

2009 mCommerce Market Map

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Introduction

Welcome to the FirstPartner mCommerce Market Map which provides an overview of the mCommerce solution market, its value chain and the ecosystem. The mCommerce market is currently demonstrating a number of dynamics which are expected to significantly accelerate the current rate of development. These drivers are:

mBanking

The success of companies like M-Pesa in Kenya and SMARTmobile in the Philippines have shown that mBanking can demonstrate accelerated adoption, especially in developing economies where banks are not dominant. mBanking adoption is growing quickly in these markets by providing simple economic access to money management services to the existing unbanked population. mBanking will take longer to achieve adoption in mature markets with high levels of banked population, as the current deployed services have not delivered significant advantages over existing traditional methods.

mPayments

The main inhibitors of mPayments to date have been both the end-user experience and the ability to deploy the necessary technology to a large base. This has limited mPayments methods to SMS or specific applications. NFC is expected to provide high levels of end user experience, but will require large scale deployment of equipped mobile handsets and merchant EPOS acceptance terminals. Large scale NFC deployments will require collaboration between various different stakeholders to gain critical mass.

Regulation and Security

Regulatory requirements are fragmented both within and between potential adopting markets. Regulatory complexity may require services to be approved by multiple regulators, including both financial and telecoms representation. Resultant costs and time to market penalties reduce attractiveness of offering mCommerce services. Consumers' biggest concern is security of their personal information both within the service and also if their handset is lost. These concerns require difficult service design decisions to ensure balance between security, usability and transaction value.

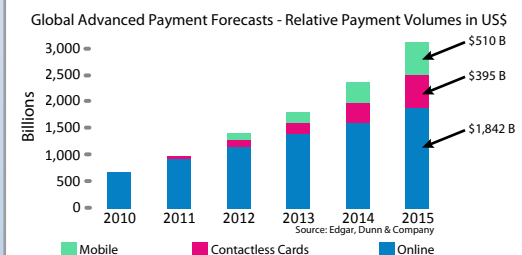
Geographic Trends

mCommerce has some very specific geographic characteristics. In mature markets, MNOs generally require collaboration with established banking networks to penetrate existing banked customer bases.

- NTT DoCoMo have demonstrated in Japan that a capability lead business model can succeed if careful attention is paid to end-user experience.
- mCommerce has achieved dramatic adoption rates when launched by market dominant MNO's in developing countries where the mobile handset is the device of choice.
- mPayments success has been more varied and is forecast to achieve high adoption rates as end users experience its convenience.

Forecasts

Edgar, Dunn & Company forecasts the global advanced payments for mobile to be worth \$510 billion by 2012, rising from a small base in 2009. The growth in mPayments over existing online methods will be contributed by the convenience of NFC based payment methods integrated directly in the handset.



mCommerce Requires

The rate at which the mCommerce market will develop will be determined by:

- Current volume success has come from services deployed by market dominant MNOs.
- Transfer of success models to drive new market adoption are not reliable yet.
- Role of MNOs in collaboration mode is unclear.
- MNO's ability to promote brand and potentially gain customer retention undetermined.
- MNO's efforts to dominate branding may create confusion with end-users around universal service acceptance messaging.
- Potential tipping point identified for mCommerce around NFC deployment.
- Competition from existing payment card issuers also adopting NFC.
- Lack of NFC handsets currently generating retro fit solutions to generate market momentum.
- Merchants and end-users in mature markets have been quick to reject attempts to establish mCommerce to date.
- Critical mass needed with attractive fees to stimulate Merchant acceptance.
- User experience in excess of current payment methods needed to stimulate End User adoption.

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