Consumers and Mobile Financial Services 2016

U.S. Federal Reserve
Survey Timeframe: November 2015
Available at: http://www.federalreserve.gov/econresdata/mobile-devices/2016-preface.htm

Key Findings

• Mobile phones, particularly Internet-enabled smartphones, are in widespread use.

    Eighty-seven percent of the U.S. adult population has a mobile phone, the same as in 2014 and 2013.

    Seventy-seven percent of mobile phones are smartphones (Internet-enabled), up from 71 percent in 2014 and 61 percent in 2013.

• Adoption of mobile financial services continues to increase. A majority of consumers using these services cite convenience or getting a smartphone as their reason for adoption.

    Use of mobile banking continues to rise. Forty-three percent of all mobile phone owners with a bank account had used mobile banking in the 12 months prior to the survey, up from 39 percent in 2014 and 33 percent in 2013.

    Fifty-three percent of smartphone owners with a bank account had used mobile banking in the 12 months prior to the survey, up from 52 percent a year earlier.

    Consistent with previous years, the three most common mobile banking activities among mobile banking users were checking account balances or recent transactions (94 percent), transferring money between an individual's own accounts (58 percent), and receiving an alert (e.g., a text message, push notification, or e-mail) from their bank (56 percent).

    Use of mobile payments continues to be less common than use of mobile banking. Twenty-four percent of all mobile phone owners reported having made a mobile payment in the 12 months prior to the survey.

    Twenty-eight percent of smartphone users made a mobile payment in the 12 months prior to the survey.

    The three most common mobile payment activities among mobile payments users with smartphones were paying bills through a mobile phone web browser or app (65 percent), purchasing a physical item or digital content remotely using a mobile phone (42 percent), and paying for something in a store using a mobile phone (33 percent).
The main impediments to the adoption of mobile financial services cited by some consumers continue to be a preference for other methods of banking and making payments as well as concerns about security.

Of those not using mobile banking, the primary reason respondents cited was a belief that their banking needs were being met without the use of mobile banking (88 percent).

The primary reason non-mobile payment users gave for not using mobile payments was that they believe it is easier to pay with cash or credit/debit cards (80 percent).

Concern about the security of the technology was a common reason given for not using mobile banking or mobile payments (73 percent and 67 percent, respectively, of non-users).

Most consumers with bank accounts reported using a mix of online and offline channels to interact with their financial institution. For those who have adopted mobile banking, use of the mobile channel appears to complement their use of other banking channels.

Among all respondents with bank accounts, the share using mobile banking is higher than the share using telephone banking but lower than the shares that have visited a branch, used an ATM, or used online banking in the last 12 months.

Among mobile banking users with smartphones, 54 percent cited the mobile channel as one of the three most important ways they interact with their bank, below the shares that cited online (65 percent) and ATM (62 percent), but above the share that cited a teller at a branch (51 percent).

The security and privacy of personal information remain common concerns for mobile phone users, and many smartphone users reported taking steps to guard against possible risks.

Among those with a mobile phone, 42 percent think that people’s personal information is “very unsafe” or “somewhat unsafe” when they use mobile banking, and an additional 15 percent “don’t know” how safe these activities are.

The majority of smartphone users reported taking actions that can reduce harm in case of a security incident. The most common actions were installing updates (84 percent), password-protecting the phone (70 percent), and customizing privacy settings (58 percent).

Consumer awareness of security threats may influence behavior: 78 percent of smartphone users reported they do not download or install apps from sources outside their primary app store, and 76 percent reported they do not send or access sensitive data over public Wi-Fi networks.

Consumers use their smartphones to inform financial decisions.

Most mobile banking users who receive low-balance alerts from their bank reported taking some action in response, such as transferring money into the account with the low balance (43 percent),
depositing money into the account (36 percent), or reducing their spending (32 percent).

Sixty-two percent of mobile banking users checked their account balance on their phone before making a large purchase in the 12 months prior to the survey. Half (50 percent) of them decided not to purchase an item as a result of their account balance or credit limit.

Forty-one percent of persons with smartphones used their phone to browse product reviews or get product information while shopping at a retail store, and 79 percent of them changed the item they purchased based on this information.

- **Mobile phones are prevalent among unbanked and underbanked consumers.**

Nine percent of consumers were unbanked at the time of the survey. Forty percent of the unbanked had access to a smartphone, 28 percent had access to a feature phone, and 32 percent lacked access to any type of mobile phone.

Twenty-two percent of consumers were underbanked, meaning they had a bank account and had used one or more alternative financial services (typically from a nonbank) within the past year. Seventy percent of the underbanked were smartphone owners, and 17 percent owned a feature phone.

Among the underbanked with mobile phones, 55 percent used mobile banking.

**Mobile Payments - See pg. 15**

For purposes of this survey, mobile payments are defined as “purchases, bill payments, charitable donations, payments to another person, or any other payments made using a mobile phone. This includes using your phone to pay for something in a store as well as payments made through an app, a mobile web browser or a text message.

Younger consumers are more likely to make mobile payments (table 5). Of those with a mobile phone in 2015, 30 percent of individuals ages 18 to 29 and 32 percent of individuals ages 30 to 44 had made mobile payments. By comparison, 13 percent of those ages 60 or over reported making mobile payments. This pattern of use by age has been evident across all five years of the survey.

Among those owning a mobile phone, minorities are more likely to make mobile payments (table 6). In 2014, 32 percent of non-Hispanic blacks with mobile phones and 29 percent of Hispanics with mobile phones had made mobile payments, while 19 percent of non-Hispanic whites reported making mobile payment.

Focusing only on those smartphone owners who reported that they had made a mobile payment in the prior 12 months, the most common mobile payment activity was paying bills (65 percent),
followed by purchasing a physical item or digital content remotely using a mobile phone web browser or app (42 percent) (figure 6). The next most common activities reported by mobile payments users were paying for something in a store (33 percent) and sending money to friends or relatives within the United States (25 percent). Less common activities were paying for parking, a taxi, car service, or public transit using a mobile phone (20 percent); making a donation or payment by text message (12 percent); and sending money to relatives or friends outside the United States (5 percent).

Although using a mobile phone to pay for a retail purchase at the point-of-sale (POS) is less common than paying bills or purchasing physical items or digital content remotely with a phone, POS mobile payments are no longer rare. Developments in technology, the entrance of new market participants, and increased familiarity with mobile payments may be contributing to this trend. As noted earlier, in 2015, 33 percent of all mobile payments users with smartphones had paid for something in a store using their mobile phone instead of cash or a payment card in the 12 months prior to the survey. Among those mobile payments users with smartphones who made POS mobile payments, 73 percent had made a POS payment in the preceding month, and over a third had made more than two such payments.

Mobile payments are most commonly funded using debit cards (56 percent), credit cards (48 percent), directly from a bank account (36 percent), or from an account at a nonfinancial institution such as PayPal (16 percent). Only 9 percent of mobile payments users reported that they used a prepaid debit card, and 3 percent had the charge directly applied to their phone bill. The type of payment used to fund the mobile purchase has implications for the consumer protections that the payer is afforded on the transaction, as different payment sources are covered by different consumer regulations and regulatory agencies.

Among all mobile payments users, the median reported frequency of using mobile payments was two times in the month prior to the survey. As with mobile banking, there is variation among mobile payments users in how frequently they use the service and in types of activities. Twenty-five percent of mobile payments users reported they had used mobile payments in the last 12 months but not in the month prior to the survey. Like the overall group of mobile payments users, the most common mobile payment activity reported by these low-intensity users is paying bills (30 percent).

Among those who said they do not use mobile payments, the most common reason for not adopting the technology is that they prefer to use other means of making payments: 80 percent reported that it is easier to pay with other methods (figure 7). Sixty-seven percent cited security concerns, and a similar proportion (65 percent) did not see a benefit to using mobile payments.

The reasons respondents have given for not using mobile payments have been generally consistent between the 2013, 2014, and 2015 surveys. However, over time, a smaller share of respondents have reported that not having the necessary features on their phone (46 percent in 2013, 37 percent in 2014) and the places they shop not accepting mobile payments (27 percent in 2013, 23 percent in 2014) were reasons why they had not used mobile payments.
Of the potential activities of interest to others, using a mobile phone to pay for purchases at a store was the most commonly cited (17 percent). Three other mobile payment activities appealed to a sizeable share (12 percent for each activity): paying for parking, a taxi, car service, or public transit; paying a bill; and purchasing a physical item or digital content remotely using a mobile phone.

When those with a smartphone who did not report making POS payments were asked if they plan to use their mobile phone to make a payment in a store in the next 12 months, 5 percent said they “definitely will” and 15 percent said they “probably will.” The majority of smartphone users said that they “probably will not” (50 percent) or “definitely will not” (30 percent) use their phone to make an in-store payment.

**Perceptions of Safety and Risk – see pg. 21**

When mobile phone users were asked how safe they believe people’s personal financial information is when they use a mobile phone to pay for a purchase at a store, 27 percent said it was “somewhat unsafe” and 19 percent said it was “very unsafe.” As with mobile banking, there exists significant uncertainty about the security of POS mobile payments, with 15 percent saying they “don’t know” whether people’s personal financial information is safe when making such a payment. The share of consumers who said that POS mobile payments are “very safe” was only 6 percent, while 32 percent said that it is “somewhat safe.”

As with mobile banking, there has been a slight shift over time in perceptions of the safety of using a mobile phone to pay for a purchase in a store. In 2015, 38 percent of respondents said that using a mobile phone to pay for a purchase in a store is either “very safe” or “somewhat safe,” an increase from 35 percent in 2014, and 33 percent in 2013 (table 8).

Mobile phone owners were asked which one aspect of security would cause them the most concern about using a mobile phone for financial transactions such as mobile banking or paying for a purchase in a store (figure 10).

Some reported fears of the phone being hacked or data interception (25 percent), lost or stolen phones (13 percent), and companies not providing sufficient security to protect mobile transactions (7 percent). While other specific concerns were noted by smaller numbers of respondents, the most common response was that they were concerned with all of those security risks occurring (37 percent). Only 8 percent of those with mobile phones indicated that they had no concerns about the security of mobile financial transactions.

Consumers appear to be cognizant of the need to protect the personal information stored on, and transmitted with, their phones. Seventy percent of smartphone owners reported that they password protect their phone, in line with the 69 percent in 2014, and up from 61 percent in 2013 and 54 percent in 2012.
Among smartphone owners, 45 percent said that they have used their mobile phone to comparison shop on the Internet while at a retail store, and 28 percent have used a barcode scanning application for price comparisons, a 5 percentage point decline from the 2014 survey. Consumers are also using their smartphones to obtain product information: 29 percent have scanned a Quick Response (QR) code in a newspaper, magazine, or billboard advertisement to obtain information about a product, and 41 percent have used their phone to get product reviews or product information while shopping at a retail store.

Many consumers who use their smartphone to comparison shop reported that they altered their decisions as a result: 69 percent who have comparison shopped in a store reported that they changed where they made a purchase after comparing prices, and 79 percent reported that they changed what they purchased as a result of reading product reviews on their smartphone while at a retail store.

 Consumers were asked to select the types of activity they would be interested in performing with their mobile phones, assuming the functions were made available to them (figure 13). Some consumers appear to be open to greater use of their phones as a tool to get the best prices in their shopping activities: 23 percent expressed an interest in using their mobile phones to compare prices while shopping; 25 percent indicated that they would like to receive and manage discount offers and coupons; and 22 percent would like to receive location-based offers. Mobile phone users also expressed an interest in using their phones to store gift cards or track loyalty/reward points (22 percent) and to manage their personal finances (14 percent).