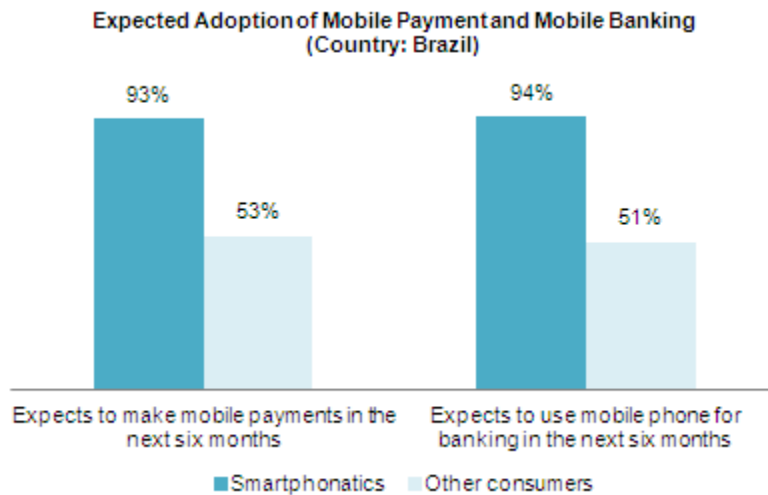


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

EXPECTED ADOPTION OF MOBILE PAYMENTS AND BANKING

Brazilian Smartphonatics will continue to lead the way in mobile payment and banking adoption in 2012. Nearly all Smartphonatics expect to make mobile payments or to bank with a mobile device in the next six months. Among other consumers, roughly half expect to make mobile payments and use their mobile phone for banking purposes in the near future (Figure 19).

Figure 19: Expected Adoption of Mobile Payment and Mobile Banking in Brazil

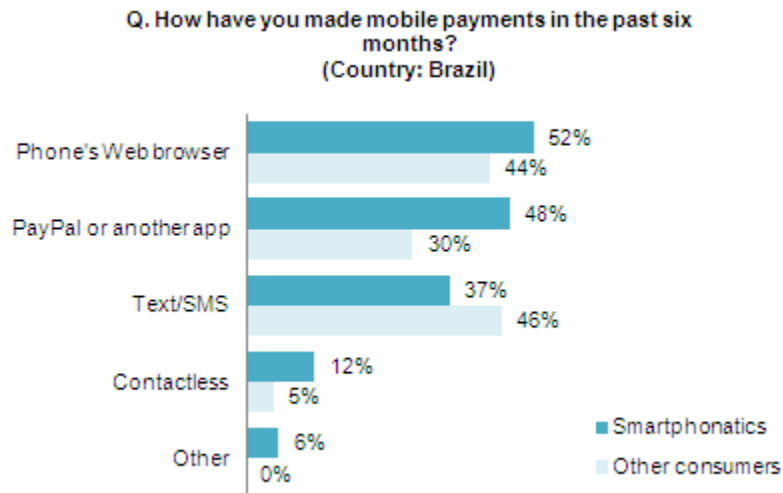


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE PAYMENT METHODS USED

The methods used for making mobile payments transactions differ between Smartphonatics and other consumers. Smartphonatics are slightly more likely to use their phone's Web browser than are other consumers. Almost half of the Smartphonatics reported using an app like that provided by PayPal, which is used by just 30% of other consumers. Other consumers, however, are more likely than Smartphonatics to use text or SMS to make a mobile payment (Figure 20).

Figure 20: Mobile Payment Methods Used in Brazil

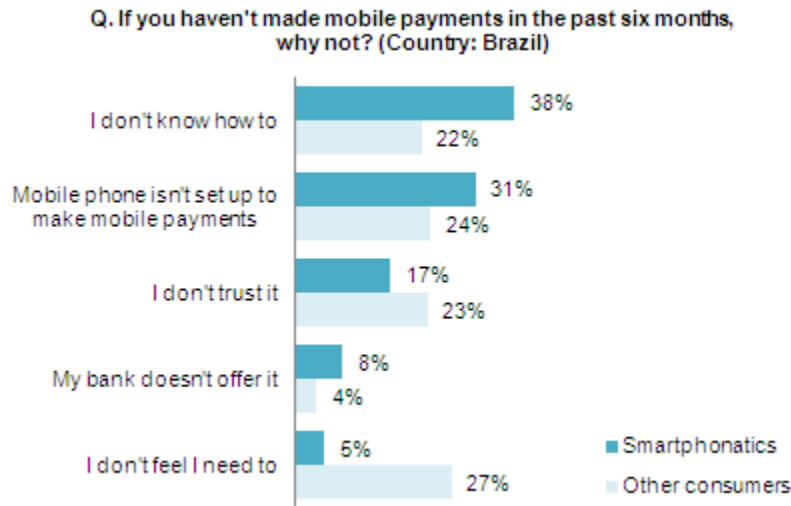


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

REASONS FOR NOT MAKING MOBILE PAYMENTS

Not knowing how to make a mobile payment was the most frequently cited reason that Smartphonatics didn't make mobile payments over the past six months, followed by having a phone not set up to make payments. Among other consumers, however, the most frequently mentioned reason was not feeling the need to make mobile payments (Figure 21).

Figure 21: Reasons for Not Making Mobile Payments in Brazil

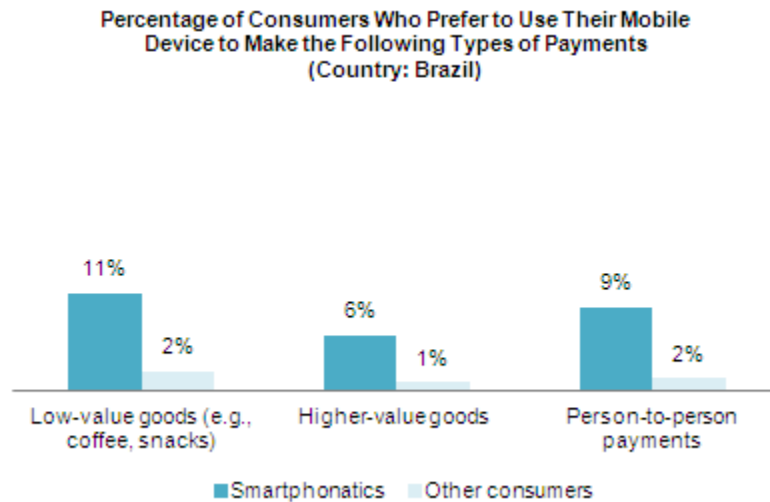


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

PAYMENT METHOD PREFERENCES

Paying with a mobile device is already the preferred method of payment for small-ticket items and person-to-person transactions for about one in 10 Brazilian Smartphonatics (Figure 22).

Figure 22: Mobile Payment Preferences in Brazil

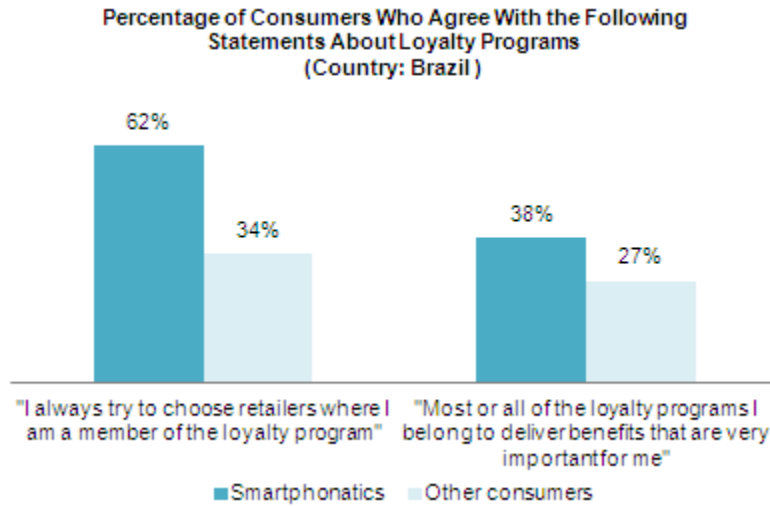


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

LOYALTY PROGRAM ATTITUDES

More than six in 10 Brazilian Smartphonatics choose retailers whose programs they belong to—this is in contrast to a third of other consumers (Figure 23).

Figure 23: Retailer Loyalty Program Attitudes in Brazil

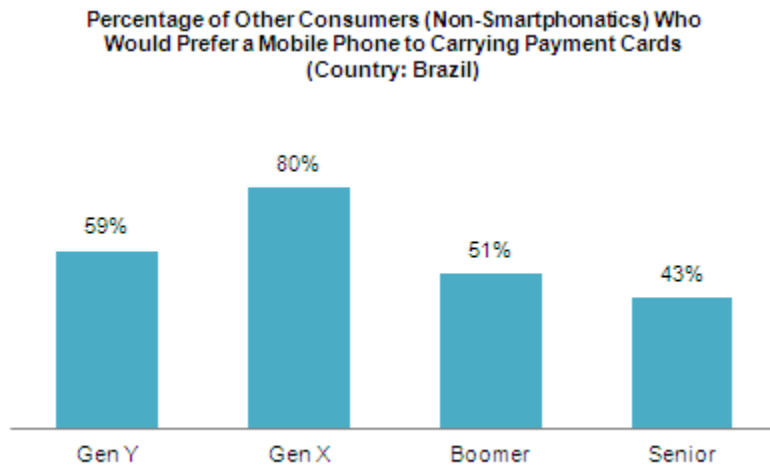


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE COMMERCE ATTITUDES

Many non-Smartphonatics in Brazil are interested in replacing their payment cards with a mobile device. Nearly six in 10 Gen Y and 80% of Gen X non-Smartphonatics indicated an interest in replacing their payment cards with a mobile device (Figure 24).

Figure 24: Interest in Replacing Payments Cards With a Mobile Device in Brazil

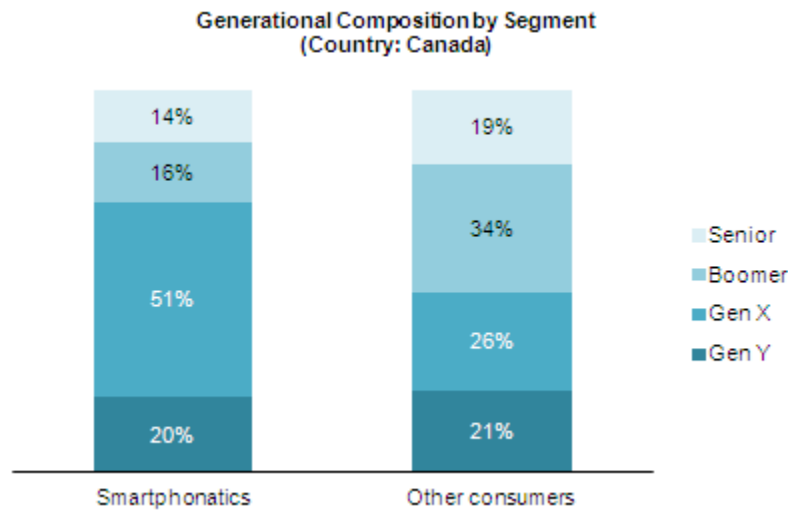


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE PAYMENTS AND BANKING IN CANADA

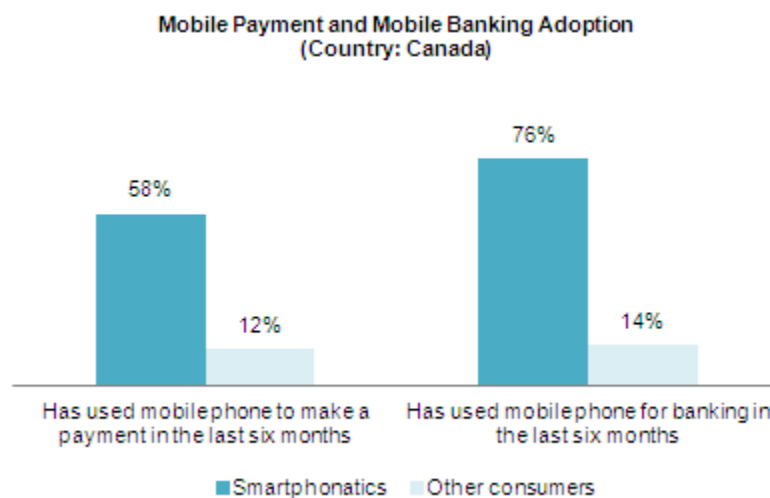
Of the 14 countries studied, Canada has the lowest percentage of Smartphonatics, with just 7% of Canadians belonging to this segment. Half of all Canadian Smartphonatics are Gen Xers (Figure 25). Over the last six months, about six in 10 Smartphonatics made mobile payments and three-quarters did their banking with a mobile device. In contrast, among other Canadians, just 12% made mobile payments and 14% used a mobile device for banking purposes in the last six months (Figure 26).

Figure 25: Generational Composition by Segment in Canada



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Figure 26: Mobile Payment and Mobile Banking Adoption in Canada

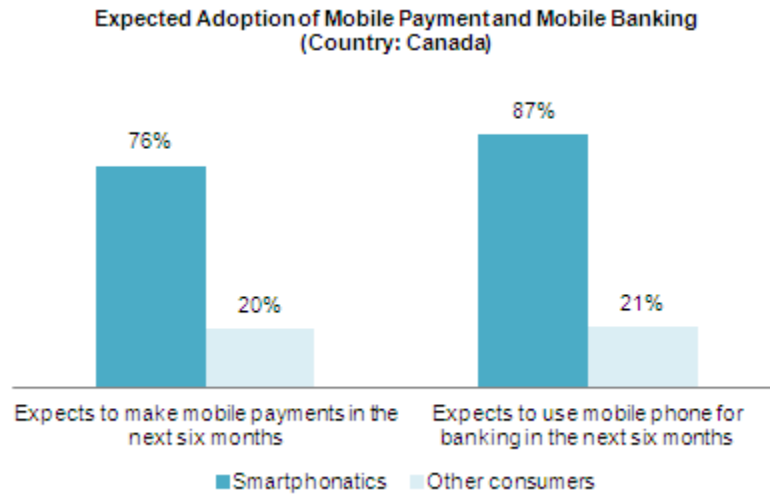


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

EXPECTED ADOPTION OF MOBILE PAYMENTS AND BANKING

Broad adoption of the mobile channel is likely to take some time in Canada. Although most Smartphonatics expect to make mobile payments and bank via a mobile device in the near future, just one in five other Canadians expects to do so in the upcoming months (Figure 27).

Figure 27: Expected Adoption of Mobile Payment and Mobile Banking in Canada

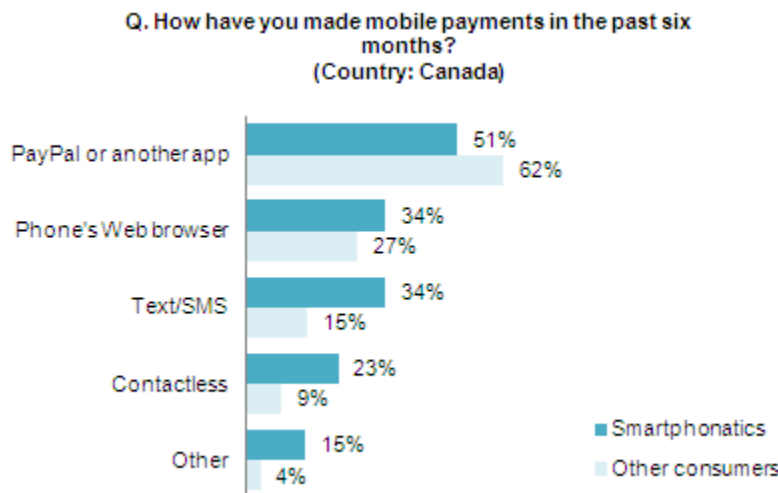


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE PAYMENT METHODS USED

Apps like that provided by PayPal are the most common method for making mobile payments among both Smartphonatics and other Canadians (Figure 28).

Figure 28: Mobile Payment Methods Used in Canada

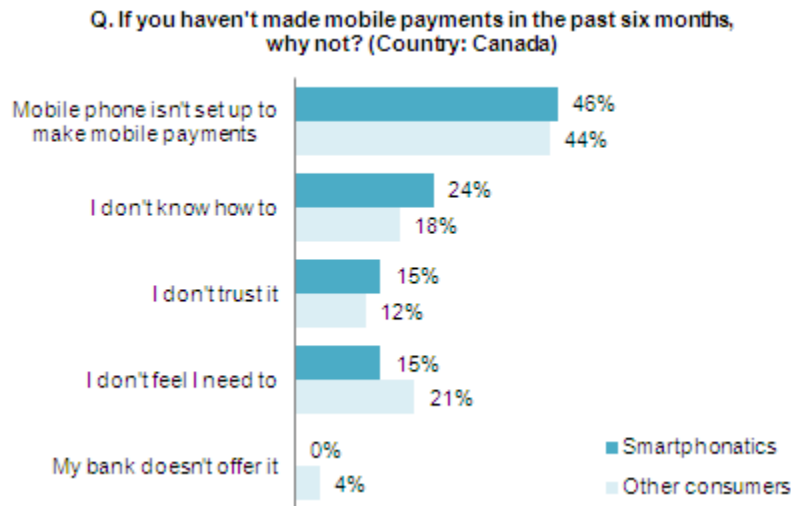


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

REASONS FOR NOT MAKING MOBILE PAYMENTS

Having a phone that isn't set up to make mobile payments was the most popular reason cited for why Canadians didn't make mobile payments (Figure 29).

Figure 29: Reasons for Not Making Mobile Payments in Canada

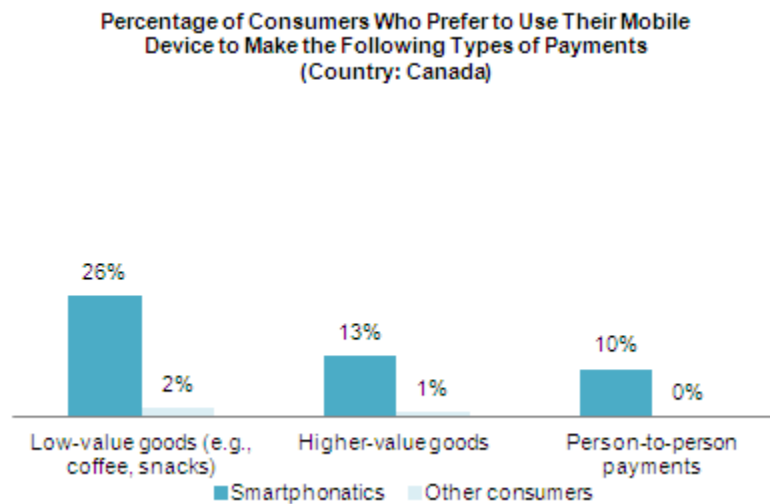


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

PAYMENT METHOD PREFERENCES

Although relatively few Canadians are Smartphonatics today, those who are demonstrate a preference for paying with a mobile device over other payment methods, particularly for low-value goods (Figure 30).

Figure 30: Mobile Payment Preferences in Canada

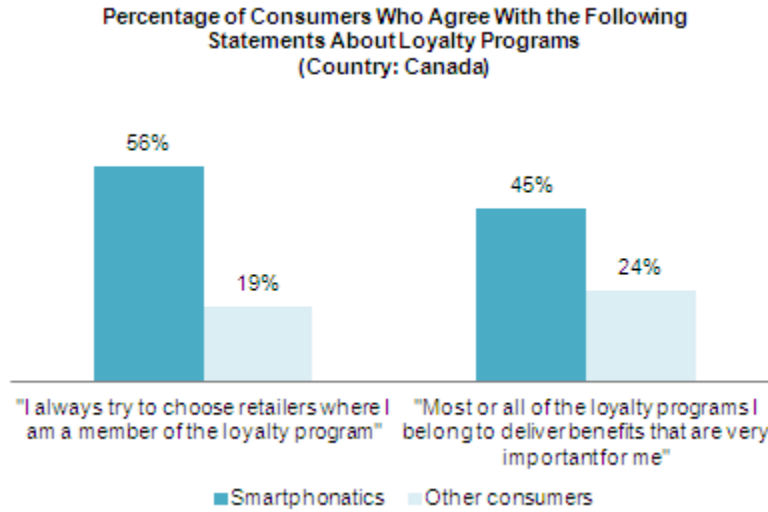


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

LOYALTY PROGRAM ATTITUDES

More than half of Canadian Smartphonatics choose retailers whose programs they belong to—in contrast to one in five other consumers. Smartphonatics are also more likely to say that the programs they belong to deliver benefits that are “very important” to them (Figure 31).

Figure 31: Retailer Loyalty Program Attitudes in Canada

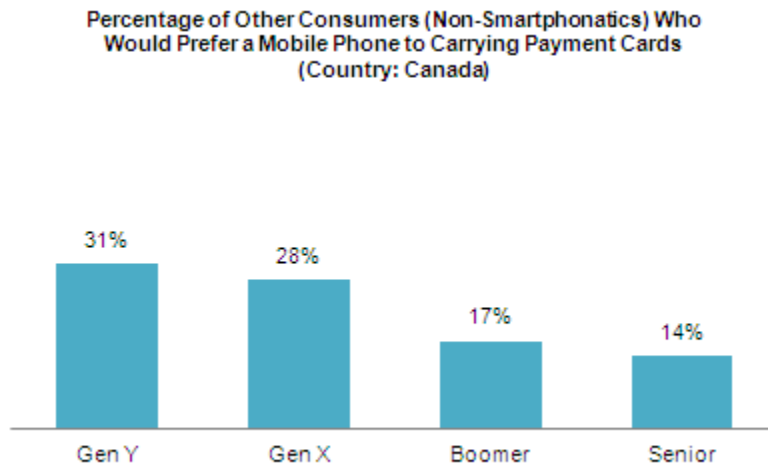


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE COMMERCE ATTITUDES

Non-Smartphonatics in Canada are not particularly interested in replacing their payment cards with a mobile device. Just three in 10 Gen Yers expressed an interest in doing this (Figure 32).

Figure 32: Interest in Replacing Payments Cards With a Mobile Device in Canada



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE PAYMENTS AND BANKING IN EMEA

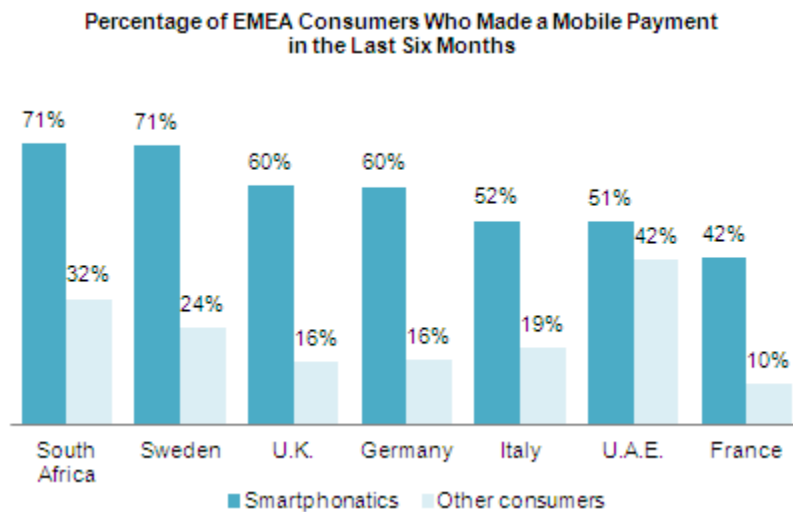
The percentage of the overall population within EMEA countries who are Smartphonatics varies widely by country, but what is consistent is this: Smartphonatics are young, mobile-channel users (Table D). With the exception of the United Arab Emirates, more than twice as many Smartphonatics as other consumers have made mobile payments in the past six months (Figure 33). Additionally, in the European countries surveyed, Smartphonatics are far more likely than other consumers to have used a mobile device for banking (Figure 34).

Table D: Generational Composition by Segment

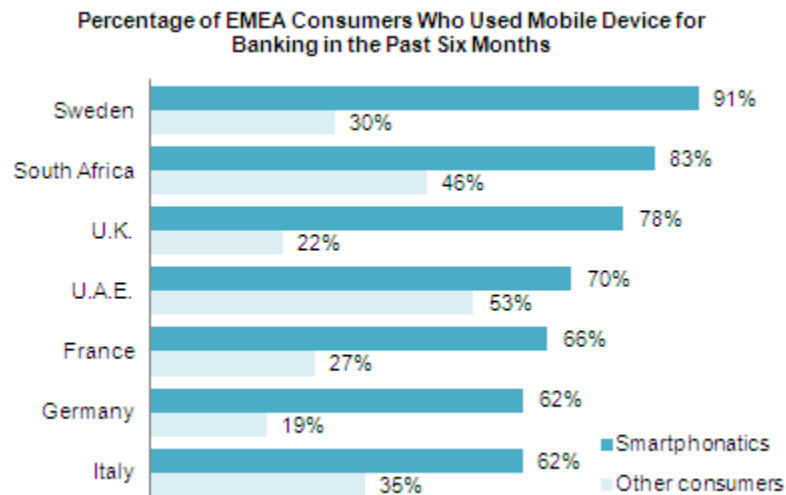
		Gen Y	Gen X	Boomer	Senior
France	Smartphonatics	16%	35%	32%	17%
	Other consumers	20%	27%	31%	23%
Germany	Smartphonatics	28%	41%	31%	0%
	Other consumers	16%	25%	32%	27%
Italy	Smartphonatics	16%	40%	26%	18%
	Other consumers	17%	26%	30%	27%
South Africa	Smartphonatics	43%	41%	16%	0%
	Other consumers	33%	22%	28%	18%
Sweden	Smartphonatics	42%	31%	24%	3%
	Other consumers	17%	25%	31%	28%
U.A.E.	Smartphonatics	41%	22%	37%	0%
	Other consumers	28%	19%	40%	13%
U.K.	Smartphonatics	41%	46%	8%	5%
	Other consumers	20%	29%	24%	27%

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Figure 33: Mobile Payment Activity by Segment in EMEA



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Figure 34: Mobile Payment and Mobile Banking Adoption in EMEA

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE BANKING METHODS USED

Across the EMEA countries studied, Smartphonatics tend to use different methods to conduct mobile banking activities. The phone's Web browser and apps provided by banks were the most frequently used methods by both Smartphonatics and other consumers (Table E).

Table E: Mobile Banking Methods Used in EMEA

		Phone's Web browser	App provided by bank	Text/SMS	Telephone bank to conduct transaction
U.K.	Smartphonatics	67%	39%	12%	32%
	Other consumers	35%	23%	13%	38%
France	Smartphonatics	20%	73%	15%	26%
	Other consumers	43%	44%	14%	14%
Italy	Smartphonatics	48%	33%	33%	36%
	Other consumers	29%	23%	49%	24%
Germany	Smartphonatics	40%	35%	20%	21%
	Other consumers	42%	28%	29%	17%
Sweden	Smartphonatics	44%	56%	16%	40%
	Other consumers	15%	45%	7%	42%
U.A.E.	Smartphonatics	46%	25%	38%	46%
	Other consumers	44%	20%	36%	27%
South Africa	Smartphonatics	56%	47%	25%	9%
	Other consumers	35%	32%	30%	22%

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE PAYMENT METHODS USED

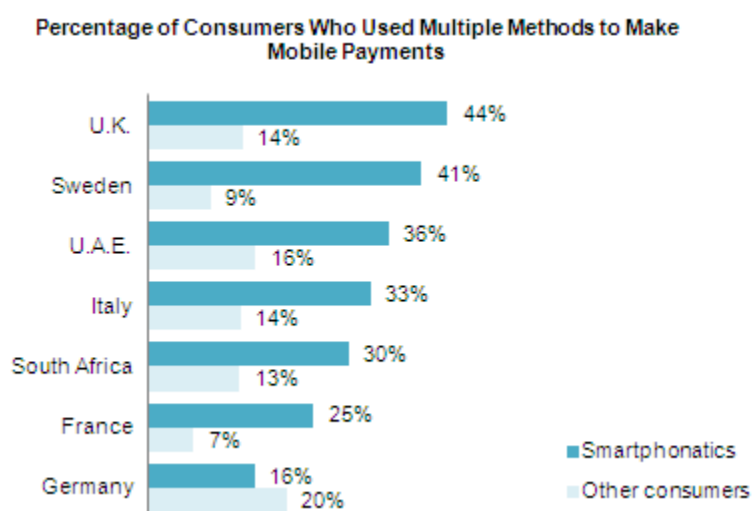
PayPal and other apps were the most popular way for European Smartphonatics to make mobile payments. Phone Web browsers were also frequently used, especially by Smartphonatics in the United Arab Emirates and South Africa. Text/SMS was the most frequently cited method for making mobile payments by Smartphonatics in Sweden (Table F). In addition, in all but one of the EMEA countries, Smartphonatics who made mobile payments were more likely to use multiple methods to do so than other consumers who made mobile payments (Figure 35).

Table F: Methods Used to Make Mobile Payments in EMEA

		PayPal or other app	Phone's Web browser	Text/SMS	Contactless	Other
Smartphonatics	U.K.	68%	61%	17%	11%	12%
	Italy	67%	45%	34%	13%	2%
	France	52%	32%	48%	8%	0%
	Germany	48%	34%	34%	8%	0%
	Sweden	46%	43%	59%	13%	13%
	U.A.E.	27%	61%	53%	9%	5%
	South Africa	23%	64%	28%	3%	21%
Other consumers	U.K.	62%	26%	32%	0%	1%
	Italy	54%	24%	28%	11%	2%
	France	42%	28%	31%	8%	0%
	Germany	39%	25%	51%	7%	5%
	Sweden	17%	12%	69%	13%	5%
	U.A.E.	20%	42%	56%	1%	3%
	South Africa	19%	58%	22%	4%	12%

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Figure 35: Percentage of EMEA Consumers Using Multiple Methods for Mobile Payments

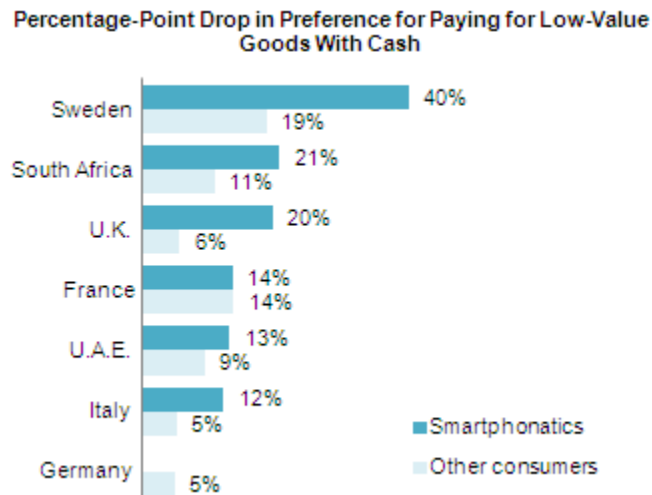


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

PAYMENT METHOD PREFERENCES

A shift away from the use of cash is evident among Smartphonatics in Sweden, South Africa, and the U.K. In Sweden, the percentage of Smartphonatics who prefer to use cash for lower-value goods dropped 40 percentage points, from 56% three years ago to just 16% today. In South Africa and the U.K., the corresponding percentage-point drop was roughly 20 points. In the other countries, the shift away from cash among other consumers was far less prevalent (Figure 36).

Figure 36: Change in Preference for Cash for Paying for Low-Value Goods in EMEA



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

REASONS FOR NOT MAKING MOBILE PAYMENTS

The reasons why EMEA consumers don't make mobile payments vary widely by country and by consumer segment. In the U.K., 30% of Smartphonatics who haven't made mobile payments cite a lack of trust as their reason for not doing so. Among other U.K. consumers, however, having a mobile phone that isn't set up to make mobile payments is the most prevalent reason. The pattern among German consumers was similar to the reasons cited by British respondents.

More than half of French Smartphonatics haven't made mobile payments because their banks don't offer it. Other French consumers, on the other hand, pointed to the inability of their mobile phone to make mobile payments. For both Italian Smartphonatics and other Italian consumers, too, this reason was the most frequently cited factor for not making mobile payments.

In Sweden and South Africa, nearly four in 10 Smartphonatics said they don't know how to make mobile payments (Table G).

Table G: Reasons for Not Making Mobile Payments in EMEA

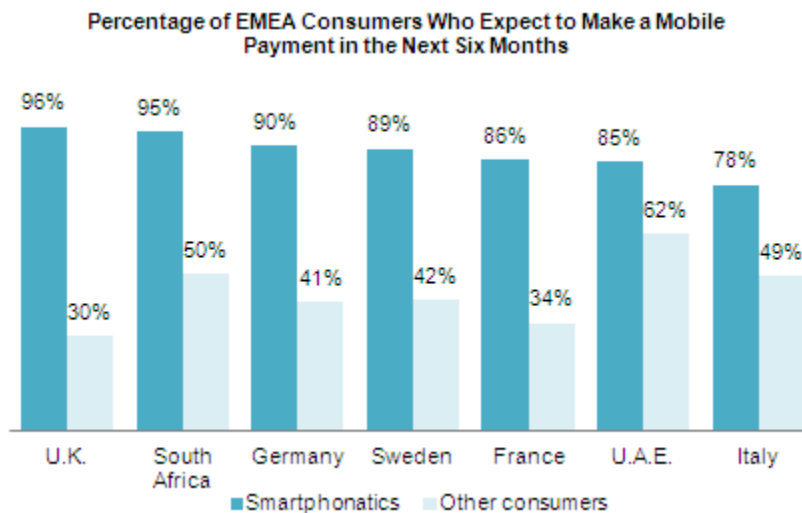
		Q. Why didn't you make mobile payments in the past six months?			
		Don't trust it	Mobile phone isn't set up to do so	My bank doesn't offer it	Don't know how to
U.K.	Smartphonatics	30%	21%	20%	19%
	Other consumers	11%	46%	4%	17%
France	Smartphonatics	11%	6%	54%	28%
	Other consumers	13%	57%	10%	13%
Italy	Smartphonatics	0%	57%	1%	36%
	Other consumers	9%	57%	3%	13%
Germany	Smartphonatics	31%	19%	0%	37%
	Other consumers	14%	38%	10%	18%
Sweden	Smartphonatics	6%	35%	0%	39%
	Other consumers	8%	34%	1%	24%
U.A.E.	Smartphonatics	13%	21%	19%	32%
	Other consumers	19%	22%	11%	15%
South Africa	Smartphonatics	28%	16%	2%	41%
	Other consumers	19%	12%	2%	18%

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE PAYMENT AND BANKING ADOPTION EXPECTATIONS

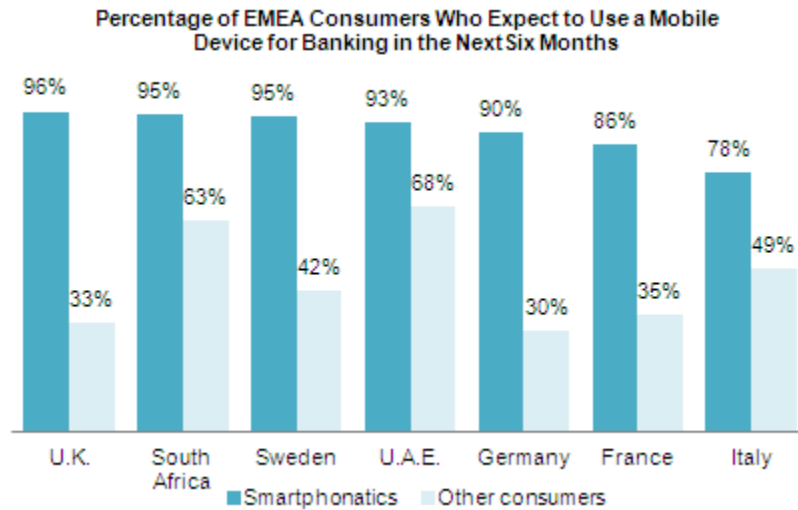
Looking ahead, Smartphonatics will continue to lead the way in the adoption and use of mobile payments and mobile banking. Among consumers who have not already made mobile payments, a higher percentage of Smartphonatics than other consumers in all seven EMEA countries surveyed expect to make a mobile payment in the near future (Figure 37). In addition, an overwhelming majority of Smartphonatics will be using a mobile device for banking by 2013. Among other consumers in Europe, no more than half expect to be doing so (Figure 38).

Figure 37: Expected Use of Mobile Payments in EMEA



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

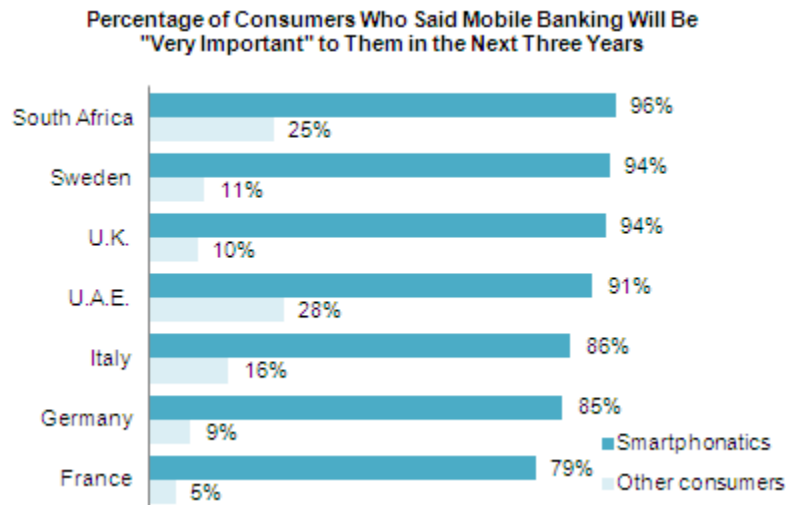
Figure 38: Expected Use of Mobile Banking in EMEA



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Although other consumers’ use of mobile banking will begin to catch up with Smartphonatics in EMEA countries, their attitudes toward the activity are significantly different. Across most EMEA countries, more than nine of 10 Smartphonatics said mobile banking will be “very important” to them in the next three years. Among other consumers in the European countries, however, that percentage doesn’t get above 16%. In South Africa and the United Arab Emirates, roughly one in four other consumers expects mobile banking to be “very important” to them (Figure 39).

Figure 39: Importance of Mobile Banking in EMEA

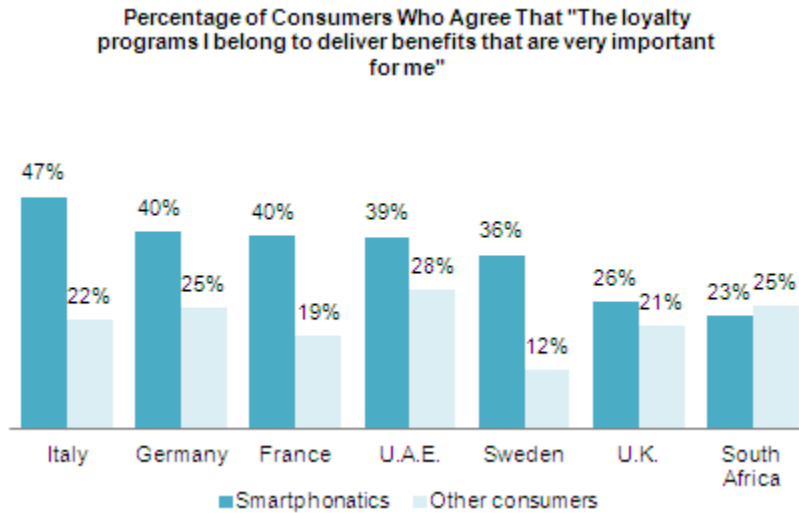


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

LOYALTY PROGRAM ATTITUDES

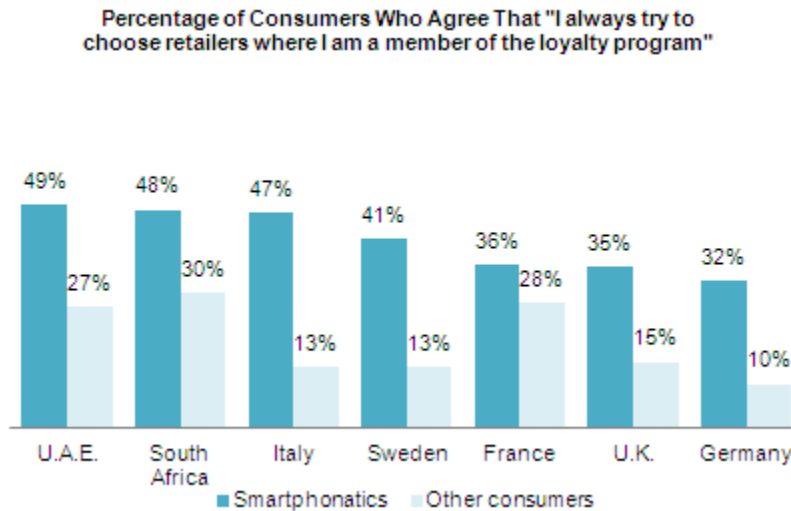
Loyalty programs also play an important role to Smartphonatics. In six of the seven EMEA countries surveyed (the exception being South Africa), a larger percentage of Smartphonatics said that loyalty programs deliver benefits that are “very important” to them (Figure 40). A larger percentage of Smartphonatics than other consumers in all seven countries said that they always try to choose retailers whose loyalty programs they belong to (Figure 41).

Figure 40: Importance of Loyalty Benefits in EMEA



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Figure 41: Loyalty Program Attitudes in EMEA

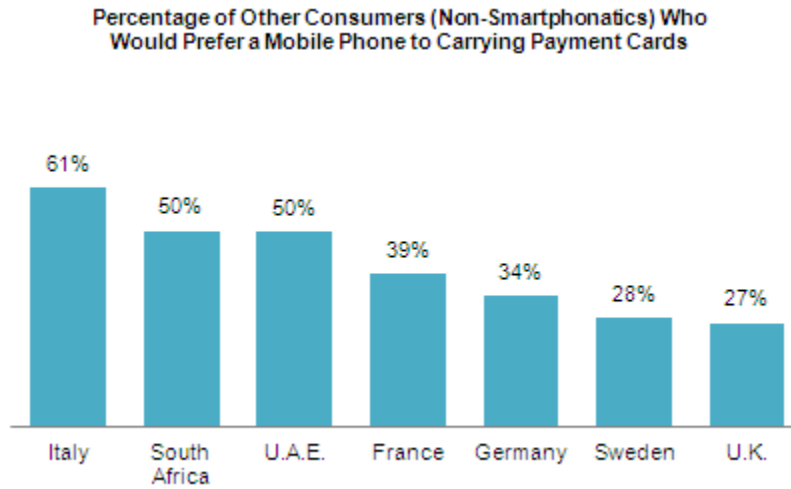


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE COMMERCE ATTITUDES

In Italy, roughly six in 10 non-Smartphonatics expressed an interest in replacing their payment cards with a mobile phone. In South Africa and the United Arab Emirates, that percentage was 50%. Sweden and the U.K. have the lowest percentage of other EMEA consumers interested in replacing their payment cards with a mobile device (Figure 42).

Figure 42: Interest in Replacing Payments Cards With a Mobile Device in EMEA



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE PAYMENTS AND BANKING IN THE ASIA-PACIFIC

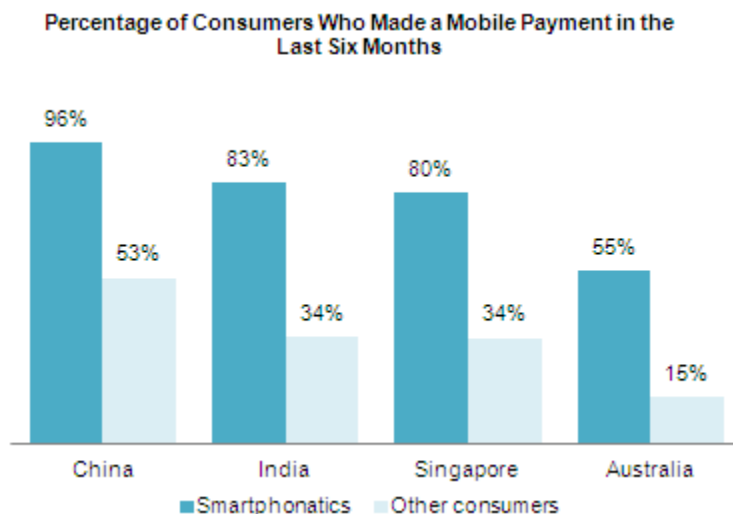
With a relatively young population overall, India leads all countries in this study, with 60% of its citizens categorized as Smartphonatics. In other Asia-Pacific countries, as well, Gen Yers are disproportionately represented in the ranks of Smartphonatics (Table H). In China, nearly everyone categorized as a Smartphonatic made a mobile payment in the past six months. In the other Asia-Pacific countries surveyed, a higher percentage of Smartphonatics made mobile payments in the recent past than did Smartphonatics in the other regions surveyed (Figure 43).

Table H: Generational Composition by Segment in the Asia-Pacific

		Gen Y	Gen X	Boomer	Senior
Australia	Smartphonatics	36%	35%	22%	7%
	Other consumers	19%	28%	32%	21%
China	Smartphonatics	37%	53%	10%	0%
	Other consumers	21%	26%	36%	18%
India	Smartphonatics	40%	39%	19%	3%
	Other consumers	26%	24%	32%	17%
Singapore	Smartphonatics	32%	42%	27%	0%
	Other consumers	23%	37%	28%	13%

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

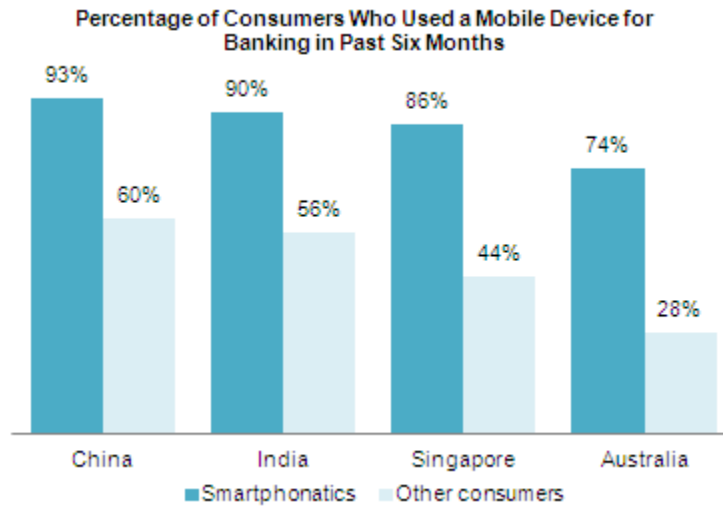
Figure 43: Mobile Payment Activity by Segment in the Asia-Pacific



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Smartphonatics in China also led the way in mobile banking adoption, edging out Indian Smartphonatics by a few percentage points. The largest gap between Smartphonatics and other consumers, however, was in Australia, where 74% of Smartphonatics banking via a mobile device—this is in contrast to just 28% of other consumers (Figure 44).

Figure 44: Mobile Banking Adoption by Segment in the Asia-Pacific



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE PAYMENT METHODS

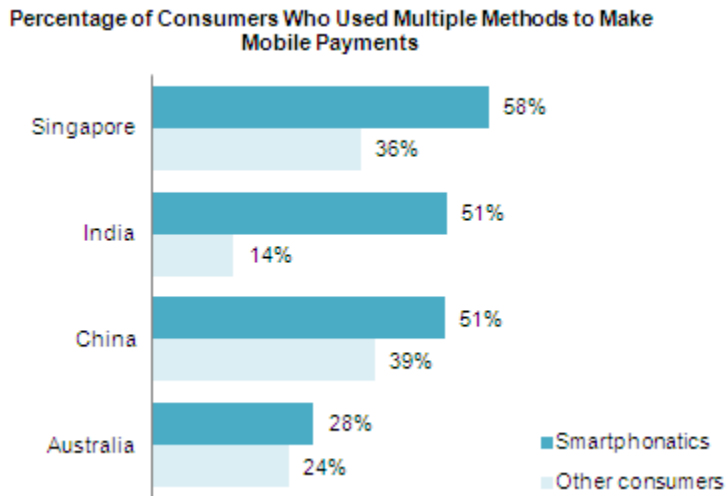
The methods used to make mobile payments in the Asia-Pacific countries varied. The phone’s Web browser was the most popular method for Smartphonatics in Australia, China, and India. In Singapore, however, PayPal and other apps were the most popular payment method. Among other consumers in the Asia-Pacific countries, with the exception of India, the phone’s Web browser was most commonly used (Table I). As with consumers in the other regions studied, Smartphonatics were more likely than other consumers to have used multiple methods to make mobile payments (Figure 45).

Table I: Methods Used to Make Mobile Payments in the Asia-Pacific

		PayPal or other app	Phone’s Web browser	Text/SMS	Contactless
Australia	Smartphonatics	55%	57%	23%	4%
	Other consumers	51%	55%	16%	3%
China	Smartphonatics	59%	72%	33%	28%
	Other consumers	35%	67%	29%	30%
India	Smartphonatics	45%	68%	51%	15%
	Other consumers	20%	42%	47%	8%
Singapore	Smartphonatics	73%	62%	44%	26%
	Other consumers	54%	56%	27%	19%

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

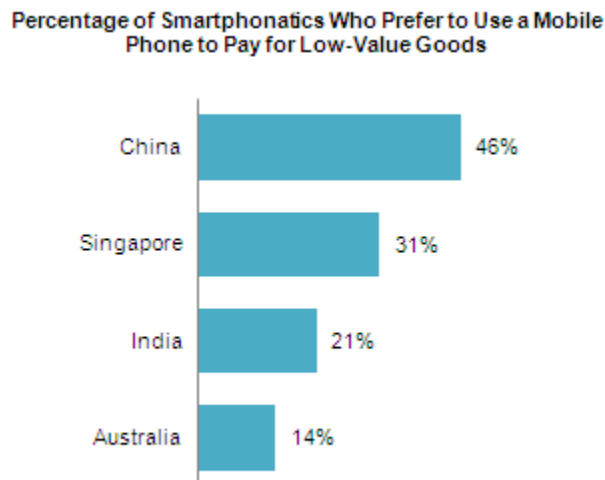
Figure 45: Asia-Pacific Consumers Who Used Multiple Methods to Make Mobile Payments



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Paying with a mobile phone for low-value goods has become the preferred payment method for nearly half of Chinese Smartphonatics and more than three in 10 Smartphonatics in Singapore (Figure 46). A change in preference for cash for these goods is most prevalent in China, where one-third less of Smartphonatics and nearly a quarter less of other consumers no longer prefer cash (Table J). Almost one in four Chinese Smartphonatics already prefers to use their mobile phone for person-to-person payments (Figure 47). In addition, Asia-Pacific consumers’ preference for using cash for P2P payments has declined from three years ago (Table K).

Figure 46: Preference for Mobile Phone for Paying for Low-Value Goods in the Asia-Pacific

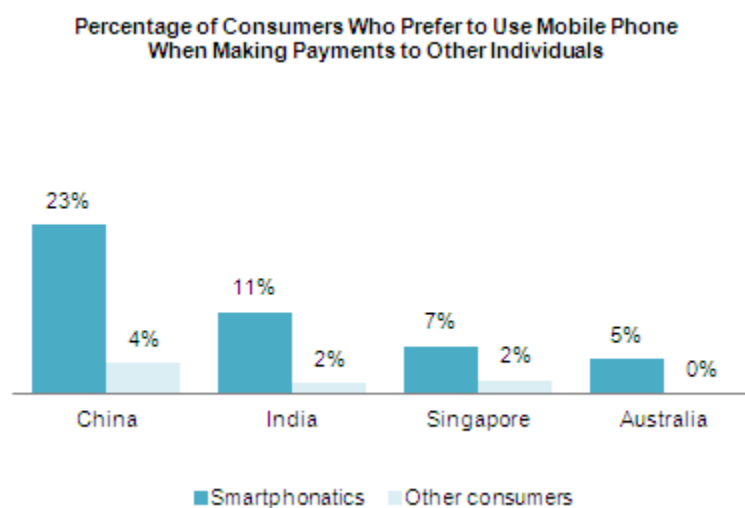


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Table J: Preference for Cash When Paying for Low-Value Goods in the Asia-Pacific

		Prefer cash for paying for low-value goods		
		Three years ago	Today	Percentage change
Australia	Smartphonatics	74%	55%	-19%
	Other consumers	86%	80%	-6%
China	Smartphonatics	57%	22%	-35%
	Other consumers	67%	43%	-24%
India	Smartphonatics	60%	50%	-10%
	Other consumers	79%	67%	-12%
Singapore	Smartphonatics	63%	42%	-21%
	Other consumers	68%	59%	-9%

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Figure 47: Preference for Mobile Phone for P2P Payments in the Asia-Pacific

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Table K: Preference for Cash When Making P2P Payments in the Asia-Pacific

		Prefer cash for making P2P payments		
		Three years ago	Today	Percentage change
Australia	Smartphonatics	61%	34%	-27%
	Other consumers	62%	54%	-8%
China	Smartphonatics	61%	33%	-28%
	Other consumers	70%	45%	-25%
India	Smartphonatics	41%	29%	-12%
	Other consumers	43%	34%	-9%
Singapore	Smartphonatics	39%	15%	-24%
	Other consumers	41%	24%	-17%

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

REASONS FOR NOT MAKING MOBILE PAYMENTS

Asia-Pacific consumers give a wide variety of reasons for why they didn't make mobile payments in the past six months. Among Australian Smartphonatics, 35% said their mobile phone isn't set up to make mobile payments, 30% said they don't know how to make mobile payments, and roughly one in four cited lack of trust. Trust wasn't a big issue for other Australian consumers, who were most likely to blame their lack of mobile payment activity on the inability of their phones to make payments.

A mobile phone not set up to make payments was a popular reason for not making mobile payments in China. Forty percent of the Chinese Smartphonatics who haven't made mobile payments said they don't feel the need to, however.

In India, 15% of Smartphonatics cited lack of trust for not making mobile payments, although twice as many other consumers mentioned trust as an issue. And in Singapore, not knowing how to make mobile payments was the most frequently cited reason for not making mobile payments by Smartphonatics. Having a mobile phone that isn't set up for mobile payments was the most popular reason among other consumers (Table L).

Table L: Reasons for Not Making Mobile Payments in the Asia-Pacific

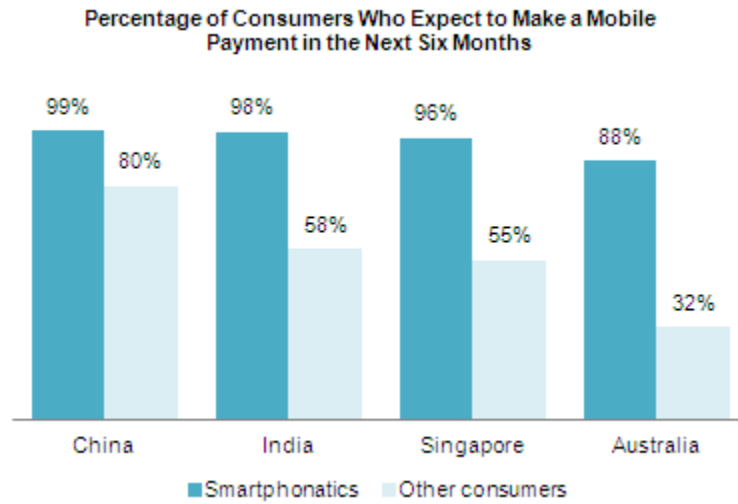
		Q. Why didn't you make mobile payments in the past six months?			
		Phone isn't set up to do so	Don't know how to	Don't trust it	Don't feel the need to
Australia	Smartphonatics	35%	30%	26%	9%
	Other consumers	41%	27%	11%	19%
China	Smartphonatics	60%	0%	0%	40%
	Other consumers	46%	10%	17%	27%
India	Smartphonatics	32%	30%	15%	19%
	Other consumers	28%	13%	31%	24%
Singapore	Smartphonatics	12%	38%	19%	25%
	Other consumers	43%	14%	20%	20%

Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE PAYMENTS AND BANKING ADOPTION EXPECTATIONS

Looking ahead, the adoption of mobile payments in Asia will accelerate rapidly. In China, nearly every Smartphonatic—and eight in 10 other consumers—anticipate making a mobile payment in 2012. The percentage of Smartphonatics in India and Singapore who expect to make mobile payments in the near future is near 100%, as well, and more than half of the other consumers of those countries anticipate making mobile payments (Figure 48).

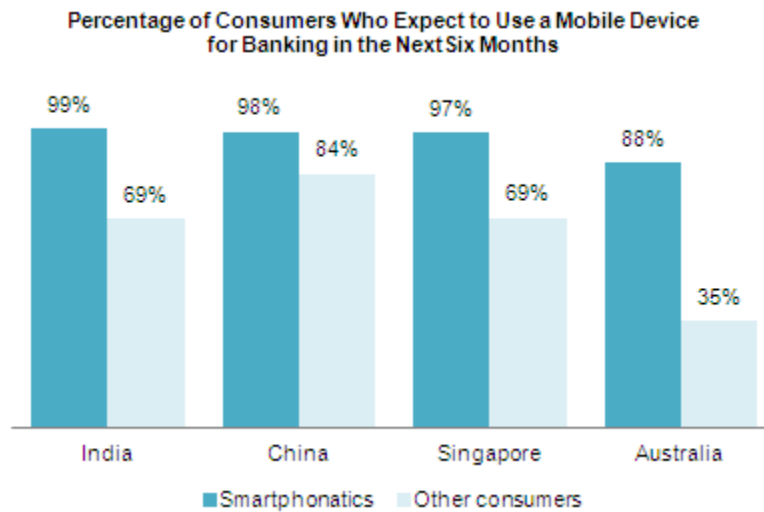
Figure 48: Expected Use of Mobile Payments in the Asia-Pacific



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

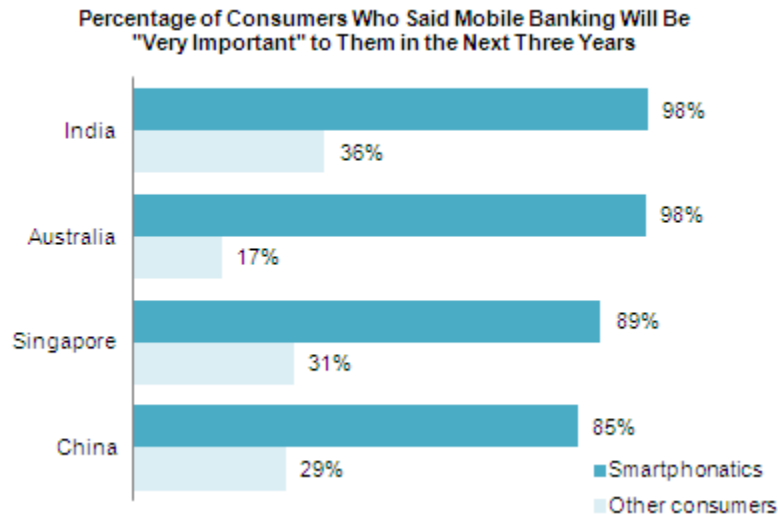
Mobile banking will be nearly ubiquitous among Smartphonatics in India, China, and Singapore by the end of 2012. Among other consumers in those countries, adoption of mobile banking is likely to exceed seven in 10 consumers. In Australia, nearly 90% of the Smartphonatics expect to do mobile banking, but just 35% of other consumers expect to do so (Figure 49). Although the vast majority of consumers in the Asia-Pacific countries studied expect to do mobile banking in the near future, it still remains more important to Smartphonatics than to the rest of the population (Figure 50).

Figure 49: Expected Use of Mobile Banking in the Asia-Pacific



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Figure 50: Importance of Mobile Banking in the Asia-Pacific

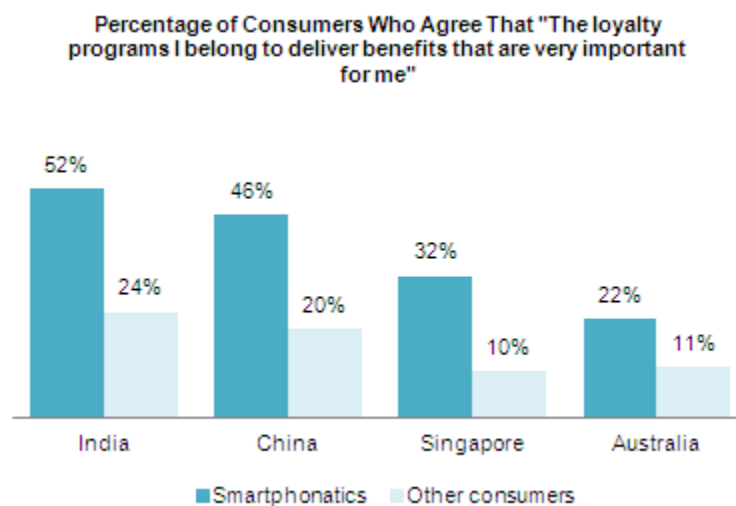


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

LOYALTY PROGRAM ATTITUDES

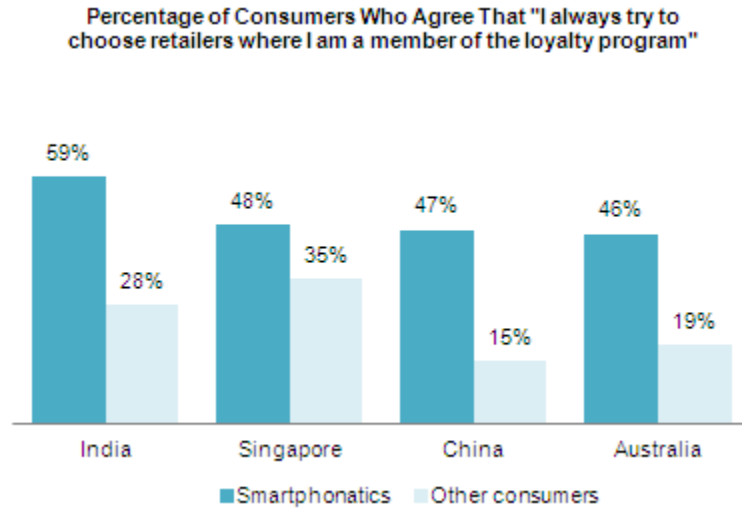
Loyalty programs play an important role to Smartphonatics in the Asia-Pacific. Roughly half of Indian and Chinese Smartphonatics believe that the loyalty programs they belong to provide benefits that are “very important” to them. In contrast, less than a quarter of other consumers in those two countries believe the same (Figure 51). Smartphonatics in the four Asia-Pacific countries studied are also far more likely than other consumers to try to shop at the retailers whose loyalty programs they belong to (Figure 52).

Figure 51: Importance of Loyalty Benefits in the Asia-Pacific



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

Figure 52: Loyalty Program Attitudes in the Asia-Pacific

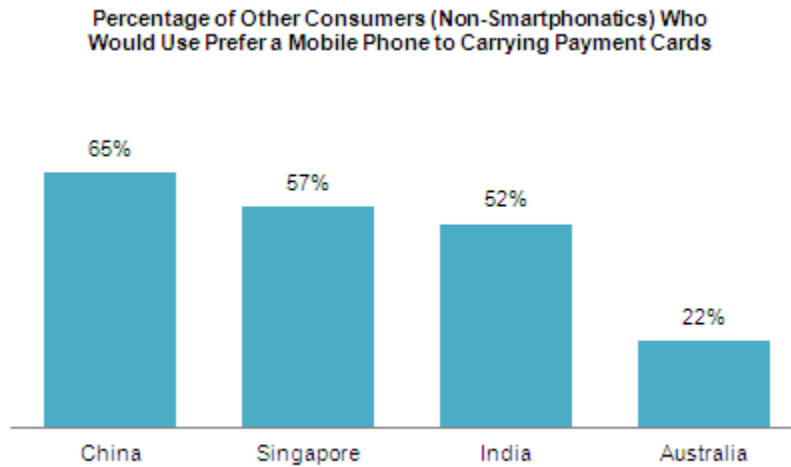


Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

MOBILE COMMERCE ATTITUDES

Among non-Smartphonatics in China, nearly two of three expressed an interest in replacing their payment cards with a mobile phone. In Singapore, nearly six in 10 non-Smartphonatics expressed this interest, and in India, the percentage was 52%. Australia was the outlier in Asia-Pacific with just 22% of non-Smartphonatics interested in having a mobile device replace their payment cards (Figure 53).

Figure 53: Interest in Replacing Payments Cards With a Mobile Device in the Asia-Pacific



Source: Aite Group; ACI Worldwide study of 4,200 consumers in 14 countries, Q1 2012

CONCLUSION

From ACI's survey of 4,200 consumers in 14 countries and three regions, Aite Group concludes that:

- **Smartphonatics drive mobile payment and mobile banking adoption across the globe.** This segment of consumers varies in size across countries and demonstrates far higher mobile channel adoption than other consumers in each country. The members of this segment feel that mobile payments and banking will be “very important” to them in the next few years, and they’re interested in having their mobile device replace the payments cards they carry today.
- **Smartphonatics’ attitudes provide clues to creating demand for mobile payments.** Two of the biggest attitudinal differences between Smartphonatics and other consumers are (1) perceived importance of mobile payments, and (2) interest in replacing payment cards with a mobile device. Financial institutions, retailers, and processors trying to generate mobile payment interest and demand should deploy marketing programs that demonstrate the convenience and benefits of replacing cards with a mobile wallet.
- **Smartphonatic penetration represents a country’s mobile maturity level.** Today, 60% of Indian consumers, and 20% of Americans, are Smartphonatics. In the future, 75% of Indians may be in the Smartphonatic category, along with 60% of Americans. The current difference in size of the Smartphonatic segment across countries doesn’t reflect innate differences between nations—it reflects each country’s evolution in the maturity of the mobile channel.
- **The global rise of mobile payments will occur at different rates across countries.** Mobile payments adoption will continue to rise or lag in unexpected places irrelevant of traditional economic or cultural boundaries. The United States, for instance, has a good shot at being among the developed economies where mobile payments arise first. Yet, neighboring Canada is set to be a serious laggard. In Europe, Italy shows far more promise than a Nordic country like Sweden—which has long been perceived at the cutting edge of all things mobile, including mobile banking—or any other major European economy such as Germany, France, and the U.K., for that matter. The rise of mobile payments is set to upend the world map of electronic payment powers.
- **It’s not just about the smartphone.** Although we’ve named this key segment of consumers Smartphonatics, it’s important for payments executives to understand that the smartphone is simply an enabler—not a driver—of changing behavior. Not all smartphone owners are Smartphonatics, and not all Smartphonatics own a smartphone. What makes the Smartphonatics important is their changing behavior—from making payments with cash to making payments with mobile devices, and making those payments using different technology approaches—which provides a blueprint for how later adopters of the technology will behave.

- **Multiple payment methods will persist.** Across most countries, Smartphonatics are more likely than other consumers to use multiple methods to make mobile payments. Aite Group believes this reflects their desire to experiment with different approaches to see which one (or ones) work(s) best for them. As interest and demand for mobile payment increases among other consumers, we believe those consumers will experiment with different approaches more than they do today, forcing payments providers to offer a range of alternatives.

The global rise of Smartphonatics has implications for various constituents in the financial services and payments spaces:

- **Financial institutions should integrate new mobile payments and banking capabilities into their existing infrastructure.** The adoption of mobile payments will proceed at various rates in different countries, but one thing will be consistent—the existing methods of payment won't disappear overnight. Creating payments silos for mobile and other channels will be too expensive for FIs to manage.
- **Large merchants and merchant processors should test various POS mobile payment strategies.** Specifically, they should do this in order to support different types of mobile payment and mobile wallet methods—they shouldn't bank on a one-size-fits-all solution.
- **Merchants that are in the process of planning a terminal upgrade should adopt EMV enabled technology and contactless readers.** Merchants' infrastructure should focus on making it very easy to add new payment solutions that will piggyback on the contactless NFC acceptance infrastructure.

RELATED AITE GROUP RESEARCH

[Digital Wallets: Who Will Win The Game?](#) November 2011.

[The Hosted POS: Enabling Mobile Marketing and Mobile Payments in the United States](#),
September 2011.

[The Case for Merchant Funded Incentives: New Opportunities for Card Issuers](#), June 2011.

[Merchant Acquiring, an Update: EMV, Interchange, and Mobile Payments](#), May 2011.

[The Impact of Mobile Banking: A Case for Mobile Marketing](#), April 2011.

[Open Payments Platforms: Risks and Opportunities](#), December 2010.

[U.S. Mobile Payments: The Time Has Come](#), November 2010.

[Banks and Businesses in the Crosshairs: Cybercrime and Its Impact](#), September 2011.

ABOUT AITE GROUP

Aite Group is an independent research and advisory firm focused on business, technology, and regulatory issues and their impact on the financial services industry. With expertise in banking, payments, securities & investments, and insurance, Aite Group's analysts deliver comprehensive, actionable advice to key market participants in financial services. Headquartered in Boston with a presence in Chicago, New York, San Francisco, London, and Milan, Aite Group works with its clients as a partner, advisor, and catalyst, challenging their basic assumptions and ensuring they remain at the forefront of industry trends.

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