



**Mobile payment  
and crediting:  
enabling better  
consumer  
engagement**



The Most Reliable Mobile Transaction Hub

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by **mobile**<sup>SQUARED</sup>

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## Introduction

M-commerce is big business in the UK with approximately 18.8 million mobile consumers now purchasing physical goods and services online via their mobile phones, according to the most recent consumer trends data from mobile<sup>SQUARED</sup>. At the same time, however, only around 20% of the UK's top retailers have a mobile-optimised version of their website, meaning that many brands are missing out on the opportunity to properly engage with this burgeoning market and boost revenues.

Many retailers are also not making use of micropayment solutions for smaller transactions up to the value of £10 – a level at which many mobile consumers make spontaneous decisions to purchase. Although credit card fees are relatively low, around 4% of the transaction value, the timely process of inputting the credit card number, expiry dates and address details would likely dissuade many mobile consumers from continuing with, or repeating, the process.

The Internet Advertising Bureau (IAB) last year published research saying that 31% of UK consumers who made a purchase via their mobile device did so due to an impulsive decision, while 25% liked the experimentation factor of purchasing via their mobile phone. The 'on-the-move' spontaneity of mobile dictates that checkout processes for any low-cost transactions should be equally quick - with a minimum of 'clicks' and input screens.

mobile<sup>SQUARED</sup> surveyed 1,000 mobile users for OpenMarket across the UK to gauge their perception of brands that use mobile payments and mobile crediting, how they would like to make use of these services and what they view as most important to build increase interaction between the brand and the mobile consumer.

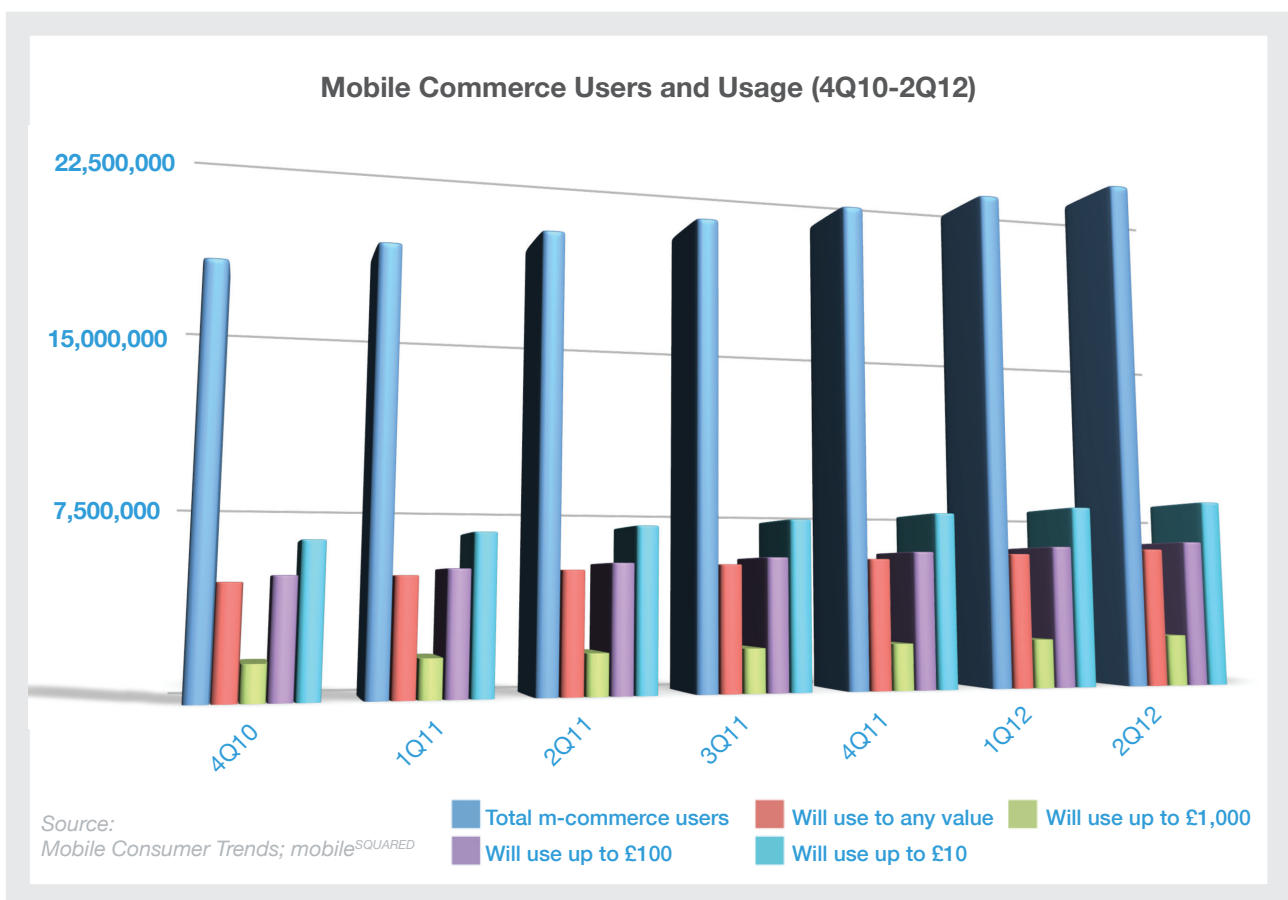
Key findings from the survey show that almost 55% of respondents thought that providing credit/debit card information through their mobile phone was a disincentive to making a mobile purchase, while 24% preferred micropayments to be automatically charged to their mobile phone account.



Systems such as 'Payforit' allow mobile consumers to make to make quick, simple and secure micropayments which are either added to their monthly bill or deducted from pre-pay credits - without having to be pre-registered with payment providers such as Paypal, or having to input credit/debit card information via their mobile phone. 'Payforit' is the standard in-app, WAP and web purchasing solution for operator billing in the UK and is supported by all the major operating groups.

In total, 67% of the respondents surveyed for OpenMarket said their main concern was having confidence that they would be charged correctly for the transaction and any personal details would be secure. Dealing with a recognised brand – such as Paypal, or any of the major credit card issuers – was not deemed to be important, being a priority for just 14.4% of respondents.

The potential for m-commerce in the UK is enormous. According to mobile<sup>SQUARED</sup>'s Mobile Consumer Trends database, there was a total of 16.89 million m-commerce users in the UK at the end of 2010, equivalent to 21% penetration of the total 81.04 million devices in market. More importantly, however, 6.13 million mobile consumers said they did not make transactions above the value of £10 through their mobile phone – highlighting the explicit opportunity for the mobile micropayment market.



Without operator billing solutions, the sub-£10 segment could be lost if these users are not registered with another payment service, such as Paypal, or willing to send credit/debit card details over mobile. End 2010, Paypal had about 26 million accounts in the UK which is equivalent to about 52% of the adult population. With a similar Paypal penetration, the sub-£10 market would fall from 6.13 million to 3.19 million.

By the end of this 2011, mobile<sup>SQUARED</sup> forecasts the total m-commerce user base will have increased to 20.76 million – 25% of the 82.91 million devices in market, of which 7.48 million say they will spend no more than £10 on a single transaction through their mobile phone.

Quick, simple and secure payment mechanisms such as ‘Payforit’ therefore enable brands and retailers to reach this segment of the m-commerce universe, while also allowing them to initiate conversations with the consumer through mobile marketing campaigns, such as mobile crediting. Although mobile may still not be a significant revenue stream for most retailers, it is increasingly being used as a marketing channel to engage with customers and boost demand either in store, or online, while building an opted-in mobile database.

Over 60% of respondents surveyed for OpenMarket said they would be more likely to buy a product offering mobile credits, versus a similar competing product. Moreover, almost 31% said they would be more likely to buy products or services from the same brand in the future, while 21% said they would view the brand more favourably.

Mobile marketing initiatives such as mobile crediting provide a low-cost mechanism for rewarding consumer loyalty while driving sales, increasing brand perception, goodwill and a willingness to engage with the brand in the future. The consumer engagement is simple:

- Offer an incentive to customers, such as free credit applied automatically to their mobile bill when they make a purchase
- Provide a redemption code and call to action
- The appropriate mobile credit is then applied to the customer’s pre-pay or post-pay mobile operator account when the code is used.



For example, in 2009 and 2010 Coca-Cola ran campaigns called ‘Gimme Credit’ targeting British teenagers with the offer of a 50p mobile credit on tens of millions of cans and bottles of Fanta, Sprite and Dr Pepper.

Consumers texted a unique redemption code from the packaging to a five-digit short code, with the credit then being applied to their mobile pre-pay balance or post-pay account. Jude Brooks, Coca-Cola’s interactive manager, said ‘Gimme Credit’ was one of its most successful campaigns in terms of engaging with users. “Coca-Cola wouldn’t be interested in just buying a list of names and then sending out a load of messages,” she said. “If it’s an opted-in list for people who want to receive messages then why not use it? SMS is good as a marketing tool but not necessarily as an advertising tool.”