The Future of the Mobile Wallet: Barriers and opportunities for the next stage of the mobile payment revolution

2015
About this study

- The mobile wallet revolution is well underway, but the winning providers are far from decided. As part of CMB’s self-funded Consumer Pulse Program, we surveyed consumers to understand what the future holds for mobile payments.
- In this report we answer the following critical questions:
  - What do customers expect and want from mobile payment solutions, and which companies do they want it from?
  - What features will spur adoption and use?
  - How have awareness, perceptions, and adoption of mobile payment solutions changed over the past 2 years?
  - What do consumers think about wearables such as smartwatches?
  - How will wearables impact mobile wallet adoption?
The mobile wallet category is going mainstream—usage has nearly doubled since 2013.

The majority of users pay with Mobile Wallet 2-3 times a week.

**All Respondents: Familiarity with Mobile Wallet**

<table>
<thead>
<tr>
<th>Year</th>
<th>Unfamiliar</th>
<th>Somewhat familiar</th>
<th>Very familiar</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>42%</td>
<td>50%</td>
<td>8%</td>
</tr>
<tr>
<td>2015</td>
<td>37%</td>
<td>44%</td>
<td>18%</td>
</tr>
</tbody>
</table>

**All Respondents: Use of Mobile Wallet**

<table>
<thead>
<tr>
<th>Year</th>
<th>Not used, and do not plan to</th>
<th>Not used, but plan to</th>
<th>Used in past 6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>71%</td>
<td>20%</td>
<td>9%</td>
</tr>
<tr>
<td>2015</td>
<td>63%</td>
<td>22%</td>
<td>15%</td>
</tr>
</tbody>
</table>
What’s stopping non-users* from adopting?
The ubiquity of smartphone ownership and online shopping have eased concerns over security, but those who have not used, and don’t intend to use, a mobile wallet still cite concerns over identity theft and fees as top barriers.

* Those who have not waved or tapped mobile phone at cash register to pay for a purchase in past 6 months, do not plan to in next 6 months, and have knowledge of mobile wallet
While security remains a top barrier to mobile wallet usage, concern over security is diminishing among non-users.

Non-users: Barriers to Mobile Wallet Use

- I am worried about security: 62% in 2015, 73% in 2013
- I don’t want to pay any fees: 40% in 2015, 54% in 2013
- I don’t want the store to have my mobile wallet info.: 26% in 2015, 34% in 2013
- Not as convenient as using cash or a credit card: 19% in 2015, 19% in 2013
- No single payment system across merchants: 15% in 2015, 19% in 2013
- Credit cards have better rewards: 14% in 2015, 21% in 2013
- I don’t know which app is the best: 13% in 2015, 17% in 2013
- Technology doesn’t always work properly: 10% in 2015, 16% in 2013
- It’s not available at stores I would want to use it: 9% in 2015, 19% in 2013
- Mobile screens are too small: 8% in 2015, 11% in 2013

Base: Non-users--Those who have not waved or tapped mobile phone at cash register to pay for a purchase in past 6 months, do not plan to in next 6 months, and have knowledge of mobile wallet.
Identify theft remains the biggest security fear of non-users.

### Non-users: Security Barriers to Mobile Wallet Use

<table>
<thead>
<tr>
<th>Security Barrier</th>
<th>2013 %</th>
<th>2015 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identity theft</td>
<td>57</td>
<td>65</td>
</tr>
<tr>
<td>Interception of personal info. as you perform a transaction</td>
<td>57</td>
<td>53</td>
</tr>
<tr>
<td>Theft of phone and loss of personal info. as a result</td>
<td>60</td>
<td>48</td>
</tr>
<tr>
<td>Hacking of mobile phone and loss of data</td>
<td>52</td>
<td>46</td>
</tr>
<tr>
<td>Hacking of service provider database and loss of data</td>
<td>34</td>
<td>40</td>
</tr>
<tr>
<td>Getting charged for accidental transactions</td>
<td>19</td>
<td>23</td>
</tr>
<tr>
<td>A virus</td>
<td>6</td>
<td>8</td>
</tr>
</tbody>
</table>

**Fear of losing personal information from smartphone theft or loss is falling sharply as more become familiar with remote wipe capabilities.**

Base: Non-users—Those who have not waved or tapped mobile phone at cash register to pay for a purchase in past 6 months, do not plan to in next 6 months, and have knowledge of mobile wallet.
100% fraud protection is by far the most effective security measure mobile wallet providers can offer non-users

<table>
<thead>
<tr>
<th>Security Solution</th>
<th>No more likely</th>
<th>Somewhat more likely</th>
<th>Much more likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% fraud/theft protection</td>
<td>21</td>
<td>36</td>
<td>43</td>
</tr>
<tr>
<td>Remote wipe MW data if phone lost/stolen</td>
<td>34</td>
<td>38</td>
<td>28</td>
</tr>
<tr>
<td>No personal data collected</td>
<td>35</td>
<td>38</td>
<td>28</td>
</tr>
<tr>
<td>MW account monitoring/pro-active alerts</td>
<td>38</td>
<td>38</td>
<td>24</td>
</tr>
<tr>
<td>PIN entry requirement</td>
<td>36</td>
<td>41</td>
<td>24</td>
</tr>
<tr>
<td>Fingerprint verification</td>
<td>41</td>
<td>37</td>
<td>23</td>
</tr>
<tr>
<td>Picture verification (on cashier’s terminal)</td>
<td>51</td>
<td>32</td>
<td>18</td>
</tr>
<tr>
<td>Facial features verification</td>
<td>52</td>
<td>31</td>
<td>17</td>
</tr>
<tr>
<td>Retina verification</td>
<td>51</td>
<td>32</td>
<td>17</td>
</tr>
<tr>
<td>Storing transaction data on the cloud</td>
<td>59</td>
<td>27</td>
<td>13</td>
</tr>
<tr>
<td>More companies offering MW options</td>
<td>49</td>
<td>39</td>
<td>12</td>
</tr>
<tr>
<td>More people using MWs</td>
<td>60</td>
<td>28</td>
<td>11</td>
</tr>
<tr>
<td>Voice verification</td>
<td>59</td>
<td>30</td>
<td>10</td>
</tr>
</tbody>
</table>

Base: Non-users—Those who have not waved or tapped mobile phone at cash register to pay for a purchase in past 6 months, do not plan to in next 6 months, and have knowledge of mobile wallet
The right messaging around security can aid push even some non-users over the adoption barrier

**Non-users: Impact of Messaging**

Instead of using your actual credit and debit card numbers when you add your card, a unique Device Account Number is assigned, encrypted, and securely stored in the Secure Element, a dedicated chip in your phone. These numbers are never known to anyone. When you make a purchase, the Device Account Number, along with a transaction-specific dynamic security code, is used to process your payment. So your actual credit or debit card numbers are never shared with merchants or transmitted with payment. Since you don’t have to show your credit or debit card, you never reveal your name, card number, or security code to the cashier when you pay in a store. This additional layer of privacy helps ensure that your information stays with you.

Base: Non-users--Those who have not waved or tapped mobile phone at cash register to pay for a purchase in past 6 months, do not plan to in next 6 months, and have knowledge of mobile wallet
Current user behavior

The mobile wallet market is still evolving with no clear competitors claiming a definitive win. However, familiarity and comfort with online payments have translated high awareness and satisfaction for a number of providers.
Satisfaction is high among users of the top mobile wallets

<table>
<thead>
<tr>
<th>Wallet</th>
<th>% Wallet Usage</th>
<th>Very Satisfied (%8-10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PayPal</td>
<td>61</td>
<td>88</td>
</tr>
<tr>
<td>Amazon</td>
<td>38</td>
<td>84</td>
</tr>
<tr>
<td>Starbucks</td>
<td>31</td>
<td>93</td>
</tr>
<tr>
<td>Apple Pay</td>
<td>31</td>
<td>89</td>
</tr>
<tr>
<td>Google Wallet</td>
<td>31</td>
<td>82</td>
</tr>
</tbody>
</table>

Base: Users—Those who have waved or tapped a mobile wallet at a cash register to pay for a purchase in the past 6 months
Among mobile wallet users, over a quarter would switch merchants based on mobile payment capabilities

- 85% said no
- 15% said yes

27% are very likely to switch to other businesses with mobile payments capability
18% would increase frequency of business if mobile payments capability were present

Base: Users—Those who have waved or tapped a mobile wallet at a cash register to pay for a purchase in the past 6 months
Credit card market share on current mobile wallets reflects overall credit card market share

Credit Cards Owned Overall and on Mobile Wallet

- Chase: 28% owned, 13% on mobile wallet
- American Express: 28% owned, 13% on mobile wallet
- Visa (a card issued directly by Visa): 24% owned, 14% on mobile wallet
- Bank of America: 21% owned, 11% on mobile wallet
- Capital One: 17% owned, 8% on mobile wallet
- Discover: 16% owned, 8% on mobile wallet
- MasterCard (a card issued directly by MasterCard): 16% owned, 9% on mobile wallet
- Citibank: 15% owned, 3% on mobile wallet
- Wells Fargo: 7% owned, 3% on mobile wallet

Base: Users—Those who have waved or tapped a mobile wallet at a cash register to pay for a purchase in the past 6 months
Many of today’s mobile wallets are linked to debit or checking accounts rather than credit cards

Debit Cards Owned Overall and Linked to Mobile Wallet

- Visa (an ATM or debit card)
- Bank of America
- Chase
- MasterCard (an ATM or debit card)
- Wells Fargo
- Capital One
- Discover
- Citibank
- American Express
- Direct billing to mobile operator/provider
- Mobile wallet is connected to checking account
- PayPal

Base: Users—Those who have waved or tapped a mobile wallet at a cash register to pay for a purchase in the past 6 months
What do the next wave of adopters want?

For current and prospective users, there are still opportunities for many types of providers to increase adoption and use.
Extra rewards are a big motivator to encourage mobile wallet use but alternate uses also hold real appeal.

Likely Adopters: Incremental Reach for Added-Value Features

Base: Likely adopters—Those who have not waved or tapped mobile phone at cash register to pay for a purchase in past 6 months but intend to in the next 6 months.
Likely adopters would prefer to add PayPal and checking accounts to mobile wallets over credit cards

<table>
<thead>
<tr>
<th>Credit Cards</th>
<th>0%</th>
<th>25%</th>
<th>50%</th>
<th>75%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Express</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chase</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital One</td>
<td>13</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visa (a card issued directly by Visa)</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discover</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank of America</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MasterCard (a card issued directly by MasterCard)</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citibank</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debit Cards/Other Methods</th>
<th>0%</th>
<th>25%</th>
<th>50%</th>
<th>75%</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>PayPal account</td>
<td>54</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checking account</td>
<td>37</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visa</td>
<td>23</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MasterCard</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct billing to mobile operator/provider</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank of America</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chase</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citibank</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discover</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital One</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Base: Likely adopters—Those who have not waved or tapped mobile phone at cash register to pay for a purchase in past 6 months but intend to in the next 6 months
PayPal is the preferred wallet provider followed by Apple Pay

<table>
<thead>
<tr>
<th>Likely Adopters: Top 5 Preferred Companies/Products</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PayPal</td>
<td>71%</td>
</tr>
<tr>
<td>Apple Pay</td>
<td>55%</td>
</tr>
<tr>
<td>amazon.com</td>
<td>49%</td>
</tr>
<tr>
<td>Google wallet</td>
<td>48%</td>
</tr>
<tr>
<td>Microsoft</td>
<td>34%</td>
</tr>
</tbody>
</table>

Base: Likely adopters—Those who have not waved or tapped a mobile phone at cash register to pay for a purchase in past 6 months but intend to in the next 6 months
While still in the early stages of adoption, wearables have the potential to drive mobile wallet use—particularly at the point of sale.
Most respondents are at least somewhat familiar with "wearables".

Wearable technology, often called “wearables,” is clothing or accessories that incorporate computer and advanced electronic technologies. The designs often incorporate practical functions and features, such as pedometers, heart rate monitors and activity trackers.
Nearly a quarter of respondents say they’re very likely to buy wearables, but many don’t see the “need” for them yet.

Likelihood to Purchase
- Not likely (%0-4): 24%
- Somewhat likely (%5-7): 21%
- Very likely (%8-10): 55%

Reasons for Not Buying
- Don’t see the need: 64%
- Too expensive: 51%
- Don’t like being tracked: 34%
- Don’t know enough about it: 31%
- They are gimmicky: 29%
- Limited functionality: 12%
- Current wearables are ugly: 12%
- Insufficient battery life: 10%
- Current tech is insufficient: 7%
- Lack of independent 3G/4G connectivity: 3%
Currently, many see “wearables” as an extension of the smartphone category.

**Preferred Wearable Brand**

- Apple: 48%
- Samsung: 44%
- Google: 26%
- Microsoft: 21%
- Fitbit: 19%
- Sony: 17%
- Nike: 17%
- LG: 15%
- Garmin: 9%
- Motorola: 8%
- Jawbone: 4%
- Oculus Rift: 2%
- Pebble: 1%

Base: All Respondents
Top wearable features desired among current mobile wallet users

- **The fundamentals**
  - Fundamentals like touch-screen capability (more so than voice control, interestingly), GPS, waterproof, and long battery life are table-stakes for many people.

- **Health features**
  - The popularity of fitness-focused wearables has primed the market to expect similar capabilities of any broader/more advanced wearable product as well.

- **Paying at the point of sale**
  - PoS transaction capabilities (“mobile wallet”) is eighth on the wish-list—39% of intenders included it in their “Top 10” wearables features to have.

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**Mobile Wallet Users: Features Desired in Wearables**

- **Touch screen**: 48%
- **GPS**: 46%
- **Waterproof**: 44%
- **Calorie tracker**: 42%
- **Pedometer**: 41%
- **Heart rate monitoring**: 41%
- **Blood pressure monitoring**: 39%
- **Mobile wallet (PoS payments)**: 39%
- **Receive notifications from apps**: 38%
- **Alarm function**: 36%
- **Battery life: 2 weeks**: 33%
- **Voice control**: 32%
The inclusion of mobile wallet functionality on a smartwatch is likely to have a major impact on adoption.

Mobile Wallet Users: Impact of Mobile Wallet and Smartwatch

- No Impact (%0-4): 16
- Some impact (%5-7): 26
- Major Impact (%8-10): 58

Base: Mobile Wallet Users—Those who have waved or tapped a mobile phone at a cash register to pay for a purchase in the past 6 months
2015 is the year when mobile payments take off and rewards and discounts won’t be the only motivators—Familiarity and usage have doubled since 2013; with 15% having used a mobile wallet in the past 6 months and an additional 22% likely to adopt in the coming 6 months. Rewards and discounts are compelling to potential users but alternate uses including the ability to use a device as a photo ID or in spend management are also compelling.

Barriers to mobile wallet adoption are diminishing overall—Security concerns remain the number one barrier to mobile wallet adoption—however just 62% of respondents list security as the number one barrier, down from 73% in 2013. The near ubiquity of online shopping (86% have made a purchase from their desktop or laptop in the past 6 months) may be acclimating consumers to perceived security risks like identity theft.

Wearables set to pave the way for mobile wallet adoption—While many consumers don’t yet see the benefit to using their phone at the point of sale, the ability to scan a wearable device, like a smartwatch, at the register may help customers overcome this convenience barrier. Nearly 40% of those highly likely to buy wearables in the coming year want it to come with mobile wallet functionality. And the majority of likely wearable buyers claim that the presence/absence of a mobile wallet has a major impact on their purchase decision.
About this study

- **Independent research:** Conducted through the [CMB Consumer Pulse](#)

- **Audience:** Data collected through research panel Research Now, from 1,716 consumers, age 18+ in the United States who own a smartphone
  - The online sample is weighted to reflect US Census age and gender distributions

- **Fielding dates:** March 27th and April 8th, 2015
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  - Collaborative, expert & tenured staff
  - Rock-solid execution
  - Storytelling
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