Consumers and Mobile Financial Services

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Background

- Survey by Knowledge Networks
- Nationally representative probability-based online panel of respondents
  - December 22, 2011 to January 9, 2012
  - 2,290 respondents
- Report released March 2012
Key Findings

- Among *all* mobile phone users:
  - 21% used mobile banking in past 12 months
  - 12% used mobile payments in past 12 months

- Among *smartphone* users (44% of mobile phone users)
  - 42% used mobile banking in past 12 months
  - 23% used mobile payments in past 12 months
Key Findings

- 78% fully banked; 11% underbanked; 11% unbanked

- Underbanked more likely to be: 30-44, less educated, minority, lower income (under $40,000), working or self-employed.

- Unbanked more likely to be: 18-29, less educated, not a home owner, not married, minority, low income (under $25,000), laid-off or looking for work.
Underbanked & Mobile

- 9 out of 10 have mobile phone
  - 57% have smart phone

- Nearly 3 out of 10 (28%) use mobile banking
  - 22% plan to use in next 12 months

- 1 out of 6 (17%) use mobile payments
  - 3 out of 5 pay bills
  - 1 out of 5 transfer money
Unbanked & Mobile

- 3 out of 5 (63%) have mobile phone
  - 26% have smart phone

- 10% use mobile banking
  - 19% plan to use in next 12 months

- 1 out of 8 (12%) use mobile payments
  - 2 out of 5 pay bills
  - 1 out of 3 make purchase
  - 1 out of 4 transfer money
## Mobile Phones & Income

<table>
<thead>
<tr>
<th></th>
<th>Income $40,000 or less</th>
<th>Income over $40,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully banked</td>
<td>67.4%</td>
<td>86.8%</td>
</tr>
<tr>
<td>Underbanked</td>
<td>13.4</td>
<td>9.1</td>
</tr>
<tr>
<td>Unbanked</td>
<td>18.8</td>
<td>3.8</td>
</tr>
<tr>
<td>Own a mobile phone</td>
<td>78.7</td>
<td>91.8</td>
</tr>
<tr>
<td>Own a smartphone</td>
<td>22.4</td>
<td>43.6</td>
</tr>
</tbody>
</table>
## Use of Prepaid Cards

<table>
<thead>
<tr>
<th></th>
<th>Fully banked</th>
<th>Underbanked</th>
<th>Unbanked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use general-purpose reloadable card</td>
<td>13.2</td>
<td>17.9</td>
<td>20.6</td>
</tr>
<tr>
<td>Use payroll card</td>
<td>*</td>
<td>8.4</td>
<td>6.6</td>
</tr>
<tr>
<td>Use government card</td>
<td>3.2</td>
<td>6.0</td>
<td>14.8</td>
</tr>
<tr>
<td>Reloaded in last 12 months</td>
<td>33.3</td>
<td>53.7</td>
<td>65.1</td>
</tr>
<tr>
<td>Reloaded in last 30 days</td>
<td>35.4</td>
<td>53.3</td>
<td>44.6</td>
</tr>
</tbody>
</table>

* 10 or fewer observations
Mobile Banking Definition

Mobile Banking uses a mobile phone to access your bank account, credit card account, or other financial account.

You can use mobile banking by:

• Accessing bank’s web page through web browser
• Text messaging
• Using downloaded application
Using your mobile phone, have you done any of the following in the past 12 months?

- Downloaded bank’s mobile...
- Checked account balance or...
- Paid bill using bank’s online...
- Received text message alert...
- Transferred money between...
- Deposited check to account...
- Located closest in-network ATM

Legend:
- Unbanked
- Underbanked
- Banked
What are the main reasons why you have decided not to use mobile banking?

- Banking needs met without...
- Concerned about security
- High cost of data access
- Hard to see screen
- Bank charges fee
- Don't trust the technology
- Don't have account
- Hard to set up

[Bar chart showing reasons for not using mobile banking]
Rate the security of mobile banking for protecting your personal information

- Don't know
- Very unsafe
- Somewhat unsafe
- Somewhat safe
- Very safe

[Bar chart showing responses for different groups (Unbanked, Underbanked, Banked).]
Mobile Payments Definition

Mobile payments are purchases, bill payments, charitable donations, payments to another person, or any other payments made using a mobile phone.

You can make payments by:

- Accessing web page through the web browser
- Text message
- Using downloadable application

The amount of the payment may be:

- Applied to your phone bill (e.g. Red Cross donation)
- Billed to credit card
- Debited from bank account or prepaid card
How do you make your mobile payments?

- Text message
- Phone web browser
- App to make or receive payment
- None of the above

[Bar chart showing the distribution of responses among Unbanked, Underbanked, and Banked]
Where does your mobile payment come from?

- Credit card, debit card, or prepaid card number
- Bank account
- Charged to your phone bill
- Paypal, Google Wallet, iTunes, etc
- Other

**Unbanked**
**Underbanked**
**Banked**
What are the main reasons why you have decided not to use mobile payments?

- Concerned about security
- Easier to pay with other...
- Don’t see any benefit
- Don’t know if stores use...
- Don’t have feature on phone
- Cost of data plan
- Not offered by bank
- Bank charges fee
- Don’t trust technology
- Difficult to set up

[Bar chart showing reasons for not using mobile payments for Unbanked, Underbanked, and Banked individuals]
## Mobile & Financial Management

<table>
<thead>
<tr>
<th>Activity</th>
<th>Fully banked</th>
<th>Underbanked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check account balance</td>
<td>90.6%</td>
<td>88.6%</td>
</tr>
<tr>
<td>Set up low-balance alert</td>
<td>35.7</td>
<td>30.0</td>
</tr>
<tr>
<td>Transferred money into account</td>
<td>58.7</td>
<td>*</td>
</tr>
<tr>
<td>Reduced spending</td>
<td>45.4</td>
<td>*</td>
</tr>
<tr>
<td>Set up payment due alert</td>
<td>32.1</td>
<td>*</td>
</tr>
<tr>
<td>Paying on time improved a little</td>
<td>30.6</td>
<td>*</td>
</tr>
<tr>
<td>Paying on time improved a lot</td>
<td>43.7</td>
<td>*</td>
</tr>
</tbody>
</table>

* 10 or fewer observations
## Technology & Financial Management

<table>
<thead>
<tr>
<th></th>
<th>Fully banked</th>
<th>Underbanked</th>
<th>Unbanked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use a program or website to track household finances</td>
<td>24.1</td>
<td>20.7</td>
<td>3.5</td>
</tr>
<tr>
<td>Use a mobile phone to track purchases and expenses</td>
<td>6.7</td>
<td>13.3</td>
<td>6.3</td>
</tr>
</tbody>
</table>
# Mobile & Consumer Decisions

<table>
<thead>
<tr>
<th>Activity</th>
<th>Fully banked</th>
<th>Underbanked</th>
<th>Unbanked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use mobile to check account balance or available credit before purchase</td>
<td>64.6%</td>
<td>76.9%</td>
<td>66.9%</td>
</tr>
<tr>
<td>Decided not to buy something</td>
<td>58.3</td>
<td>58.3</td>
<td>*</td>
</tr>
<tr>
<td>Compare prices online before going to stores</td>
<td>62.2</td>
<td>59</td>
<td>28.9</td>
</tr>
<tr>
<td>Look at product reviews online before going to store</td>
<td>62</td>
<td>57.2</td>
<td>24.7</td>
</tr>
<tr>
<td>Use mobile to comparison shop while at store</td>
<td>19.4</td>
<td>23.7</td>
<td>12.9</td>
</tr>
<tr>
<td>Use mobile for online shopping</td>
<td>16.2</td>
<td>22.3</td>
<td>9.4</td>
</tr>
</tbody>
</table>

* 10 or fewer observations
## Mobile & In-store Shopping

<table>
<thead>
<tr>
<th>Activity</th>
<th>Fully banked</th>
<th>Underbanked</th>
<th>Unbanked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use mobile to comparison shop while at store</td>
<td>19.4</td>
<td>23.7</td>
<td>12.9</td>
</tr>
<tr>
<td>Use mobile to read product reviews while at store</td>
<td>15.5%</td>
<td>24.7%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Changed which item you purchased</td>
<td>75.6</td>
<td>86.2</td>
<td>*</td>
</tr>
<tr>
<td>Use barcode scanning to shop for prices</td>
<td>11.7</td>
<td>20.2</td>
<td>*</td>
</tr>
<tr>
<td>Changed where you purchased</td>
<td>65.7</td>
<td>71.2</td>
<td>*</td>
</tr>
</tbody>
</table>

* 10 or fewer observations
# Mobile & Coupons

<table>
<thead>
<tr>
<th>Activity</th>
<th>Fully banked</th>
<th>Underbanked</th>
<th>Unbanked</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use mobile phone to manage discount offers and coupons</td>
<td>30.4</td>
<td>34.3</td>
<td>25.8</td>
</tr>
<tr>
<td>Use mobile phone to receive offers and promotions based on current location</td>
<td>32.8</td>
<td>37.6</td>
<td>28.9</td>
</tr>
<tr>
<td>Signed up to receive coupons or special offers by email</td>
<td>39.1</td>
<td>52.5</td>
<td>19.6</td>
</tr>
<tr>
<td>Made a purchase as a result of the offer</td>
<td>76.9</td>
<td>66.8</td>
<td>51.5</td>
</tr>
<tr>
<td>Signed up to receive coupons/offers from a website such as Groupon or Living Social</td>
<td>29.9</td>
<td>39.4</td>
<td>7.9</td>
</tr>
<tr>
<td>Used a coupon from Groupon or Living Social</td>
<td>58.2</td>
<td>51.3</td>
<td>40.2</td>
</tr>
</tbody>
</table>
Conclusions

- Use of smartphones linked to mobile banking and mobile payments
  - Potential for use to increase as more consumers get smartphones
- Mobile payments used less frequently than mobile banking
  - Infrastructure issues
  - Value proposition -- convenience over other forms of payment
- Need to address concerns about usefulness and security
Conclusions

- Mobile as a channel for delivery
  - Separation for those who “don’t like dealing with banks”
  - Potential to reduce costs
- Payments tied to payment due alert and low-balance alert may be especially helpful
- Potential for coupons/offers
  - Balance between “real” discounts vs incentive to spend more
- Tracking spending and just-in-time information services may be promising pathways toward wealth-building