



## The Stage is Set for U.S. Mobile Financial Transactions

*By Frost & Sullivan*

Accounting for over 3 billion subscribers worldwide, mobile devices have emerged as a convenient and safe mode to conduct financial transactions. Both m-commerce and mobile banking services are being widely deployed across the United States. These services go beyond the traditional role of providing digital or mobile content services and allow for the procurement of physical goods.

According to a new study from Frost & Sullivan's Mobile & Wireless Communications Group titled "An Insight into the U.S. Mobile Financial Services Markets — Mobile Banking and Mobile Payments," the value of physical goods sold through m-commerce in the United States is expected to reach \$1.46 billion by 2013.

The advantages of accessing real-time financial information at any time and anywhere are obvious, and trends indicate that mobile banking and mobile payment services will see deeper market penetration in the near future. As all the required technical paraphernalia such as networks, devices and software platforms are in place, the stage is set for mobile phones to play a greater role in commercial transactions.

"Alternate payment mechanisms such as credit cards, stored value accounts and on-bill payments have helped broaden the scope of m-commerce and go beyond micro-transactions," explains Frost & Sullivan Strategic Analyst Vikrant Gandhi. "Mobile banking services are being utilized by the nation's leading financial institutions, and Tier-I mobile operators [like Air2Web] are working towards expediting access to such services for their subscribers. Although the current economic downturn does affect m-commerce spending patterns, however, subscribers will increasingly rely on their mobile devices for all types of electronic transactions — including commerce."

Though mobile banking and mobile payments are now two distinct, discrete categories of mobile financial services, the future will see the gradual integration of these two categories into a single interface. Deciding upon the right business models, handling revenue settlements, designing and offering new user interfaces and integrating technology are some of the issues that need to be addressed.

"Unlike the case of online financial processing systems, the biggest challenge is to gain subscribers' confidence and persuade them to use their mobile phones for sensitive financial transactions," explains Gandhi. "The existing business models are also somewhat unproven in the mobile financial industry in the United States."

End-users are hesitant to provide card numbers or bank account information directly on mobile devices. Consumers also expect to be provided the optimized levels of security afforded by the online environment. This is particularly evident in the operator-independent (or off-deck) mobile financial services sector. This perception challenge is likely to dominate the mobile banking sector. However, there are other low-risk activities, such as balance check and transaction history, that can be safely undertaken.

"With consumers becoming increasingly savvy, mobile phones will be used for an expanding array of functions," continues Gandhi. "Market participants and mobile operators must go the extra mile to communicate the safety feature to the mobile subscriber and depict mobile financial services as safe and secure."

Financial institutions are leveraging multiple channels such as wireless application protocol (WAP) messaging and rich-client interfaces aimed at various market segments. WAP and rich-client based interfaces allow financial institutions to simulate the Internet banking experience on mobile phones, and text messaging can be used to deliver important services to a wide user base in a cost-effective manner. To achieve market progression, financial institutions must proactively exploit print and online channels to effectively drive home the benefits of mobile banking.