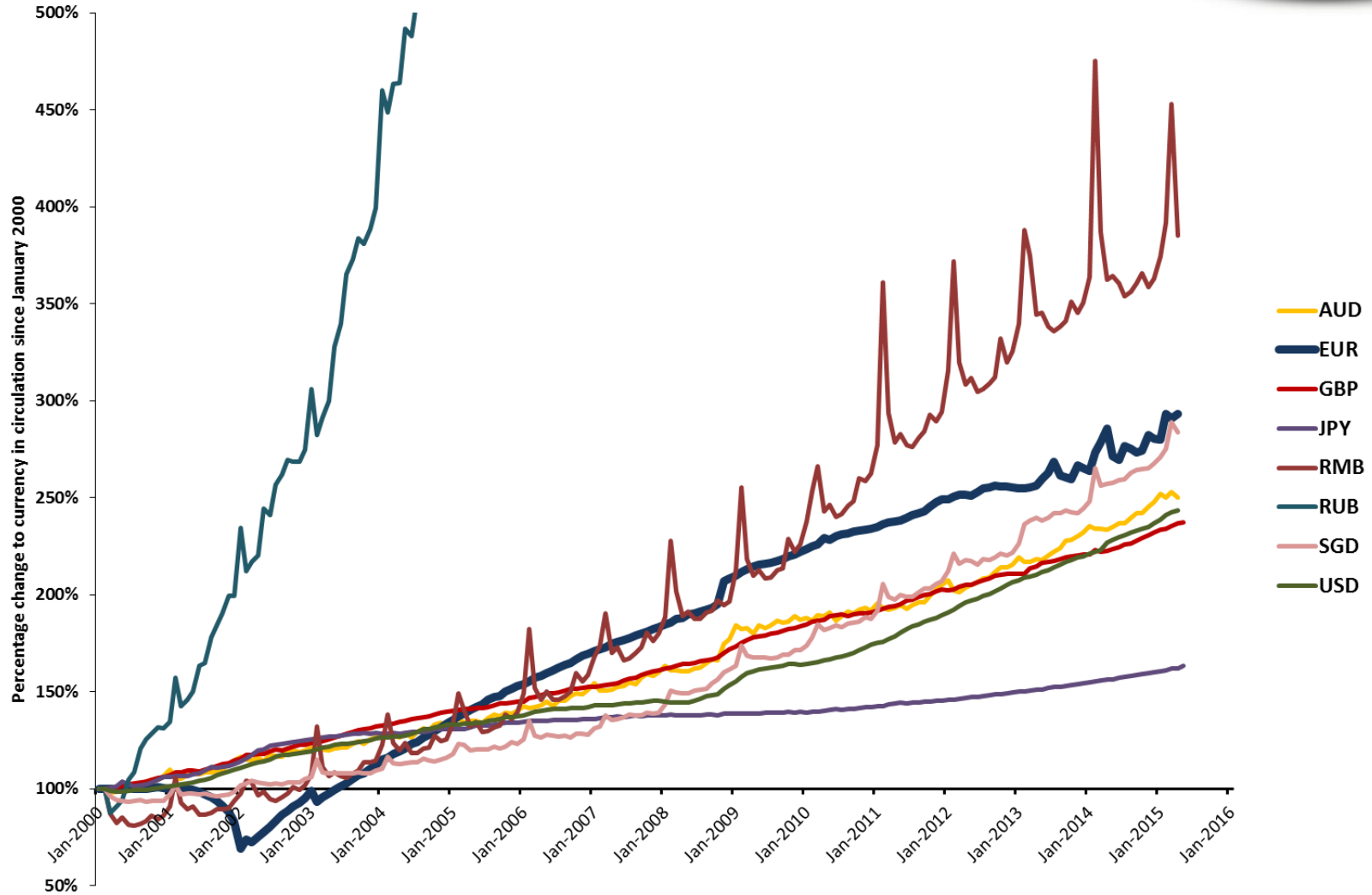


Mobile Payments – Security, confidence, future market developments and the challenges for cash



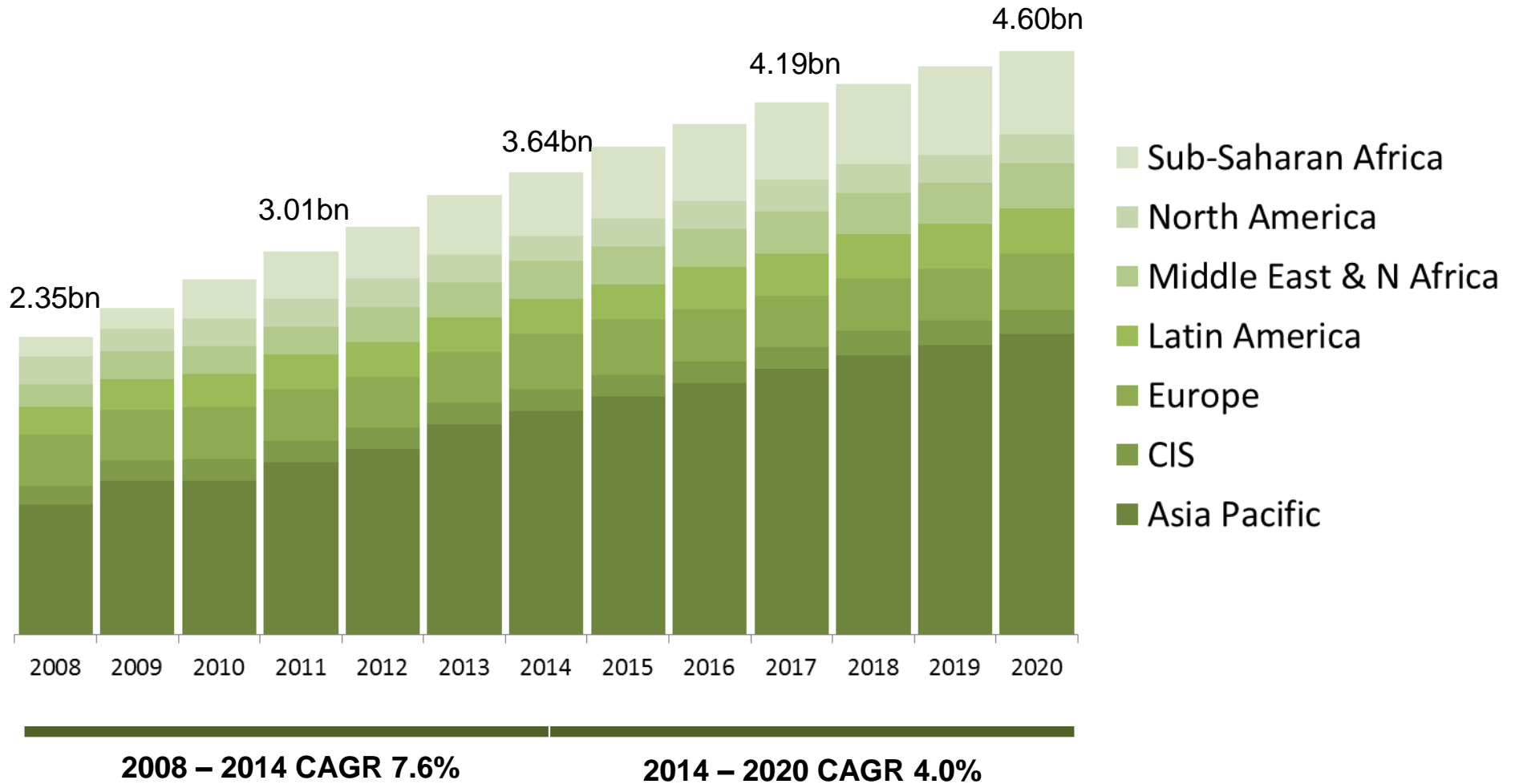
K Paul Blond, Managing Partner, The Blond Group LLP

Currency in circulation continues to grow ...



Source: Central Bank statistical, currency in circulation outside the Central Bank seasonally adjusted - month average or month end data Chart design © the blond group LLP, 2008-15 - reproduced with permission

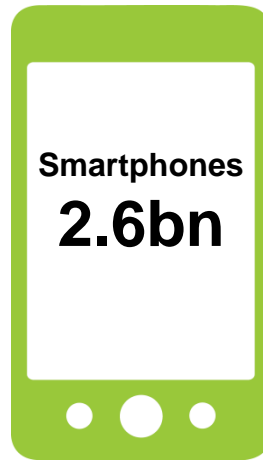
but, so too do the number of unique mobile subscribers



Source: GSMA Intelligence – The Mobile Economy 2015

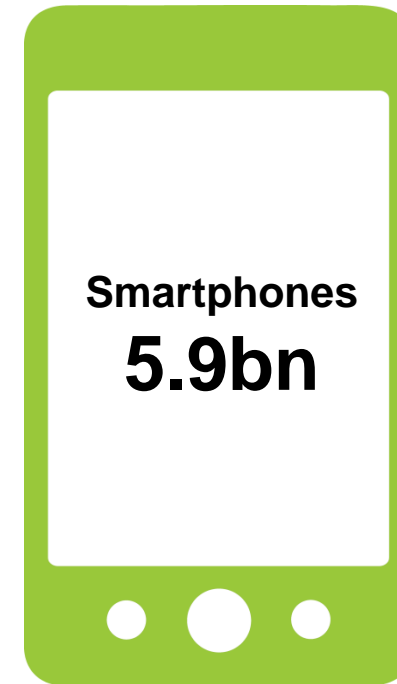
Growth of smartphone devices

2014



Unique subscribers **3.6bn**
Global penetration **50%**

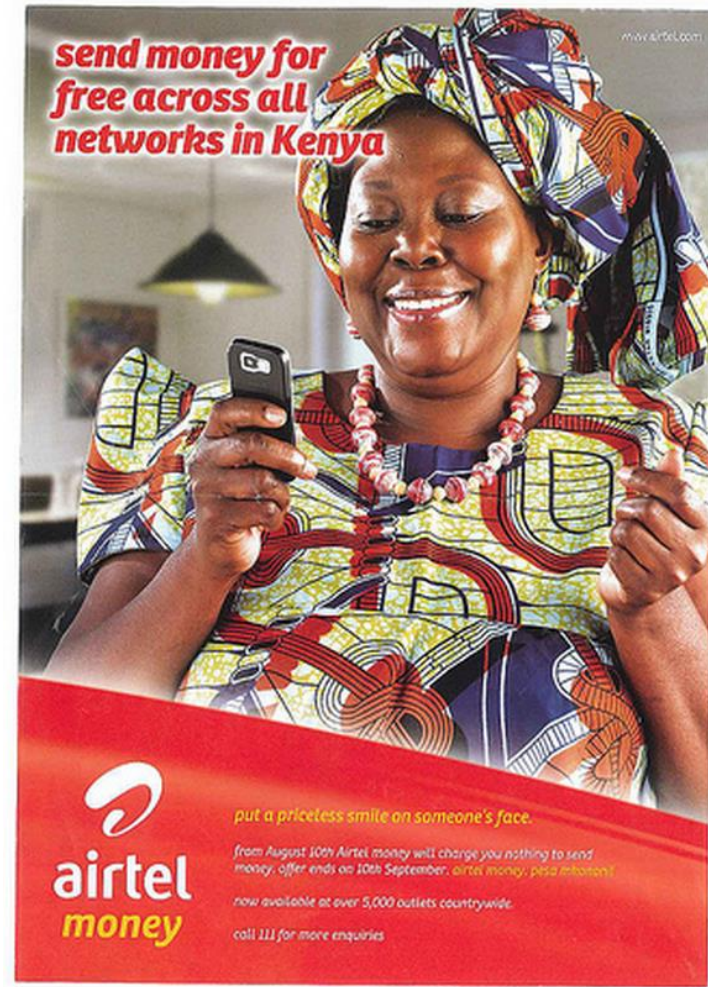
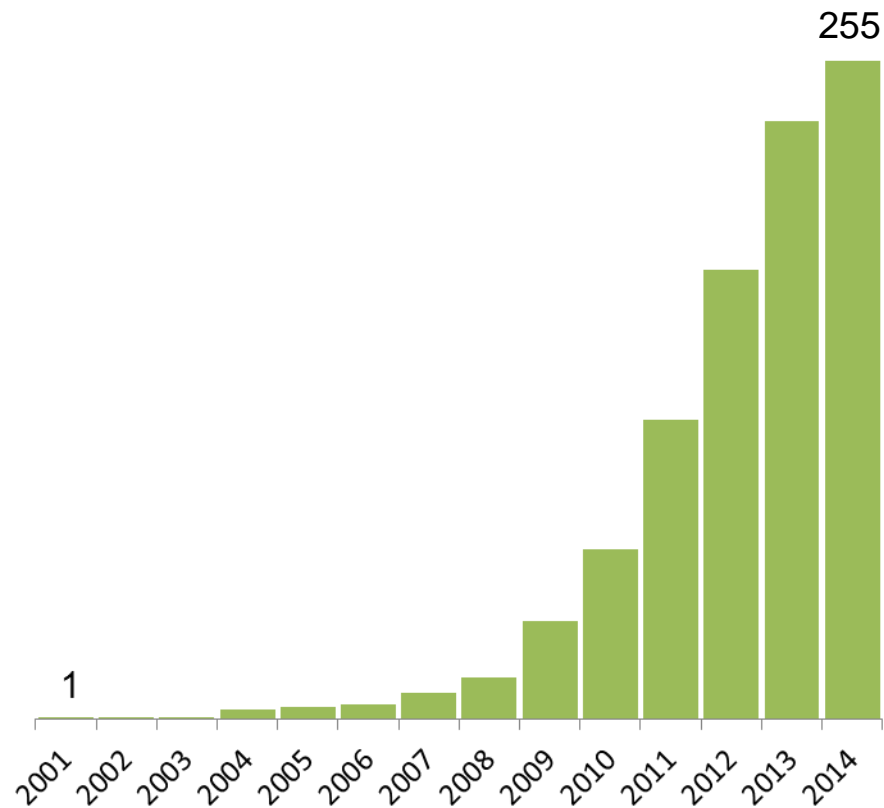
2020



Unique subscribers **4.6bn**
Global penetration **59%**

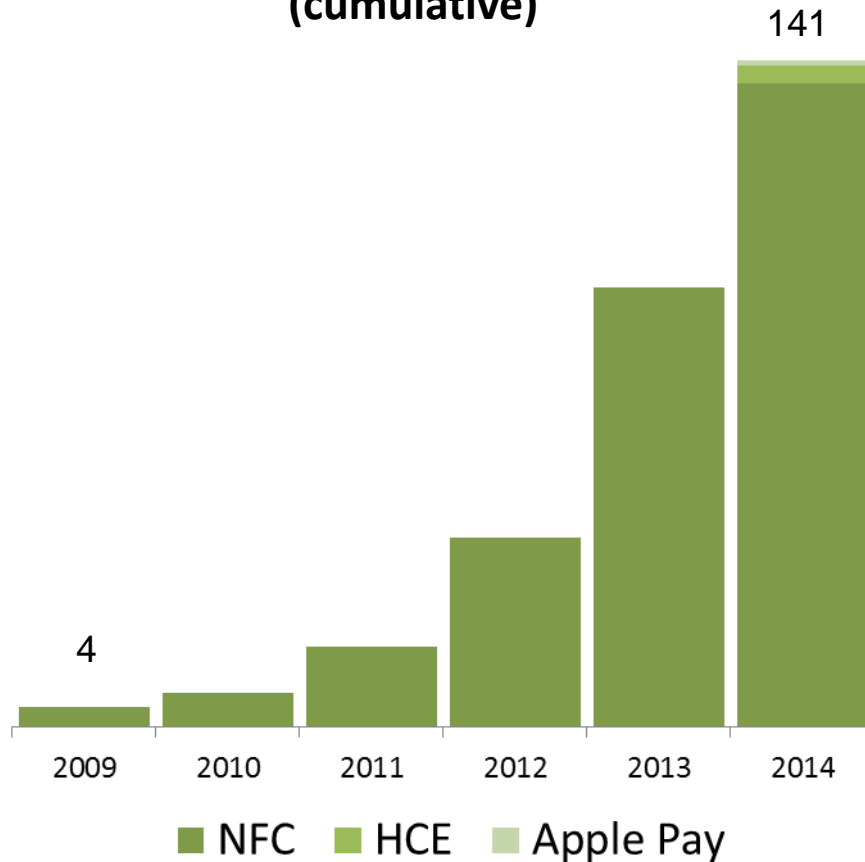
Growth of live money services

Number of live mobile money services
(cumulative)



Growth of Near Field Communication (NFC) mobile

Global commercial NFC based mobile service launches (cumulative)



Postbank trials HCE mobile payments



Wal-Mart partners Alipay for mobile payments in China



ANZ survey shows growth of online money management



Santander rolls out payments app for London bikes

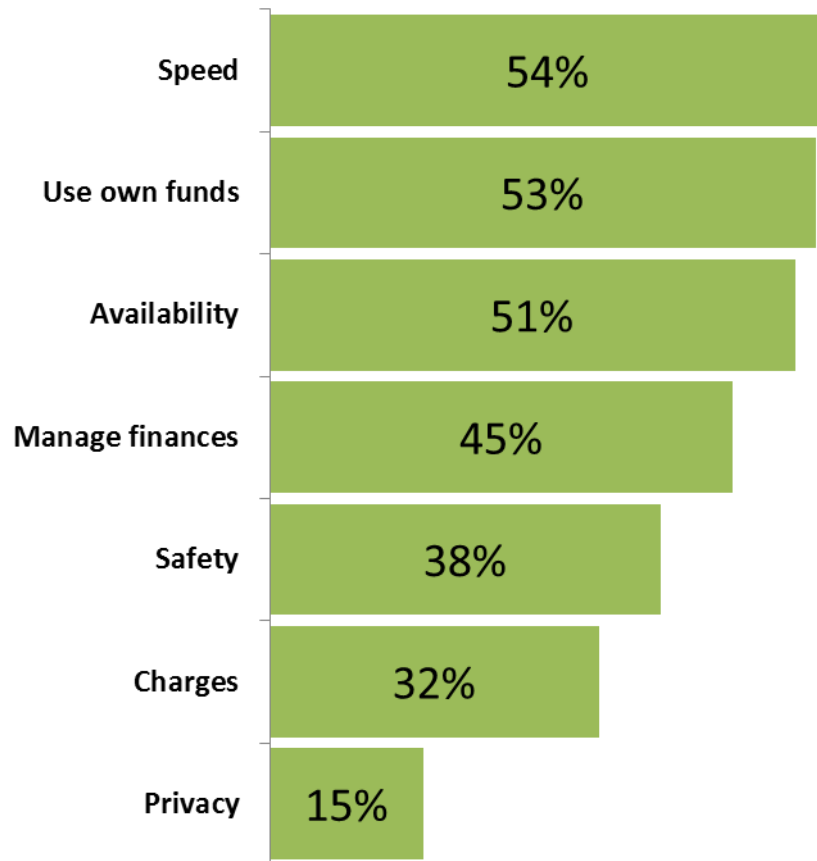


Source: GSMA Intelligence – The Mobile Economy 2015

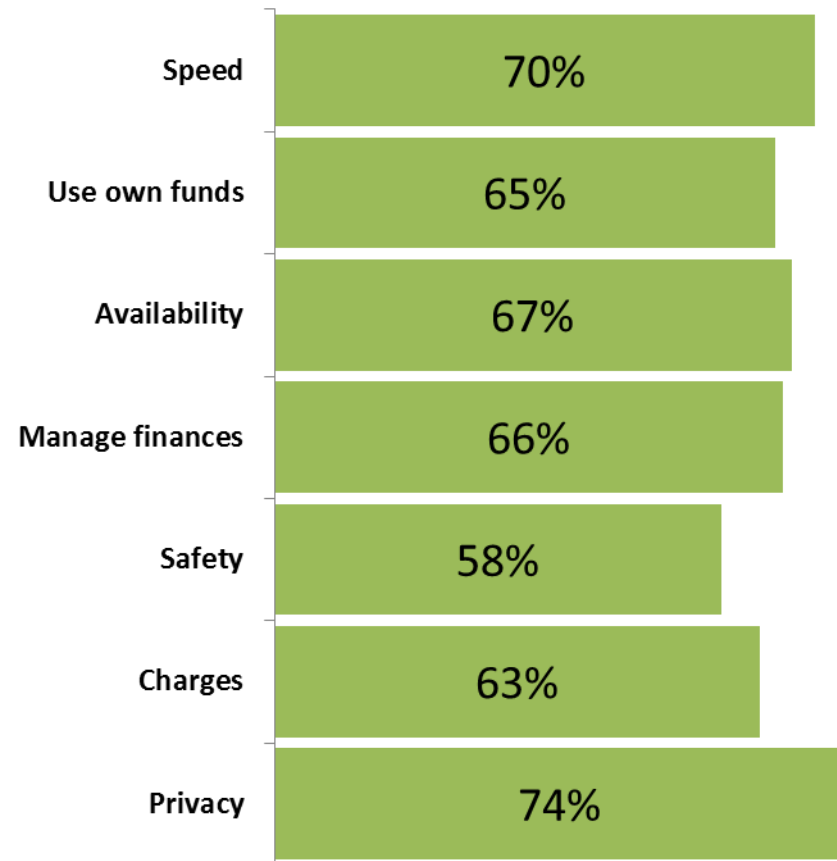
Reasons to choose a payment type



Factors influencing choice of payment type



Reasons for choosing CASH as preferred payment type



Source: Reserve Bank of Australia's 2010 Consumer Payments Use Study / Roy Morgan Research

Reasons to choose a payment type

Cash

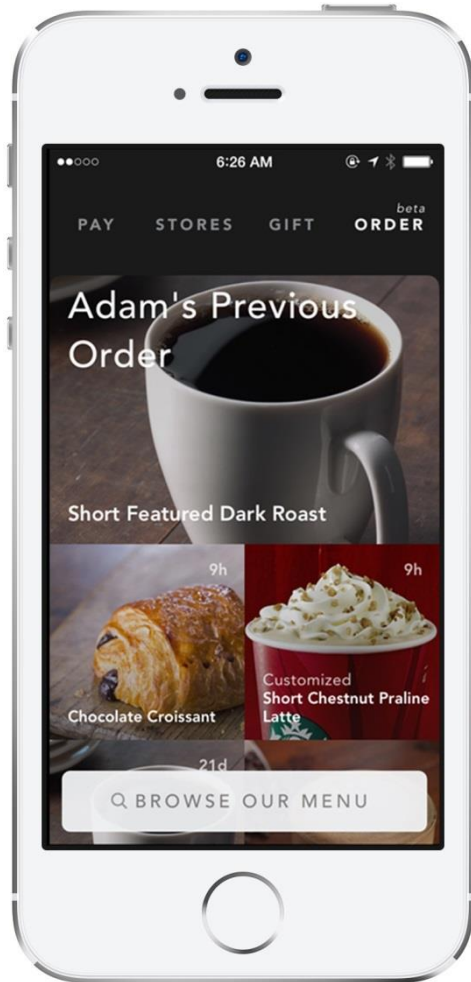


Mobile



| | | | | | |
|---|-----------------------|--|---|--|---|
| 1 | Privacy / Anonymity | | ✓ | | ✗ |
| 2 | Speed / Convenience | | ✓ | | ✓ |
| 3 | Availability / Access | | ✓ | | ✗ |
| 4 | Manage Finances | | ✓ | | ✓ |
| 5 | Own Funds | | ✓ | | ✓ |
| 6 | Charges | | ? | | ? |

Speed and convenience (and loyalty) - Starbucks



Pay faster than you can say "tall, non-fat vanilla latte."

New

HOW TO PAY

- 1 While in queue, launch the app and tap on **Cards**
- 2 Tap **Scan to pay** to activate the barcode
- 3 Flash the barcode against the scanner to pay

STARBUCKS SINGAPORE APP FOR IPHONE
Send Starbucks Card eGifts • Reload your Starbucks Card • Customize your drinks • View latest promotions • Find your nearest Starbucks

Download on the **App Store**

Photo credit: Starbucks Corporation

Speed and Convenience (and charges) - Transport for London

- 1 in 7 of all contactless transactions in the United Kingdom
- More than 1 million contactless taps made a day (March 2015)
- 14% of all pay as you go fares contactless



oyster[®]

**Zone 1 – 3 fares
Adult Single
(wef January 2015)**

Cash £4.80

**Oyster /
Contactless**

Peak £3.30

Off Peak £2.80

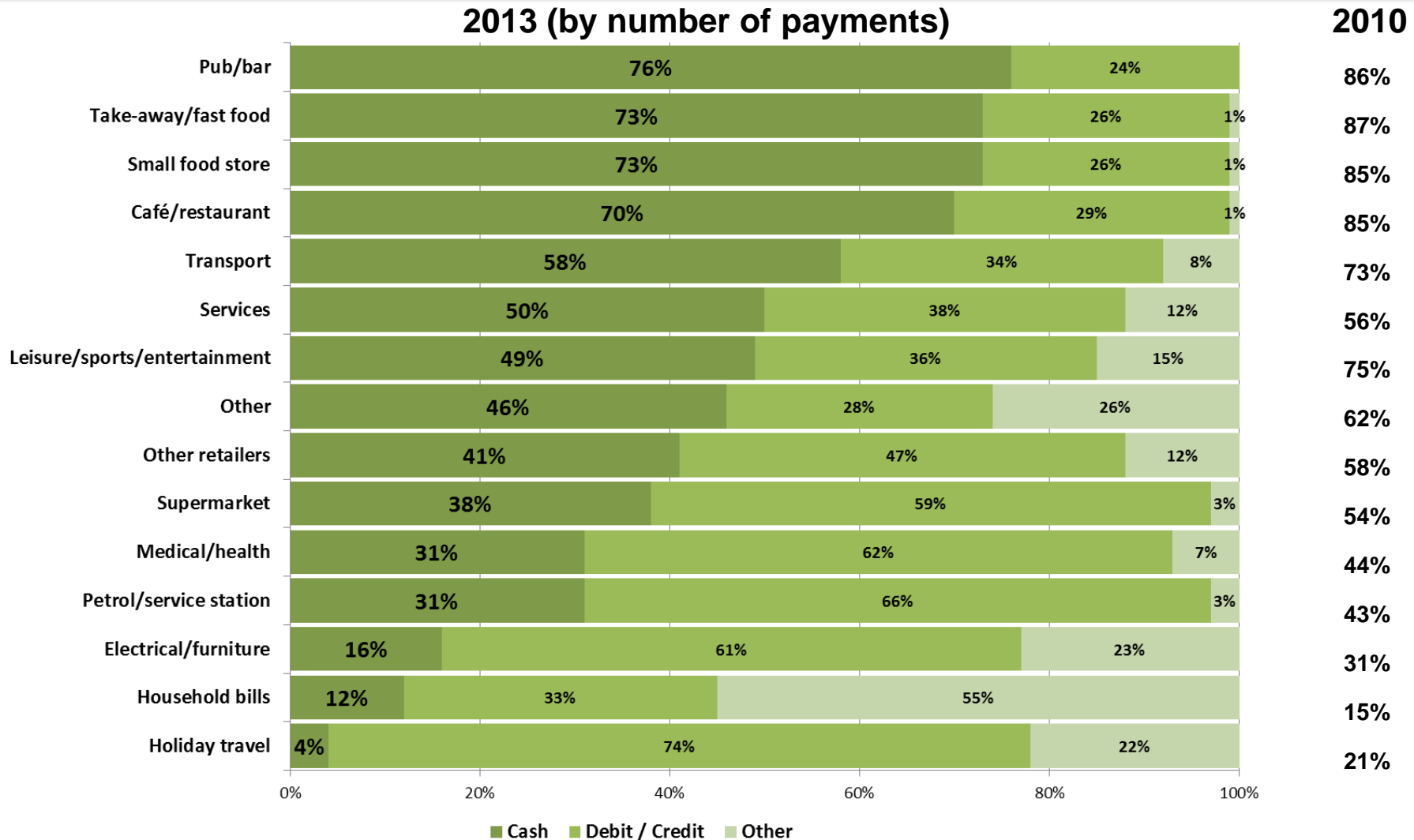
Photo credit: (c) Transport for London

Availability – access and acceptance

Ubiquity - the state or capacity of being everywhere, especially at the same time; omnipresence



Payment Type by Sector (Australia 2013)



Source: Reserve Bank of Australia's 2010 Consumer Payments Use Study / Roy Morgan Research / Colmar Brunton

Payment Type by Sector (Australia 2013)

#1 Pub

Cash share 86% down to 76%
[12% decrease]



#2 Take away / Fast Food

Cash share 87% down to 73%
[16% decrease]



#3 Small Food Store

Cash share 85% down to 73%
[14% decrease]



#4 Cafe

Cash share 85% down to 70%
[18% decrease]



Contactless Cards

#5 Transport

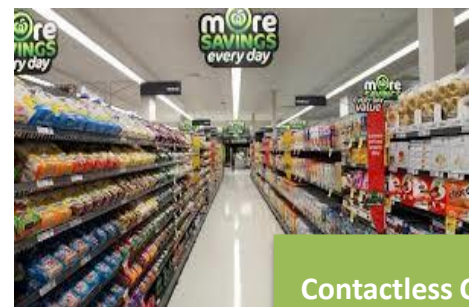
Cash share 73% down to 58%
[21% decrease]



Travel /
Contactless Cards

#10 Supermarket

Cash share 54% down to 38%
[30% decrease]



Contactless Cards

Security and Confidence

Fraud Goes Mobile

Out of all fraudulent transactions logged by about 1,100 U.S. merchants who accept mobile payments, mobile made up

21%

even though it accounted for only

14% of all transactions

Source: 2014 LexisNexis® True Cost of FraudSM mCommerce



Hackers are draining bank accounts via the Starbucks app



Fraud fears holding back consumer acceptance of mobile payments

A new study, Banking Moving Forward, by information services specialist Experian found that half 46% fear identity theft online while 60% of smartphone users said they had no malware protection on their devices, leaving them vulnerable to hacking by cyber fraudsters.

Gartner Gartner Blog Network

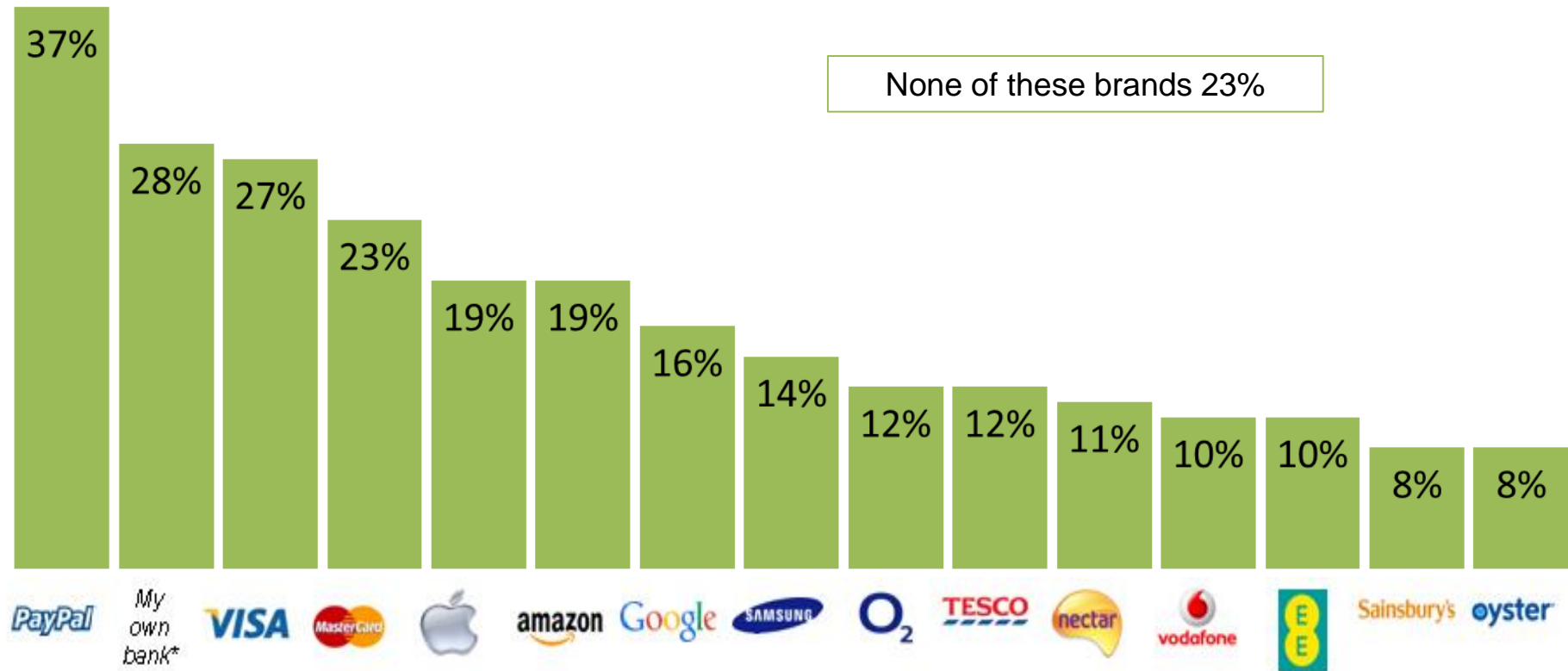
ApplePay Fraud points to Looming Problems with Mobile Payments by Avivah Litan

theguardian

Apple Pay: a new frontier for scammers

Security and Confidence

U.K. Survey – which of the following brands would you trust to deliver a mobile wallet app on a smartphone?



Source : Marketing Sciences Unlimited (February 2015 sample size N=1533)

The future



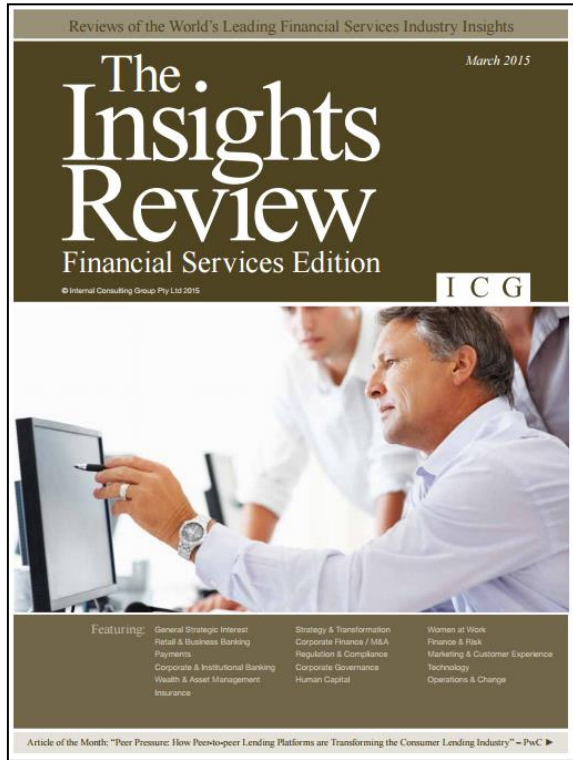
“Apple Pay makes up two out of three dollars spent on purchases using contactless payments across the three major U.S. card networks.” Granted, contactless payments are a very, very, very, very small piece of transactions, but Apple Pay has gained **mindshare and momentum** in a way that few other mobile payments applications have been able to do.



PayPal among 9 companies that have applied to act as identity providers for United Kingdom consumers accessing Government services online.



Samsung has acquired Burlington MA based mobile wallet supplier LoopPay. The purchase is seen as an important contributor to the emerging Samsung Pay mobile wallet as it competes with Apple Pay. Importantly LoopPay technology turns existing card magnetic stripe readers into contactless receivers of magnetic signals from mobile devices.



© the blond group LLP, May 2015
www.theblondgroup.com