

Arthur D Little



"Global trends in M-payment - Challenges and opportunities"

Tunis, Feb 23rd 2010

AICTO – M-payment services

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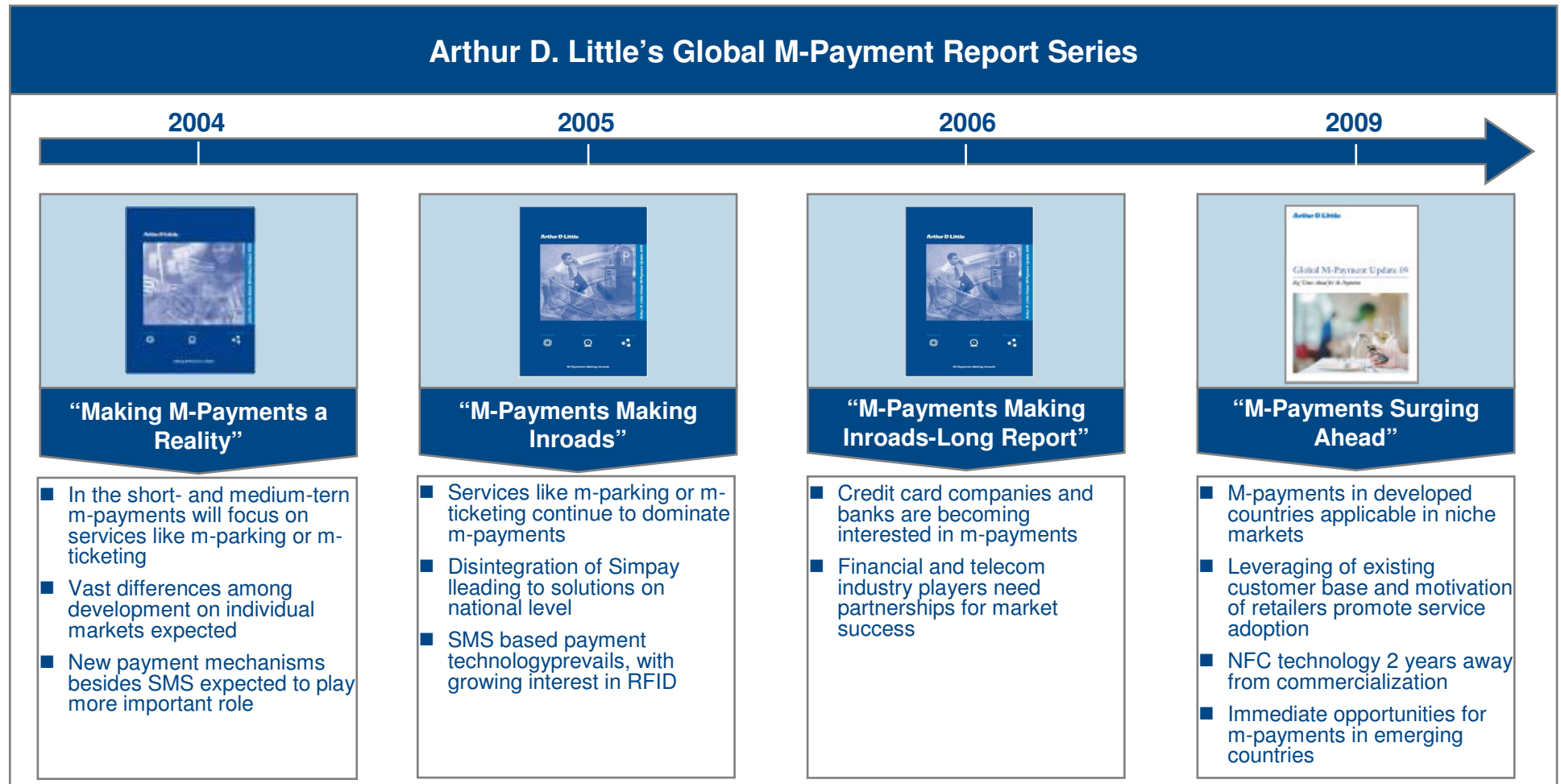
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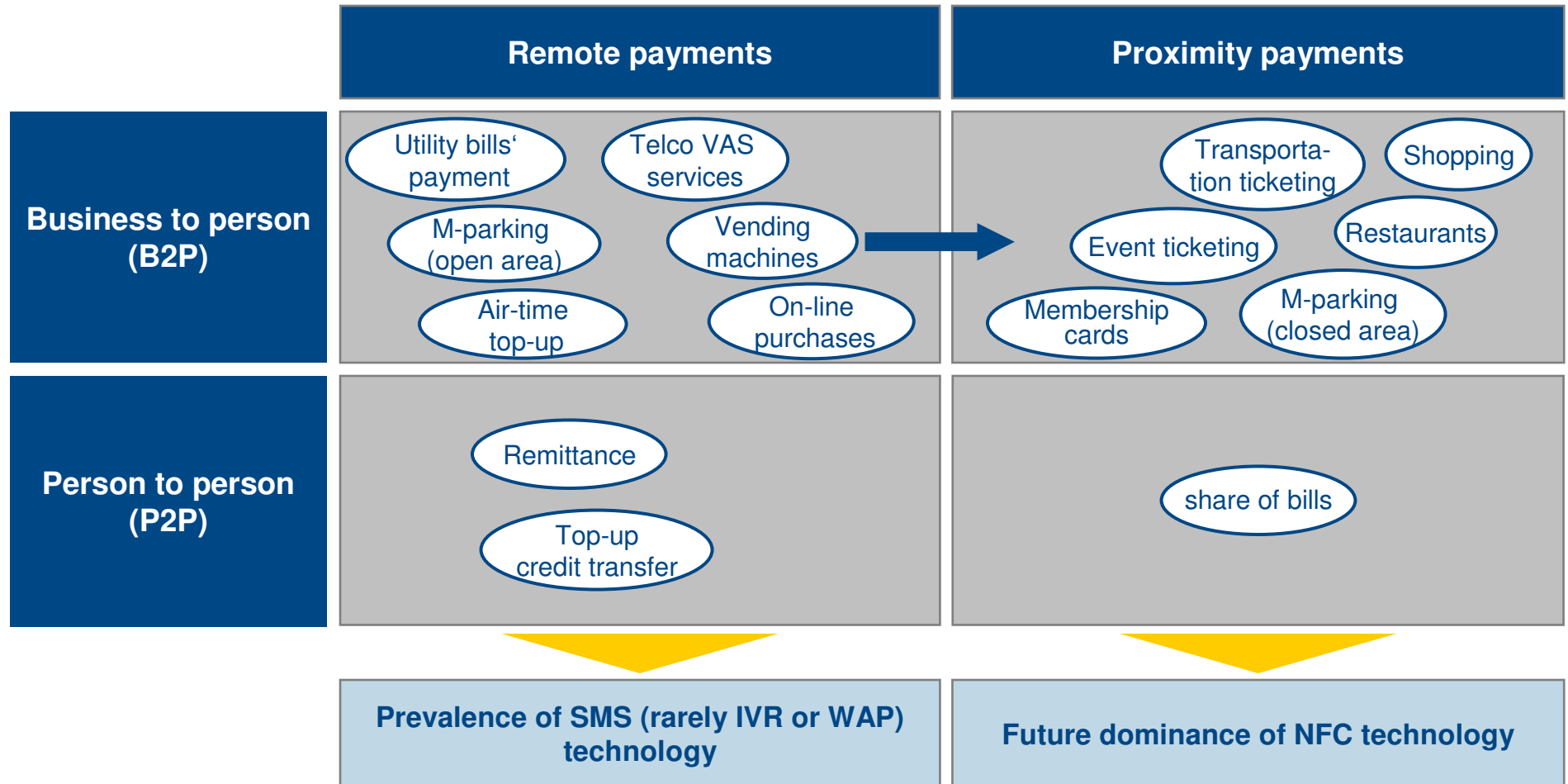
- 1 Introduction into M-Payment**
- 2 Market growth and perspectives
- 3 Key success factors and case studies
- 4 The M-payment value chain and potential market scenarios
- 5 Conclusion

Arthur D. Little was one of the first global management consulting companies believing in M-payment services



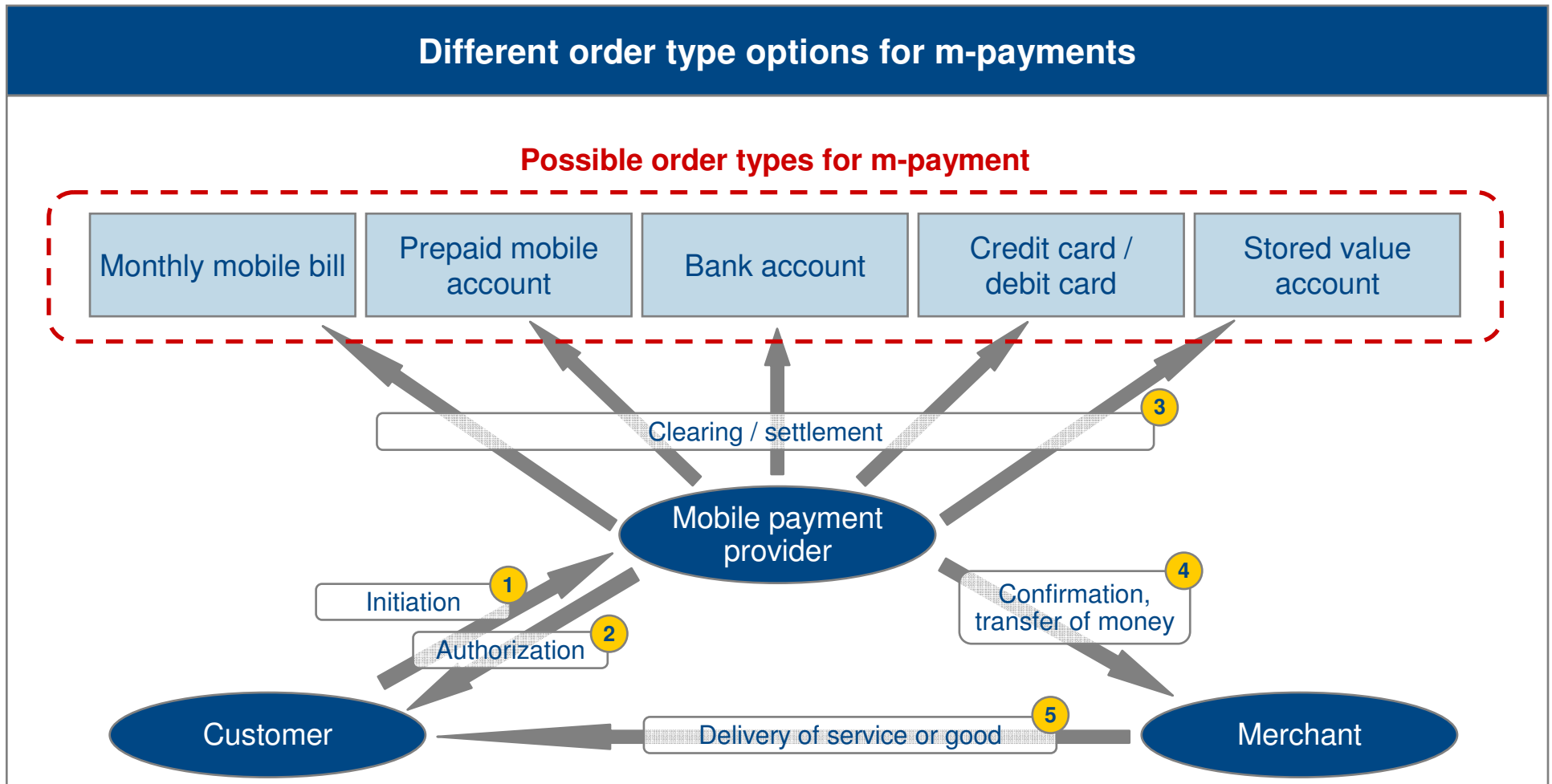
Source: Arthur D. Little

M-payment services can be clustered into either remote and proximity payments and classified in either business to person or person to person transactions

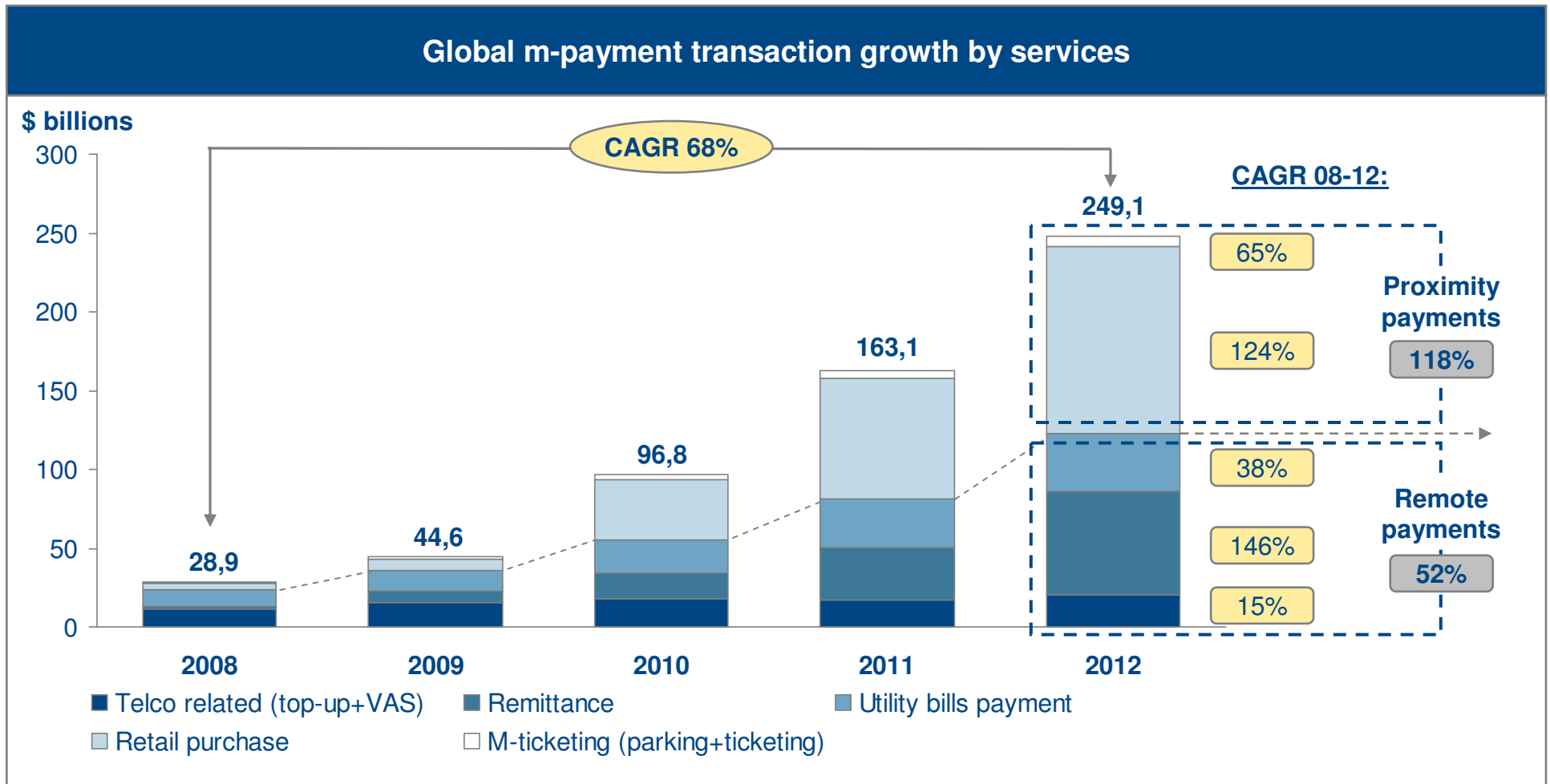


Source: Arthur D. Little analysis

Depending on own preferences and national situations shaping the value chain, m-payments can take different order types ranging from credit over debit to prepaid versions

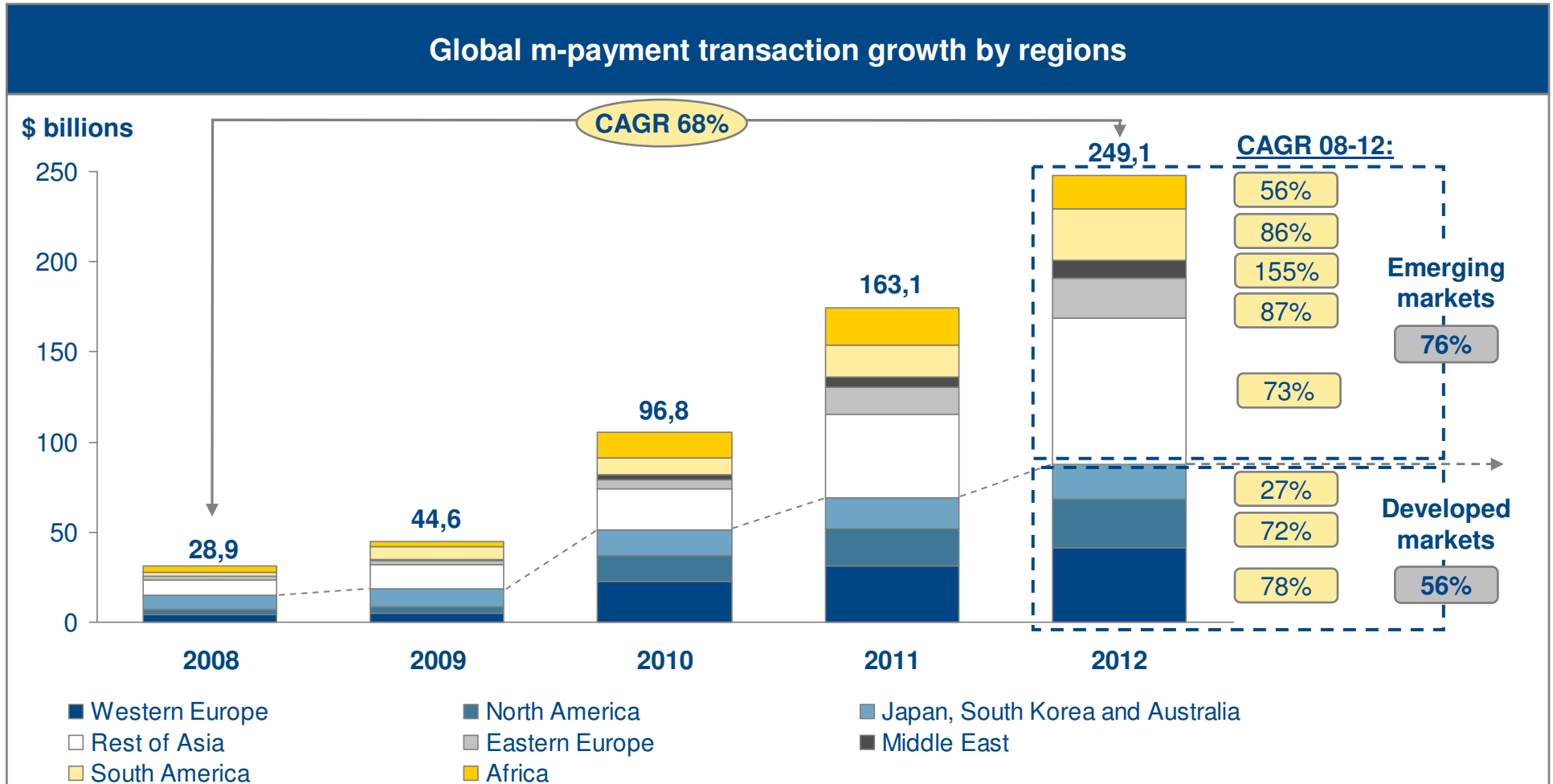


We expect total m-payment transaction volume to reach almost USD 250 billion in 2012 growing at 68% p.a. – Proximity payments will grow faster, reaching a share of 51% in 2012



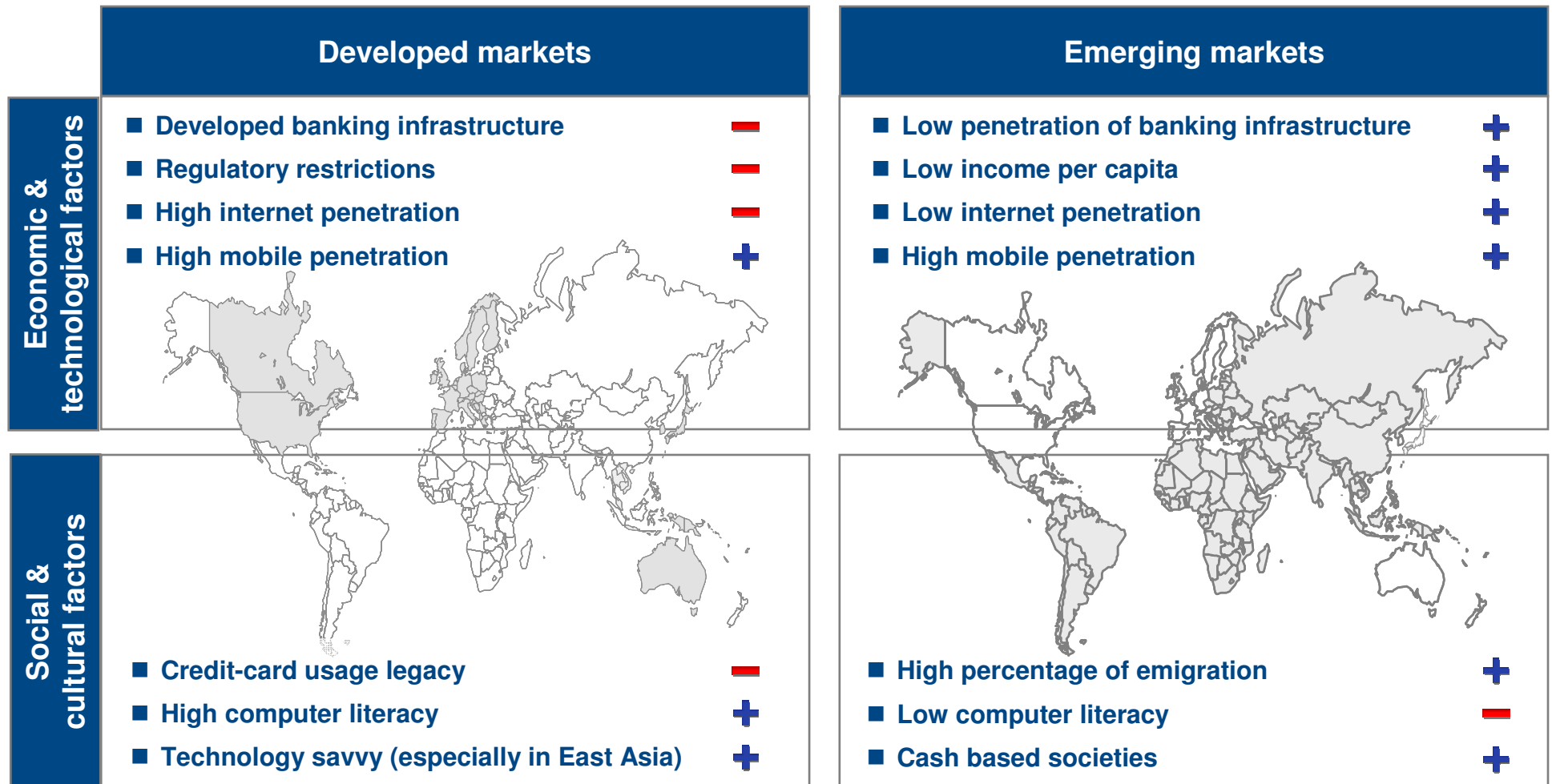
Source: Arthur D. Little analysis

From a regional perspective, we expect developed markets to grow slower than emerging markets: Developed markets will capture a global market share of 35% in 2012



Source: Arthur D. Little analysis

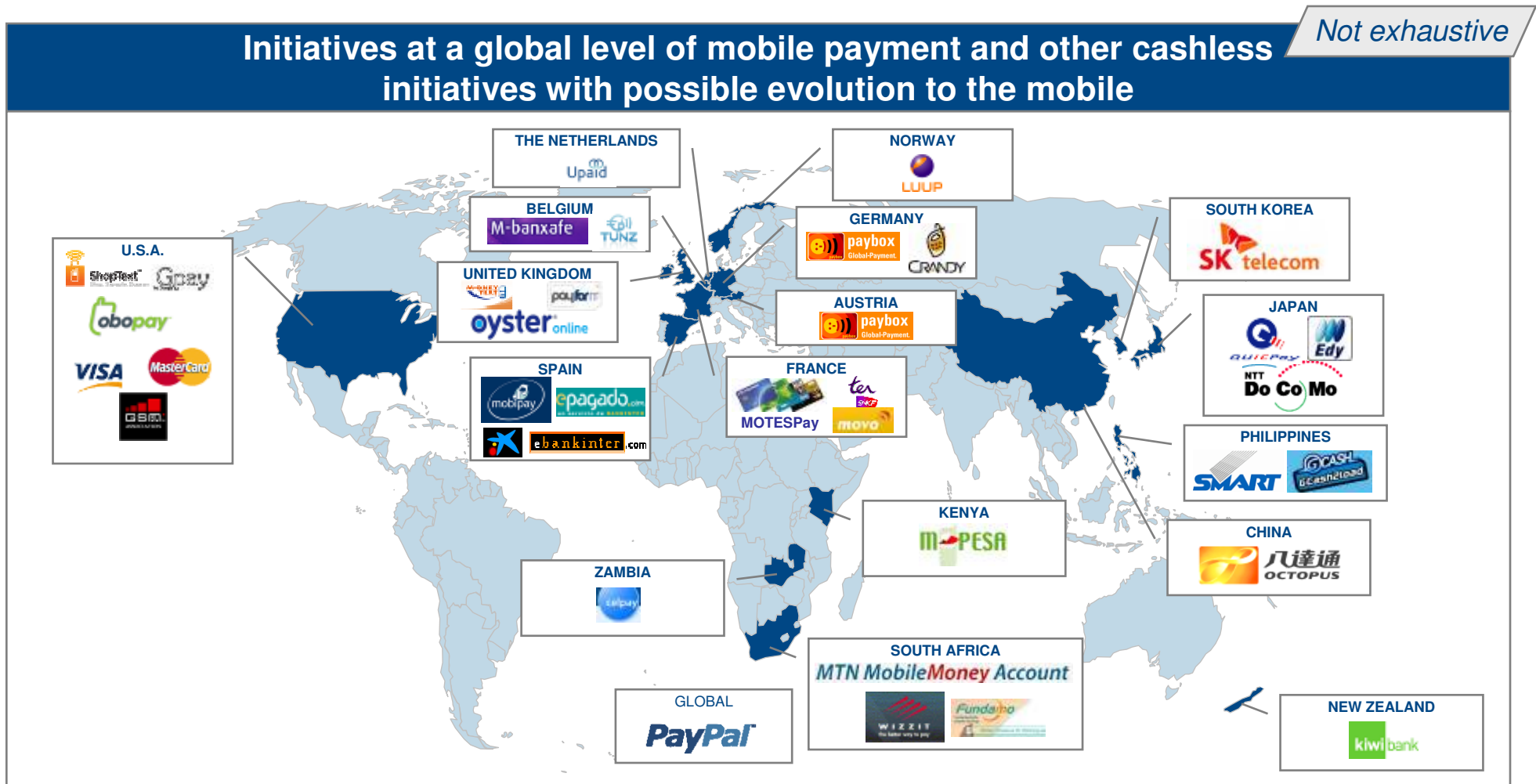
The developments in both developed and emerging countries are influenced by economic, technological, social and cultural factors, leading to distinct opportunities for market players



Source: Arthur D. Little analysis

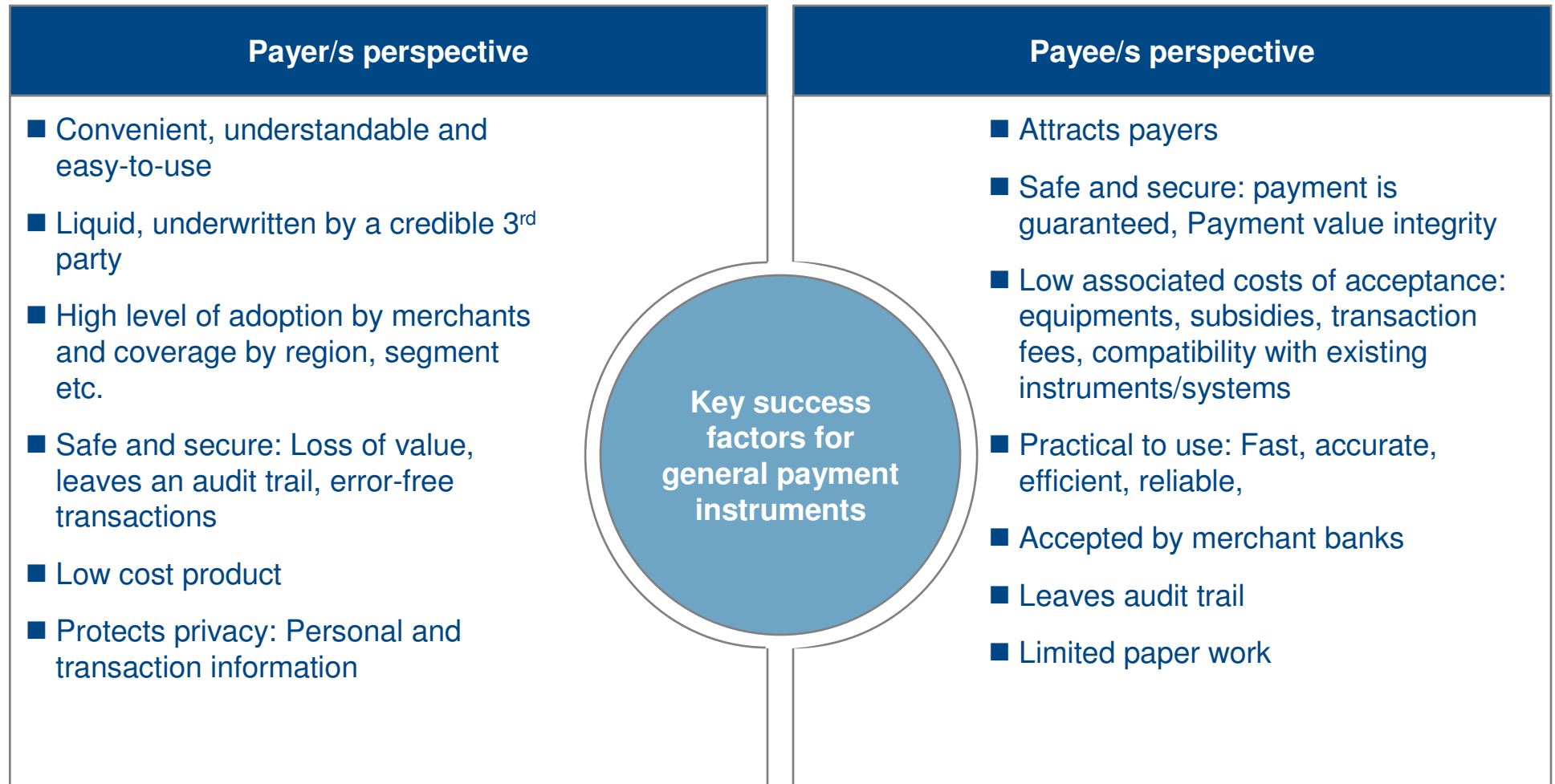
+ Stimulating m-payments - Inhibiting m-payments

In the last few years, mobile payment initiatives have been developed mainly locally

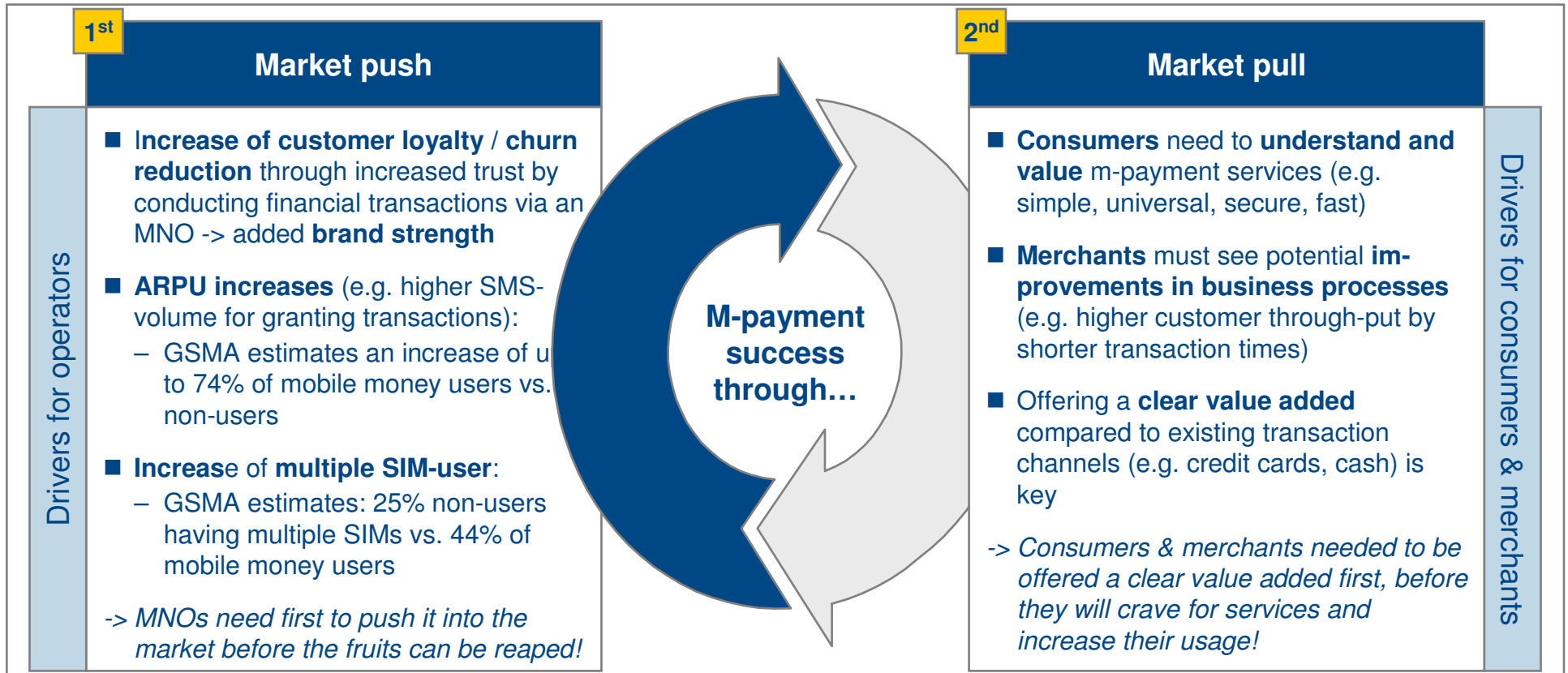


Source: Mobipay, Juniper Research, Arthur D. Little analysis

For a service to become popular it must add value to both payer/s and payee/s

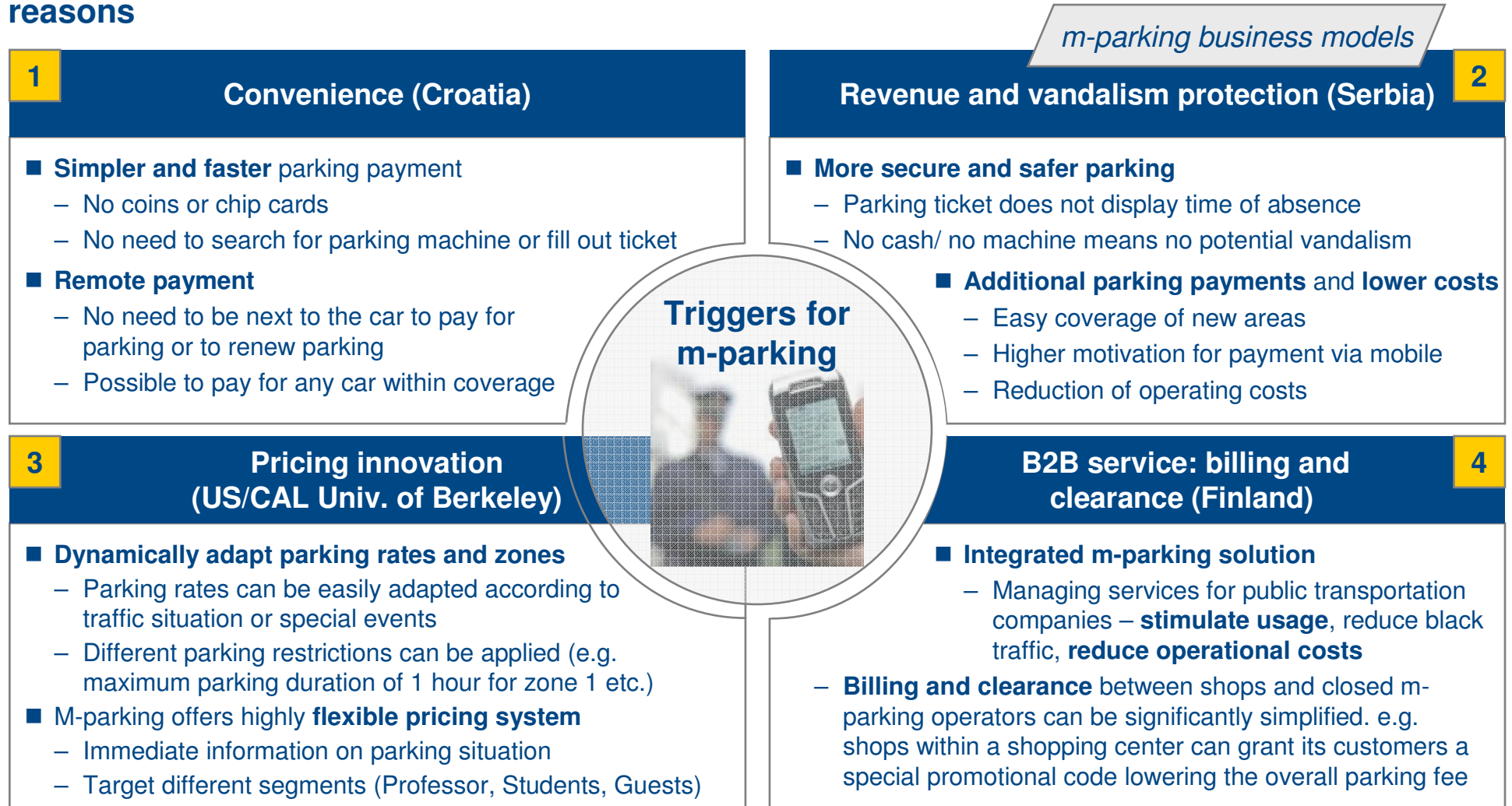


In order for m-payments to become successful and widely adopted in the market, both a market push by operators and a market pull by consumers / merchants are needed



MNOs are in a favorable position to first push m-payments into the market through their existing customer relationships and network capabilities

The use of m-payment solutions for m-parking services can be triggered by a variety of reasons



Source: Arthur D. Little analysis

Since its launch in 2001, m-payment has reached 75% of all parking places in Croatia and almost 50% of parking is paid via Vipnet's mobile solution

Case study

M-parking in Croatia

Overview

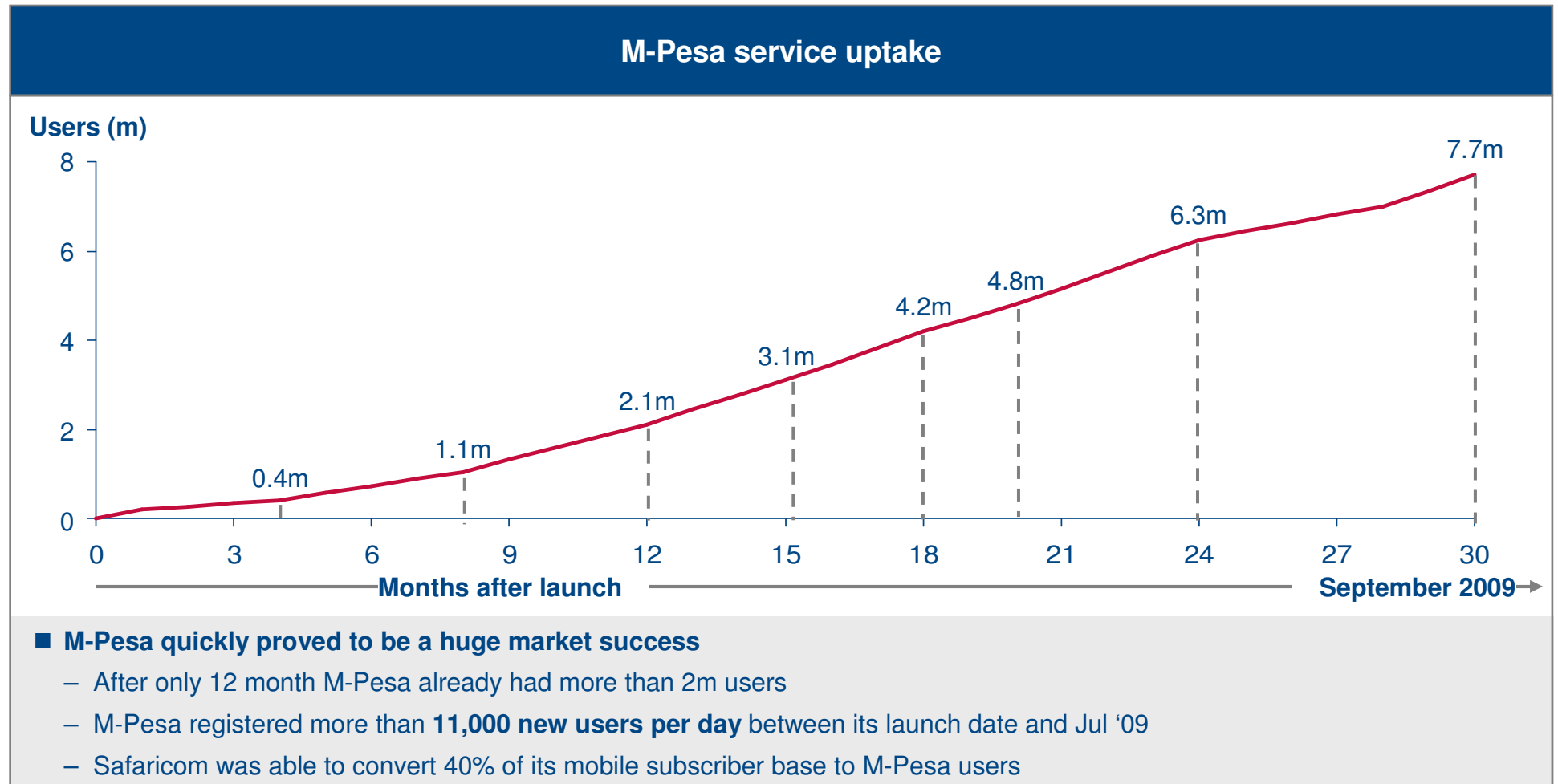
- An SMS based payment service was introduced in Croatia in 2001 by Vipnet
- 75% of all parking spaces in Croatia is now covered
- Near 50% of parking turnover via m-parking, with Dubrovnik leading with 75% m-parking share
- Parking penalties down by 5%
- Educational element – SMS is not used only by youth anymore
- Simple business model – revenue share

Benefits

- Easier way of parking payment (no more looking for coins, no need for parking chip cards, no more looking for parking machines, no more filling parking coupons)
- Reminder when parking ends, convenient and easier way of prolonging parking remotely
- Availability 24 hours a day / 7 days a week, Possibility of getting parking status

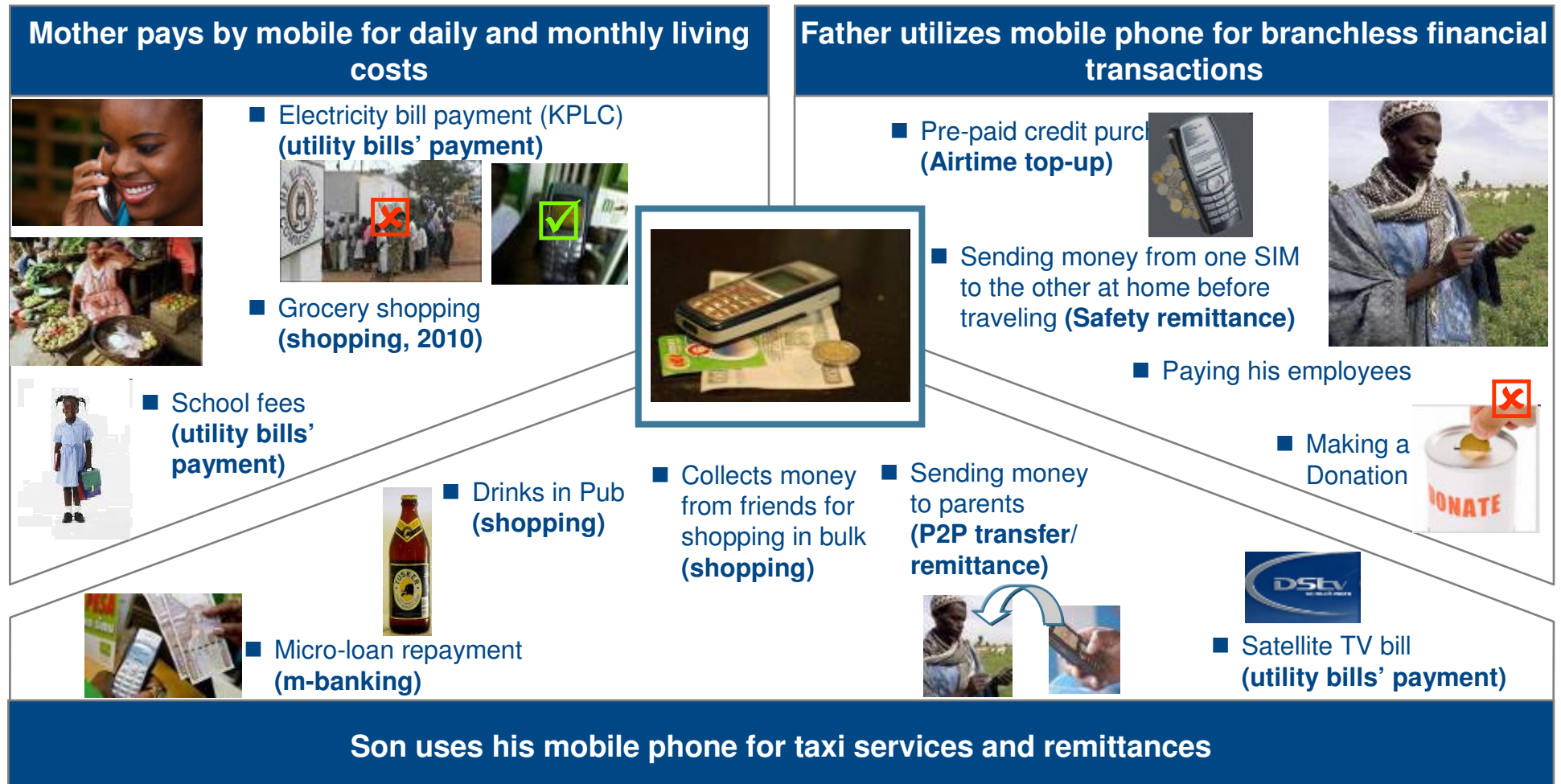


User numbers continuously increased after service launch: 12 months after launch M-Pesa already had more than 1m users, 24 months after launch more than 6m



Source: Pulver, FSD Kenya 2009, Arthur D. Little analysis

Today M-Pesa offers a wide range of services making everyday life easier for all Kenyan family members



Source: Vodafone, National Daily, Ludwig, S. (2009), Univ. Vienna, Arthur D. Little analysis

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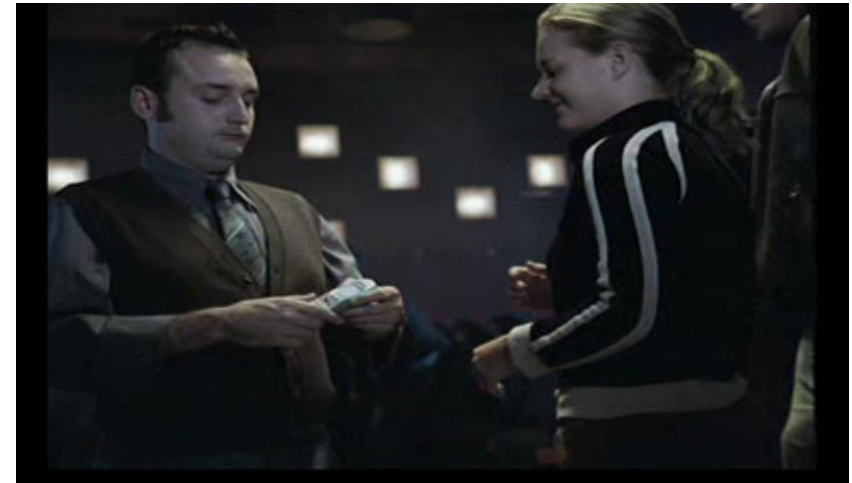
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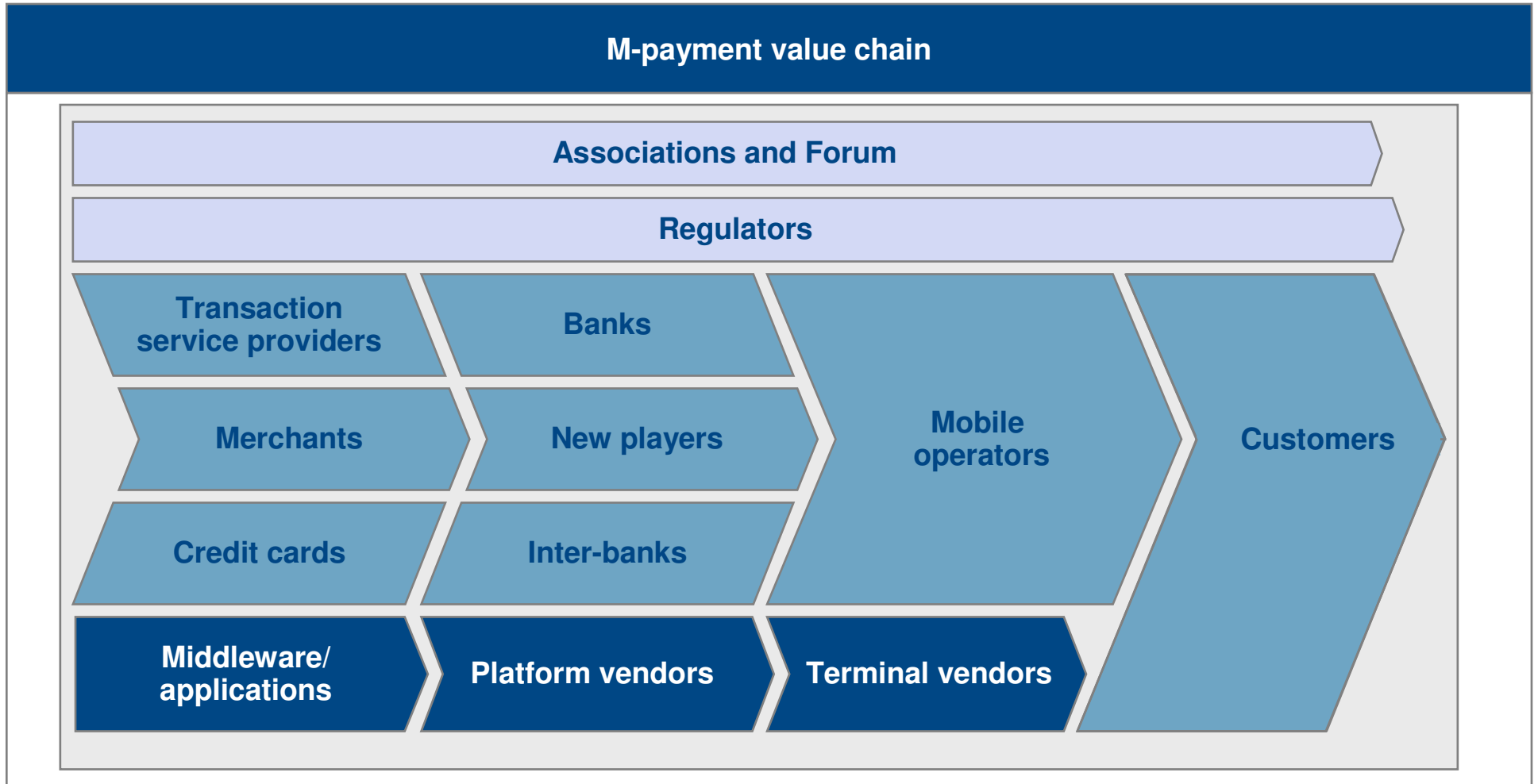
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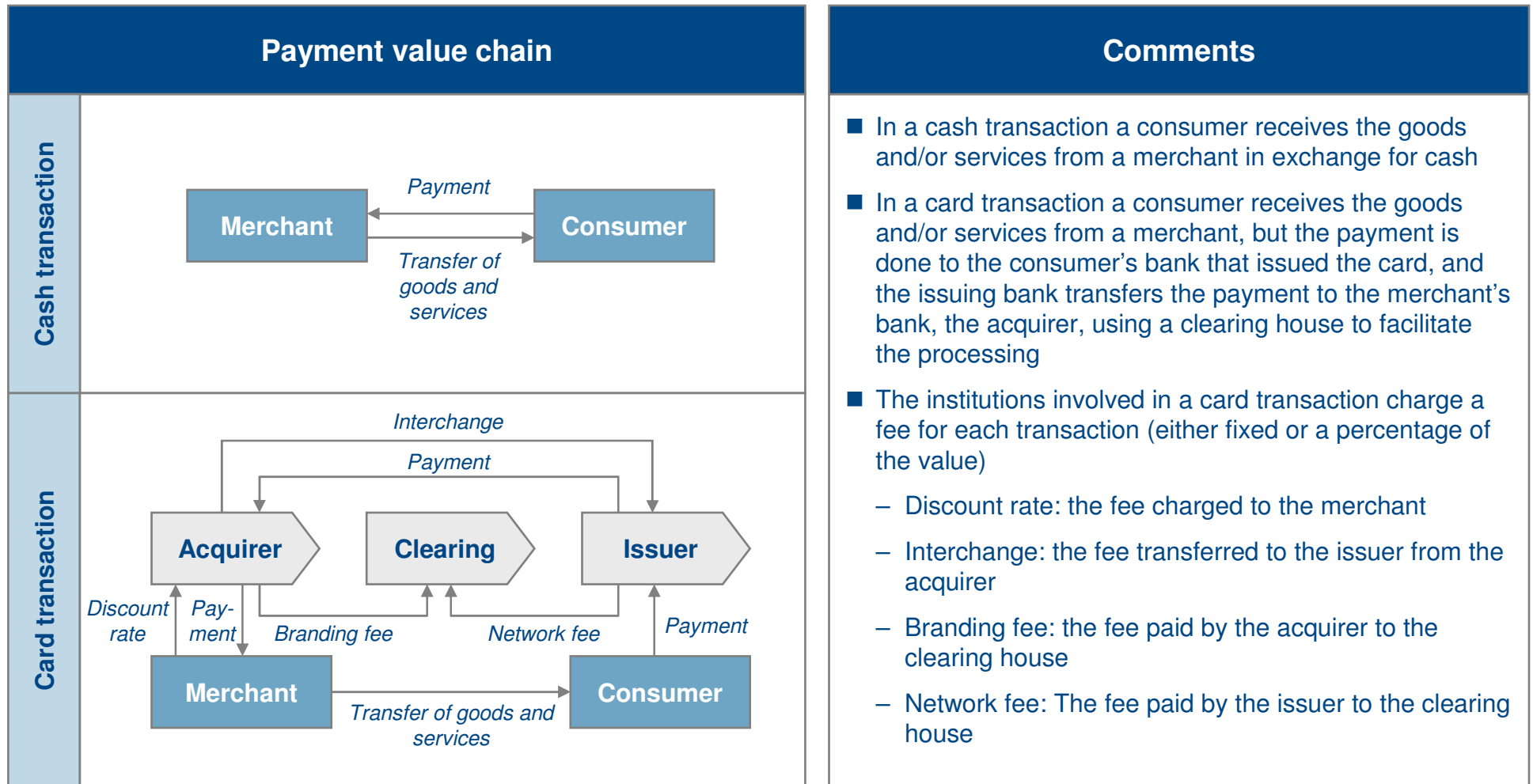
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The m-payment value chain involves a larger number of players than traditional payment methods and introduces changes in the role that each of them play

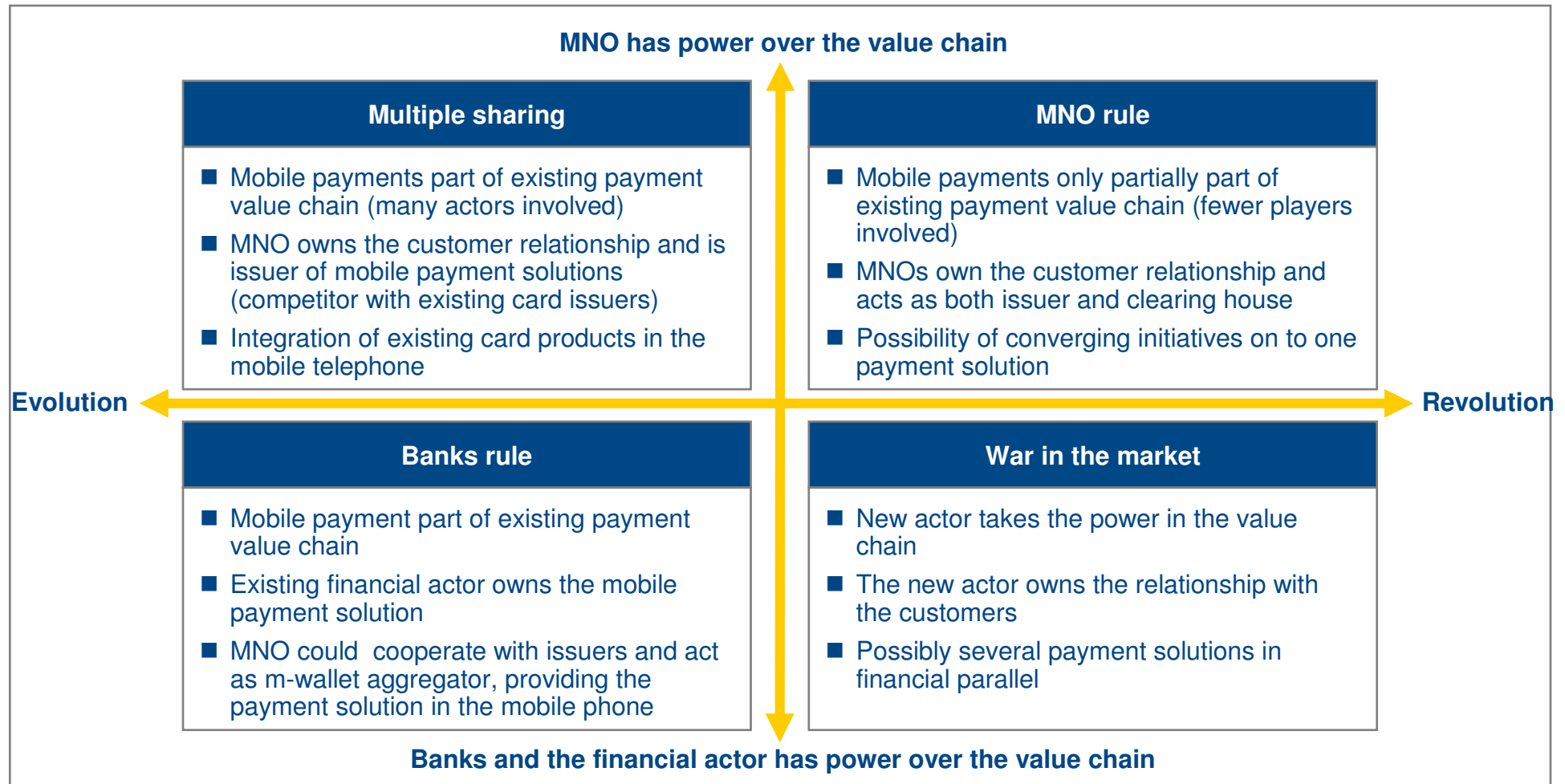


The traditional payment value chain consists of the consumer and the merchant for cash transactions plus the acquirer, the issuer and the clearing house for card transactions



Source: Payment Forum, Arthur D. Little analysis

The identified four value chain development scenarios describe different futures where either the banks or the MNOs have the power



M-payment has a huge potential and each market will do it differently – “local” prevail

Key take aways

- M-payment is becoming a reality, mainly exploding in emerging markets reaching a CAGR of 76% by 2012, mainly coming from the proximity payments
- M-payment is a “local” business – a proximity business involving “local” partners and a “local” eco-system, with few services such as remittance
- Different business models can be considered and pushed through in a country for one and the same application
- The global market is substantial and can make a fundamental “social-behavioural” impact in a given country that can completely shift the core of its transactions into “a mobile payment” mainly cannibalizing cash
- The eco-system has to be considered very carefully, several scenarios can be derived depending on how the market players organize themselves (risk and lead) – within the regulatory given framework