Mobile money – the next wave of growth

Optimizing operator approaches in a fast-changing landscape
Executive summary

Assessing the global mobile payments landscape

Optimizing the enabling environment for mobile payments

Making the most of a growing addressable market

Five strategic success factors for mobile operators

- Leverage established strengths and reputation in security and customer insight
- Improve and align payments-related competencies within the organization
- Engage with customers, suppliers and stakeholders in new ways
- Consider targeted investments to improve time-to-market
- Reinvigorate partnerships and joint ventures to grow capabilities and improve credibility with end users
Mobile money — the next wave of growth is the latest in a series of EY reports on developments and opportunities in the market for mobile payments and related services. The previous reports in this series, in 2009 and 2011, focused mainly on emerging technologies and the various types of service they enable. This latest study drills into the opportunities for telecoms operators as the pace of evolution quickens in the mobile payments market, driven by new technologies and customer needs alongside a changing regulatory environment.

In compiling this year’s report, we have drawn on detailed research and client insights from EY industry professionals, supplemented by an online survey of 6,000 consumers in 12 countries worldwide across four continents. This research is covered in greater detail in another EY report, The mobile maze.

Taken together, our industry insights and consumer research point to three key findings:

1. Mobile payments are set for a new wave of growth, but disruption is rising in a blurring industry landscape.
   - Mobile payments innovations have occurred sporadically over the last decade to suit local scenarios. Operators in emerging markets were the first to leverage mobile money, but the pace of innovation is now quickening in developed markets.
   - Accelerating growth is expected in the value and volume of mobile payments transactions globally, with non-banks accounting for a rising share.
   - The universe of mobile payments services is expanding rapidly as boundaries blur between payments, marketing and shopping services delivered via mobile and as new entrants disrupt existing market scenarios.
   - The mobile money opportunity varies significantly between regions. Mobile money transfer has proved transformational in emerging markets but developed markets are at a much earlier stage of growth.

2. Strong enabling environments are vital to the long-term success of mobile payments.
   - Around the world, support from governments and central banks has provided the bedrock for scalable mobile money transfer services.
   - The challenges around regulatory oversight and policy agendas are greater in developed markets than in emerging ones. Sector-specific policies and consumer protection frameworks need to be aligned to help overcome fragmentation in mobile payments.
   - Horizontal (multi-operator) and vertical (multi-industry) partnerships in mobile payments are becoming more prevalent. However, as partnering models become more complex there is a growing risk of ecosystems competing with each other.
   - Helped by state support, mobile payment systems are becoming more open, but full interoperability is proving difficult to achieve.

3. Operators must widen their service offerings, leveraging existing capabilities in customer information and location sensitivity as they refresh their partnering agenda.
   - Operators should widen their service portfolios to include a greater range of financial services while also combining payments with related functionalities in location-sensitive marketing and advertising for consumers, businesses and partners alike.
   - Flexible business and operating models are vital if service providers are to meet evolving customer demands, adapt to local market conditions and cope with shifting regulatory imperatives. Flexible partnering frameworks, innovative pricing models and targeted acquisitions will all have a role to play.
   - EY consumer research shows the importance of segmenting customers, which will only become more important as addressable markets widen and new use cases arise. Care must be taken to highlight the relevance of new services while ensuring that privacy and security credentials of mobile money services are well understood.
Isolated progress to date, but innovation rates are quickening

To date, innovations in mobile money across the world have taken place in a largely isolated way to meet specific local needs. Starting in 2000, with the introduction in the Philippines of Smart Money – the world’s first electronic cash card linked to a mobile phone – by mobile operator Smart, mobile payment services have gained traction in a number of emerging markets, such as Kenya and Pakistan.

Although operators in emerging markets were the first to develop and offer transformational mobile money transfer services, innovations in developed markets are now gathering pace, encouraged by developments such as widening availability of near field communications-enabled handsets, growing usage of mobile wallets, and hardware- and app-based innovations from the likes of Square and PayPal. As the momentum of innovation increases, accelerating growth is expected in the value and volume of mobile payments transactions globally, with non-banks accounting for a rising share (see Figure 1).

Figure 1: Annual global m-payment transactions, 2010–14F

While the rising share of mobile payments handled by non-banks underlines the opportunity for operators, the proportion of mobile phone users actively using mobile money services remains tiny. Figures from a range of industry sources reveal that mobile payment users still account for just 7% of mobile phone subscribers worldwide in 2013. Nevertheless, mobile payment users are set to increase as a proportion of overall mobile users, totaling more than 450m by 2017.

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Interconnected use cases signal new opportunities

To assess the opportunity for mobile money, it is important to define what services fall within and adjacent to this category. The universe of these services is expanding rapidly as boundaries blur between payments, marketing and shopping services delivered via mobile and as the range of industry participants widens. As Table 1 shows, an array of new service opportunities are appearing within the overall scope of “mobile money” as various players pursue their own ambitions and search for their sweet spot.

Table 1: Mobile money and related services

<table>
<thead>
<tr>
<th>Low-service maturity</th>
<th>High-service maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile marketing</td>
<td>Mobile banking and payments</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>• Data analytics</td>
<td>• Point-of-sale payments e.g., NFC/barcode</td>
</tr>
<tr>
<td>• Service and product advertising and marketing (also location-based)</td>
<td>• Mobile wallets</td>
</tr>
<tr>
<td>• Loyalty schemes</td>
<td>• Device-based credit card processing solutions</td>
</tr>
<tr>
<td>• Offers and promotions</td>
<td>• Direct carrier billing</td>
</tr>
<tr>
<td>Core competency: customer relationship</td>
<td>• Salary payments</td>
</tr>
<tr>
<td></td>
<td>• Microfinance</td>
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<tr>
<td></td>
<td>• Insurance services</td>
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<td></td>
<td>• Investment services</td>
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<tr>
<td></td>
<td>• International remittance</td>
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<td></td>
<td>• Domestic remittance</td>
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<td></td>
<td>• Mobile web payments</td>
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<tr>
<td></td>
<td>• Utility bill payments</td>
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<tr>
<td></td>
<td>• Account management</td>
</tr>
</tbody>
</table>

Mobile shopping

• Product and service search and discovery
• Social location shopping (Groupon, Foursquare)
• Price comparison shopping
• Support, customer care
• Orders and delivery

Core competency: customer experience

Global mobile marketing ad spend by retailers reached US$28bn in 2012, to double by 2015

Mobile payments accounted for 3.3% of global non-cash transaction volume in 2012

Shopping via mobile device accounted for 9.5% of US digital e-commerce sales in H1 2013

Led by technology and marketing specialists, retailers

Led by financial institutions, mobile operators, technology start-ups

Service provider ambitions

1. Mobile operators
   • Diversify into new market segments
   • Add value for customers and partners through network reach and insight
   • Meet underserved customer needs

2. Financial institutions
   • Provide a multi-channel distribution mix
   • Avoid value chain disintermediation
   • Extend addressable markets

3. Technology and web specialists
   • Disrupt existing value chains
   • Leverage deeper customer insights
   • Create new demand scenarios

4. Merchants/retailers
   • Improved customer loyalty and experience
   • Reduced transaction fees

Sources:
The widening scope of mobile payments and related services comes as supporting technologies proliferate, with established and emerging standards being used to meet a variety of needs. Long-standing mobile messaging technologies such as SMS and USSD are being used to support services such as domestic and international remittances, microfinance and salary disbursement, mainly in emerging markets and largely for unbanked or underbanked mobile subscribers.

At the same time, technologies such as NFC, QR codes and Bluetooth low energy (BLE) are being used for the likes of retail point-of-sale and mobile wallet transactions, transit payments and retailer loyalty schemes, primarily in developed markets. And, at the forefront of innovation, emerging cloud technologies such as hosted cloud emulation (HCE) stand poised to drive new forms of mobile wallet, m-commerce and marketing related services — expanding use cases and altering existing value chains.

Emerging versus developed markets: demand varies by region and country

The difference in mobile payment services and technologies between emerging and developed markets reflects underlying contrasts in demand — in turn mirrored by contrasts in use cases, competing infrastructures and partner ecosystems (see Figure 2). With many adults across Africa, Asia and Latin America still lacking access to formal financial institutions, mobile money has proved transformational as a tool to combat financial exclusion among the unbanked. As a result, mobile money penetration already outstrips bank accounts in several emerging countries, including many in Africa.

In contrast, mobile payments services in developed markets are at a much earlier stage of growth but present massive opportunities going forward. After a slow start, growth in mobile payments transactions and the penetration of stored-value accounts into the mobile user base are projected to accelerate from 2015, driven by factors including rising merchant acceptance, policy support and customer education. Ovum estimates that by 2017, 10% of UK mobile phone users will have stored-value accounts, with Germany and Spain projected to be at 9%.

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Mobile money take-up varies sharply by country

EY’s Mobile maze consumer study – featuring a survey of 6,000 consumers in 12 countries – highlights the variations between countries. Overall, a global picture emerges of a situation in which take-up of mobile money services is currently low and consumers continue to harbor significant reservations over adoption.

Over one in five mobile subscribers in the global study currently use mobile money transfers or mobile payments at location at least occasionally, but more than one in four say they don’t and have no intention of doing so in the future. More positively, 22% of consumers currently don’t use these services but would consider doing so. Unsurprisingly, younger users are more receptive to mobile money: 11% of those aged 25–30 regularly use device-based money transfer, compared with only 4% in the 46–65 age group.

The findings at a country level reveal some stark contrasts (see Figure 3). The proportion of respondents saying they have no intention of using mobile money transfer ranges from a low of 24% in India to a high of 57% in the US, while the highest levels of uptake are in India (31%), Russia (30%) and China (29%). The lowest usage is in Sweden, at 14%. Meanwhile, take-up of location-based mobile payments is highest in China and India. These findings underline that the early momentum is strongest in emerging markets but that universal adoption still faces challenges in all markets, especially the developed ones.

Figure 3: Adoption of mobile money services by country

Q. Please tick one box that best describes your usage of mobile money transfer services on your primary mobile device

- Use service regularly (every day/several times per week)
- Have used the service regularly in the past but no longer use it
- Do not use this service but considering trying/using it in the future
- Use service occasionally (approximately once a week or less)
- Have tried the service in the past but did not become a user
- Do not use this service and have no intention of using it in the future

Q. Please tick one box that best describes your usage of mobile payment at location services on your primary mobile device

- Use service regularly (every day/several times per week)
- Have used the service regularly in the past but no longer use it
- Do not use this service but considering trying/using it in the future
- Use service occasionally (approximately once a week or less)
- Have tried the service in the past but did not become a user
- Do not use this service and have no intention of using it in the future

4 The mobile maze, EY, October 2012.
Industry co-operation is increasing – but this creates its own challenges

Regulatory complexity remains a long-term challenge

The pivotal role of strong enabling environments is evident in many emerging markets, where support from governments and central banks has provided the bedrock for scalable mobile money transfer services. By the end of 2013, there were over 200 mobile money services aimed at unbanked users available worldwide – and statistics from the GSMA show that mobile operators accounted for 72% of live mobile money deployments worldwide in 2012, helping policymakers achieve their aim of increasing financial inclusion.\(^5\) While demographics and socioeconomic forces clearly influence mobile money take-up, the regulatory environment often plays a “make-or-break” role.

In developed markets, however, the challenges around regulatory oversight and policy agendas tend to be greater. In many countries, mobile payments regulation remains highly fragmented, and addressing this requires sector-specific policies and consumer protection frameworks to be aligned. However, the applicable regulations are often still fluid in developed markets, and regulators there are focused on increasing competition and efficiency in the financial services sector, as opposed to increasing financial inclusion in a way that prioritizes mobile payments per se.

Also, mobile payments in many cases still adheres to the traditional “four-cornered” model of merchant, acquirer, issuer and cardholder, meaning that legacy rules and regulations apply in credit, debit, prepayment, clearing and so on.

Figure 4: US industry entities affecting migration to m-payments

The result is a highly complex and fragmented landscape of regulatory oversight and related industry bodies – as illustrated in Figure 4, which shows the number of entities affecting mobile payments migration in the US. Meanwhile in Europe, an array of bank-specific, payment-specific and wider regulatory initiatives are under way, with which both legacy and new entrant payment service providers have to keep pace.

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Payment services regulation requires a holistic and coordinated approach

An emerging focus for developed market policymakers is facilitating market access for new payments providers in a way that boosts competition and creates greater choice and convenience for end users. Reconciling legacy rules around access to bank account information with advances in online and mobile payments is important at a national level, for example.

At the same time, cross-border initiatives that balance competitive innovation in payment methods with protection for consumers and businesses are no less crucial. Policies such as the European Central Bank’s Single European Payments Area (SEPA) – designed to harmonize domestic and cross-border cashless payments – are challenging to implement but are important for efficient growth in wholesale and international mobile payments.

Meanwhile, the European Commission’s overhaul of its payment services directive is designed with innovations in mobile and internet payments in mind. Accompanying proposals to cap payment scheme multilateral interchange fees – paving the way for increased economies of scale that can stimulate the provision of cross-border services – may force many mobile payments players to innovate beyond per-transaction fee-sharing models towards business models that integrate data with loyalty and reward-oriented schemes. In such scenarios, regulation designed to promote greater efficiency of payment systems presents an implicit challenge to accepted business models.

With even proposed new regulations subject to continual revisions, it is essential that governments, industry regulators, consumer protection agencies and trade bodies reconcile the various drivers of their activities in order to generate a holistic road map for the regulation of digital payments services. The desire for sustainable competition in banking and payments services should be balanced with a keen understanding of changing customer needs, as well as a commitment to proportionate rules for new entrants.

More complex ecosystems are forming in mature markets

Against this tangled background, a further layer of complexity is being added in developed markets by the creation of new ecosystems around specific technologies and service offerings. While these industry groupings are all seeking to drive take-up and usage of mobile money, competition between them may accelerate technology fragmentation, undermining scale and confusing customers.
As the competing ecosystems battle it out, disruptive innovations are continuing within mobile payments and related segments, as technology specialists drive the launch of new services at POS. Players such as Malaysia-based MOLCube, Sweden-based iZettle and US-based Square are all making inroads – with competition levels now rising between technology start-ups themselves.

In the long term it will be vital for the technology specialists to differentiate themselves from rival “me too” products, causing them to focus on continuous business model overhaul. They also need to work with a widening range of partners and leverage strong merchant relationships to maintain their pace of innovation.

The benefits of interoperability and open systems

Disruptive innovation inevitably involves a degree of fragmentation, especially in the short term. However, a longer-term trend that may help to solve the current confusion and complexity in the mobile payment platforms landscape is a move toward interoperability between different platforms. Interoperability can bring many benefits, helping platforms and ecosystem members to achieve reduced costs, greater customer value through enhanced functionality and convenience, and ultimately increased choice for end customers. However, despite the central role of interoperability in platforms’ success, it is not a goal in itself. Instead, interoperability acts as a tool to achieve broader goals of business model efficiency, increased competition, scalability and greater customer reach.

Today, more open payment systems are appearing, but fully interoperable services are still in their infancy in most markets. Interoperability might enable – for example – a customer with an account with one service provider to send or receive money to or from the account of another customer with a different service provider. However, while this is clearly desirable, regulators can be ambivalent about such moves as operators compete for market share. Currently, markets such as Singapore, Indonesia and China are leading progress toward interoperability in mobile payments, while markets such as the UK and US are still at relatively low levels of interoperability.
Interoperability at work in Indonesia

Indonesia is notable for growth in mobile payments services against a backdrop of interoperability between mobile money providers. Of a population of 247m, less than 10% have access to a bank account, and greater financial inclusion would generate a range of socioeconomic benefits as part of a more robust and effective financial system. Considered in the context of its regional peers, Indonesia’s banking sector is relatively underdeveloped, yet take-up of mobile services and propensity for online activities is reasonably well pronounced.

Figure 7: Take-up of mobile and financial services in South-East Asia

In May 2013, Indonesia’s three mobile operators agreed to allow interoperability between their mobile wallets. Users can cash in to the service using a range of mechanisms – agents, outlets and ATMs – and send money to users on other mobile networks for a fee. This reflects strong levels of state support for mobile payments, which forms part of the government’s commitment to branchless banking. In 2012, rules were introduced to aid cash-out services, with the Central Bank subsequently releasing guidelines for banks and mobile operators wishing to outsource services to agents.

The benefits of interoperability are clear. Earlier, mobile operators’ money transfer services had seen low levels of activity – with active users of services standing at less than 10% of registered users. With a strong enabling environment now in place, mobile payments providers can focus on execution, honing their operating models as they target a substantial addressable market.

Looking ahead, high levels of interoperability can enable value chain participants to take on additional roles – retailers, for example, can act as agents while also accepting payments from their goods and services from end users. Scope for growth well beyond money transfer and bill payment remains: in time, prepaid credit virtual currencies and direct-carrier billing could all have a role to play as important payments instruments.

Mobile money — the next wave of growth

New competencies, new business models, new partnerships

Realizing a range of compelling use cases

In recent years, many operators have expanded their mobile money portfolios from basic money transfer and bill payments toward value-added features such as insurance and more sophisticated proximity payments offerings. As this evolution continues, success will depend on operators’ ability to drive a phased expansion of differentiated services, allied to higher levels of trust among end users.

A consideration of leading operators’ mobile money offerings shows that operators are expanding their service portfolios at varying rates. Virtually all the major players now have mobile services that support core person-to-person (P2P) or person-to-business capabilities such as bill payment. Most have expanded beyond these into services such as international remittances and insurance. But only a handful have ventured into higher-end value-added services like loan disbursement and government-to-person (G2P) payments or into offering mobile payments at the point of sale.

Wider service propositions that view mobile payment as one of many interrelated services are being supported by advances in operators’ business and operating models. These include widening their array of ecosystem relationships to include collaboration with retail banks, merchants and technology vendors while targeting new customer segments, from migrant workers and sole-trader businesses to retail, entertainment and public sectors.

Such shifts are in turn opening up a broadening range of revenue streams, from transaction and subscription fees at the business-to-consumer (B2C) end of the spectrum to in-store loyalty, targeted advertising and big data analytics at the business-to-business (B2B) end. A good example of how operator strategies are now focusing on mobile payments as part of a wider proposition for retailers – one that also encompasses marketing and advertising services – can be seen in Weve, the UK m-commerce joint venture.
Weve: combining capabilities in advertising and payments in the UK

Weve is a joint venture between three of the UK’s four mobile network owners designed to provide a mobile advertising and payments platform. Originally announced in 2011, the proposed joint venture was scrutinized by European Commission antitrust regulators after concerns it may hinder competition; however, regulatory approval was received in September 2012. Together, the operators behind the platform account for 80% of the UK mobile market, an addressable market unmatched by rivals.

The joint venture intends to provide a range of services, including a mobile payment wallet and mobile marketing campaigns. Leadership of the joint venture has drawn on external hires with experience of the payments industry, and Weve plans to launch mobile marketing for brands in the first instance, before providing payments capability at the point of sale. Such an approach aims to capitalize on the fact that the UK is one of the world’s leading mobile advertising markets.

Figure 8: UK mobile advertising spending, 2012–17

In the six months to October 2013, Weve built an audience of 20 m consumers who have opted in to receive marketing ads and offers – and some 400 SMS and MMS campaigns were delivered for 175 brands.6 Click-through rates stand at over 2% in many cases, and location sensitivity – on an anonymized basis – has been built into the service, with brands able to target customers via postal area, as well as via other attributes, such as handset brand and type of mobile contract.

Looking ahead, Weve plans to add a mobile display advertising platform, alongside mobile wallet capability. Differential capabilities are top of mind for the joint venture, which is focusing on improving the identification of consumers across applications and the mobile web as part of its advertising strategy.7

Partnerships are bringing much-needed expertise to Weve’s engagement with interested brands. In 2013, the joint venture struck a deal with the Logic Group to build a central database infrastructure to support Weve’s loyalty scheme initiative. Weve has also partnered with Mastercard to capitalize on the UK’s contactless payments infrastructure, with around 300,000 retail outlets able to support contactless transactions.8 In terms of technology for in-store and handset services, Weve is taking a broad approach that will incorporate NFC, barcodes and QR codes. At the same time, the platform remains open to taking on additional mobile operators, reflecting a greater drive towards inclusivity in such alliances.

6 “Weve takes on tech giants in battle of m-commerce,” Campaign, 3 October 2013.
8 “Weve and MasterCard join forces,” Weve, 6 February 2014.
Customer segmentation reveals the avenues to service adoption

As operators roll out and refine their mobile money strategies, they face clear choices over which consumers to target with new offerings. In this context, EY’s global Mobile maze consumer survey worldwide shows clearly that young, urban smartphone owners are leading the adoption of mobile money services.

The study finds that proportion of smartphone owners using mobile payment services regularly or occasionally is twice that of non-smartphone owners. Yet the proportion of potential users is similar across device categories, suggesting strong future demand for mobile payment regardless of people’s current device type.

On the age and location of mobile payment users, take-up of mobile payment services is highest among those aged 18–35, with usage best established in the 25–30 age bracket for both mobile money transfer and mobile payment at location (see Figure 9). And the readiness to use mobile payments at location rises even further among city and town dwellers. Urban city dwellers are also clear leaders in mobile money transfer, with 29% using these services compared with 23% across all respondents.

**Figure 9: Mobile payments take-up according to age and location**

![Diagram showing mobile money transfer and mobile payment at location by age and location](image-url)
Greater confidence in privacy and security can drive mobile payments take-up

The sharp contrasts between different groups of consumers underpin the importance of segmenting customers to target the likeliest adopters. And in seeking to maximize take-up of mobile payments among their target consumers, operators should stress their privacy/security measures and communicate the relevance of their services, our research indicates.

As Figure 10 shows, customers considering taking up mobile money transfer cite detailed information on security and privacy measures as the leading reason to try them sooner, followed by a free trial and a better understanding of the service benefits. The same factors occupy the top three places driving take-up of proximity payments, albeit with free trials as the prime incentive (Figure 11).

Figure 10: Take-up drivers for potential users of mobile money transfer

Question: If you are considering trying the service, what would make you try it sooner?

<table>
<thead>
<tr>
<th>Take-up driver</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Details of security and privacy measures</td>
<td>45%</td>
</tr>
<tr>
<td>Free trial of the service</td>
<td>42%</td>
</tr>
<tr>
<td>Greater understanding of service benefits</td>
<td>40%</td>
</tr>
<tr>
<td>Details of how to install and use the service</td>
<td>36%</td>
</tr>
<tr>
<td>Recommendations from friends/colleagues</td>
<td>30%</td>
</tr>
<tr>
<td>More flexible payment options</td>
<td>27%</td>
</tr>
<tr>
<td>Availability of Wi-Fi to use the service</td>
<td>24%</td>
</tr>
</tbody>
</table>

Better understanding of service benefits cited by 45% of those aged 36-45; peer recommendations cited by 37% of those aged 18-24.

Turning to inhibitors to take-up, we asked lapsed users of both money mobile transfer and mobile payment at location services why they had not started to use these services after trialing them. In each case the top inhibitor by a wide margin was a lack of relevance to their needs, followed by worries about overspending while using the service. So, to boost take-up in a sustainable way, operators need to build trust among consumers that mobile money offerings are secure — while also making the services as relevant to customers as possible — in order to convert trialists into users.

To create a compelling customer experience in the long-term, service providers should consider the implications of the end-user journey. In the case of mobile money transfer, this will involve considering the steps through which a customer can gain access to traditional banking services, for example. In retail scenarios for proximity payments, operators should consider the entire customer experience, from planning a shopping trip to the in-store experience and post-transaction customer needs.
Greater convenience and increased trust levels can drive regular usage

Further findings cast light on the factors that encourage more frequent use by consumers who’ve taken up mobile money services. In mobile money transfer, regular users cite ease of use and value for money as the leading factors that have made them regular users – underlining the importance of service convenience. For mobile payment at location, the top two usage accelerants are the same, with trust in service provider the third most popular reason cited. Interestingly, security and privacy credentials feature less prominently, reflecting regular users’ greater confidence regarding such concerns.

Figure 12: Usage accelerants for regular users of mobile money transfer

<table>
<thead>
<tr>
<th>Usage accelerant</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy to use</td>
<td>63%</td>
</tr>
<tr>
<td>Good value for money</td>
<td>45%</td>
</tr>
<tr>
<td>Security and privacy features</td>
<td>42%</td>
</tr>
<tr>
<td>Trusted service provider</td>
<td>42%</td>
</tr>
<tr>
<td>Better understanding of service benefits</td>
<td>35%</td>
</tr>
<tr>
<td>Clear pricing plans that met my needs</td>
<td>35%</td>
</tr>
<tr>
<td>Works well as an addition to existing PC web service</td>
<td>34%</td>
</tr>
<tr>
<td>Service provider trust (46%) and PC service extension (41%) rank second and fourth among those aged 18-24</td>
<td></td>
</tr>
</tbody>
</table>

Figure 13: Usage accelerants for regular users of mobile payment at location

<table>
<thead>
<tr>
<th>Usage accelerator</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy to use</td>
<td>61%</td>
</tr>
<tr>
<td>Good value for money</td>
<td>50%</td>
</tr>
<tr>
<td>Trusted service provider</td>
<td>38%</td>
</tr>
<tr>
<td>Clear pricing plan that met my needs</td>
<td>38%</td>
</tr>
<tr>
<td>Security and privacy features</td>
<td>37%</td>
</tr>
<tr>
<td>Better understanding of service benefits</td>
<td>33%</td>
</tr>
<tr>
<td>Works well as an addition to existing PC web service</td>
<td>31%</td>
</tr>
<tr>
<td>Service provider trust is more important for those aged 36-45 (52%), while easy to use scores highest in the US (71%) Australia, the Netherlands (67%)</td>
<td></td>
</tr>
</tbody>
</table>

The need for a flexible business model as the pace of innovation increases

Taken together, these findings indicate that operators seeking to succeed in the mobile money marketplace must meet changing customer needs in a convenient, relevant and cost-effective way through a phased expansion of mobile payments and related services. This is no small challenge given that operators must adapt to changing market conditions, whether in the form of quickening technology cycles, evolving competitive landscapes or new policy imperatives.

Newer technologies such as hosted card emulation (HCE) and BLE may gain traction, opening up existing NFC ecosystems to more innovation and driving more sophisticated use cases involving a wider range of industry participants. Such developments promise greater scale in mobile proximity payment deployments, with lower implementation costs for merchants, while application providers may have greater control over service provisioning. At the same time, mobile POS solutions may prove increasingly attractive to larger retailers as part of a closed loop system. In such disruptive scenarios, a flexible business model is essential.

Such a model will require innovative collaboration with a wider range of partners, while also identifying, designing and managing different service propositions that are contextually and location-aware for a number of customer segments. As they widen their mobile money offerings, operators must also add new competencies, whether by increasing organizational agility, considering targeted acquisitions or engaging with partners and suppliers in new ways.

To sustain the phased expansion and evolution of their service portfolios, operators’ business and operating models must evolve in tandem with their partnerships. The evolution in business models must go well beyond transaction fee sharing, to realize returns with more sophisticated service propositions where a range of partners need to be incentivized.

A typical evolution path for an operator’s mobile money services is shown on Figure 14. The organizational flexibility required to navigate such a journey is likely to include specialized business units and joint ventures with other industry actors, which will help operators not only to devise and deliver new services but also to incubate and develop new competencies.
Given that the mobile payments opportunity varies significantly from market to market and may change over time within each market, operators must also remain responsive to local market conditions and developments. These factors will vary depending on several variables, including:

- Banking and payments policies, such as “cashless society” programs
- Market structures in banking, mobile and retail sectors
- Business models, including intra-sector and/or inter-sector partnering
- The mix of legacy and new payments instruments, from debit/credit cards to mobile web apps
- The payments technology landscape, from POS, ATMs, NFC and BLE to emerging cloud platforms for proximity services
- The range of target customer segments, from migrant workers and shoppers to different types of merchant and retailer
To succeed in the mobile money services space, operators must remain sensitive to the evolving nature of the mobile payments opportunity and execute their service strategies by leveraging existing strengths and growing new competencies to support a phased expansion.

Today’s global mobile payments landscape is highly complex, with a wide array of business models – including those led by operators, bank/payment systems and technology companies, and ranging from operator/bank partnerships to “closed-loop” merchant models and even to decentralized models such as the MintChip digital currency backed by the Canadian Government.

To claim their share of users, transactions and revenues in this diverse and expanding mobile payments landscape, EY believes that operators need to harness four key success factors:

1. Leverage established strengths and reputation in security and customer insight

Operators have trusted consumer brands in terms of security – and this is a vital competitive advantage in a fast-evolving service environment where security concerns hinder customer take-up. As mobile payment services become part of a broader product mix, operators can exploit their strong reputations for security and leverage their unique user data to open up new opportunities in identity management for customers.

2. Improve and align payments-related competencies within the organization

To achieve the necessary blend of flexibility and focus, operators need to consolidate and align their payments-related competencies in new business units, supplemented by external hires with experience in payments and marketing. Design and development of payments services should be linked and integrated with other emerging competencies in cloud, big data and customer analytics to sustain and grow long-term differentiation.

3. Engage with customers, suppliers and stakeholders in new ways

Engaging in new ways with a widening set of ecosystem partners and stakeholders is essential to ensure that value chains are incentivized. Collaborate engagement with merchants and vendors can strengthen service creation – while greater focus is needed on the end user experience.

4. Consider targeted investments to improve time-to-market

Given the current fragmentation of the payments landscape – particularly on the technology and applications side – targeted acquisitions may prove invaluable as operators ramp up their service portfolios. These may help operators get to market more quickly with compelling services in high-potential areas like insurance and customer loyalty solutions.
5. **Reinvigorate partnerships and joint ventures to grow capabilities and improve credibility with end users**

Partnerships will remain the lifeblood of successful mobile payments and related propositions, particularly as operators look to differentiate their offerings with more sophisticated functionalities. In this light, robust partner screening and alignment are essential, as is leadership buy-in from organizations looking to partner. Governance and decision-making processes must be both clear and flexible – with regular reviews of partners’ aims and ambitions if tactical tie-ups are to mature into strategic alliances and confer mutual advantages to the partners involved.

**Building your mobile money road map**

With these five success factors in place, an operator will be well-placed to draw up its mobile money road map for each target market. As Figure 15 shows, the priorities for the road map will vary according to supply- and demand-side factors – most notably the operator’s current market presence – and the market’s level of maturity on a scale from emerging to developed.

**Figure 15: The EY mobile money road map**

In EY’s view, the mobile money opportunity is one that no operator can afford to ignore. As mobile transfer and payment solutions become increasingly differentiated and integrated into the wider mix of mobile services, they will increasingly drive buying and usage decisions by customers of all types. Operators that invest now in the necessary capabilities, technologies and relationships will reap the benefits for many years to come.

*We would like to acknowledge the input of our analyst team in the creation of this report.*
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