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Boston Federal Reserve Survey Shows U.S. Consumers Slow to Adopt Mobile Payments

Despite Broad Acceptance of Online Banking, Paying by Smart Phone Lags

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BOSTON – June 1, 2011 – Almost everybody has a mobile phone these days, and the popularity of the smart (mobile) phone continues to grow. But the latest Survey of Consumer Payment Choice (SCPC) by the Consumer Payments Research Center (CPRC) at the Federal Reserve Bank of Boston indicates that only a small minority of Americans currently use their mobile phones as a means of making payments.

Nearly two-thirds of all U.S. consumers used online banking in 2009. The latest figures show more than 60% of those surveyed gain access to their accounts and go online to perform routine banking tasks, such as checking balances and transferring funds between accounts. A small, but still significant, minority engage in mobile banking, defined as performing these tasks through various mobile phone Internet platforms. The CPRC survey shows that 10.1 percent of U.S. consumers had set up mobile banking by downloading an app, had set up text messaging capabilities for their phone to do banking, or had logged onto their bank's website through their mobile phone's internet browser. Most of these consumers—8.9%, or almost 90% of those who had downloaded the mobile app—actually used it for functions like checking balances and transferring funds between accounts.

Ownership of Account Access Technologies in 2009 Survey (Percentage of Consumers)

Online Banking	65.7%
Mobile Banking	10.1%

But mobile banking is not the same as mobile payments. When it comes to mobile payments, the uptake rate has been considerably slower. Only 3.0 percent of consumers surveyed had made a mobile payment: 2.1 percent by sending a text message (SMS), and 1.2 percent using contactless, or NFC (Near Field Communication) devices to pay for a purchase.

Incidence of Bank Account Access in 2009 Survey (Percentage of Consumers)

Branch Visit	77.4%
ATM	69.0%
Online Banking	61.4%
Telephone Banking	32.4%
Mobile Banking	8.9%
Mobile Payment	3.0%
By Text/SMS	2.1%
Contactless (NFC)	1.2%

"There could be several factors contributing to the slow pace of mobile payment adoption," commented Joanna Stavins, senior economist and policy advisor at the CPRC. "People may be satisfied with the payment instruments and methods they now have, and they don't see a lot of value in adding mobile payment to the mix. Concerns about security might be on their minds as well. Moreover, lack of merchant acceptance of NFC payments and lack of commercially available phones equipped with the NFC chip also prevent mobile payments from being a broadly adopted payment option."

According to "Mobile Payments in the United States: Mapping Out the Road Ahead," a separate report issued recently by the Federal Reserve Banks of Boston and Atlanta, it is too early to define a roadmap to mobile payments adoption. However, the report predicts that mobile payments infrastructure at the point of sale will likely be based on NFC contactless technology resident in smart phones and merchant terminals.

Smart phone adoption is seen as a key driver of mobile banking and mobile payments. However, even though a smart phone enables mobile payments, the SCPC does not consider *using a smart phone to make a payment* a payment instrument. Rather, as mobile payments evolve, mobile wallet(s) will be created that consumers can access to make a payment by credit card, by debit card, from their checking account, or by a transfer from a non-bank online payment provider such as Google or PayPal. The vast majority of consumers surveyed by the SCPC (89.7%) had some type of mobile phone. But according to a separate study by Javelin Research, only 34% of U.S. consumers owned an actual smart phone in January 2011. However, the compound annual growth rate of smart phone use was estimated at 17% per year, indicating that more people will continue to replace their older mobile phones with smart phones.

According to the Boston and Atlanta Fed report, it has been easier for mobile payments to advance rapidly in some developing countries than in the United States because the banking and payments infrastructures in those countries are less well developed than those of the United States. "Unbanked" consumers in those countries rely on mobile payments because they have fewer alternatives. But in the United States, where the fraction of the unbanked consumers is much lower, it will likely not be the unbanked whose demand for mobile payments spurs the development of the mobile payments environment. Instead, it will be the smart-phone user.

"There have been a number of recent developments in the consumer marketplace that might affect the future adoption of mobile payments. Mobile payments are a relatively new area in our continuing research of consumer payments. We'll be watching them more closely from now on, and the next version of the SCPC will have an expanded section on mobile payments," Stavins commented.

About the Consumer Payments Research Center

The Consumer Payments Research Center was established at the Federal Reserve Bank of Boston in 2004 to learn more about the demand side of the payments market, especially by studying the behavior of end users of payments, including individuals, households, firms, and government. A unit of the Bank's research division, the Center conducts economic research and evaluates and develops public policies for the benefit of citizens, companies, and organizations that rely on America's banking institutions and payments system.

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