

European M-Commerce Survey

Qpass 2004

Executive Summary

On the eve of Mobile Commerce World in London, mobile commerce software specialist Qpass conducted a market survey to examine the potential opportunity for m-commerce in the UK.

The report outlines the findings of the research study conducted with 183 mobile phone users at Waterloo Station in London on 20th September, 2004.

Overall, the report showcases that the mobile phone industry in the UK is missing an opportunity to capitalise on pent-up consumer demand to purchase goods and services via their mobile phones.

More than four out of five consumers (82.5 percent) polled said that they would be prepared to purchase items via their mobile phones but only 12.6 percent had ever done so satisfactorily.

Findings showcase that mobile phone users identified with the convenience and potential of a mobile phone as a payment mechanism: 78.1 percent said that they would use a mobile phone to pay for parking, 56.3 percent a newspaper or magazine and 53.0 percent tickets for public transport.

Additionally, one fifth (22.4 percent) of mobile users would be prepared to spend more than £2 per month on mobile subscription services whilst almost half (45.4 percent) said they would be prepared to pay £1 to £2.

More than three times as many phones users have made purchases via the internet versus with their mobile phones, with 61.7 percent admitting to being internet shoppers versus 20.2 percent for m-commerce. Ringtones (62.2 percent) and information services (43.2 percent) were the most popular mobile purchases.

For those mobile phone users who had made a mobile transaction, the user purchasing experience was mixed. Almost two in five reported some form of error in the transaction process: 18.9 percent said that they failed to receive the product, 16.2 percent received multiple SMS text messages for a single purchase and 2.7 percent didn't understand the item when it appeared on their mobile phone bill.



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Introduction

Across Europe, mobile phone operators are introducing premium data services and are seeking to build consumer adoption of these services. Indeed, the commoditisation of mobile voice services, the significant investment required for 3G network infrastructure and earlier technology industry economic downturn have placed tremendous pressure on operators to generate new sources of revenue.

Witnessing the success of premium data services in Asia has further motivated operators to aggressively promote and pursue the expansion of premium data services among consumers. In Europe, however, there are a multitude of factors that have held back consumer adoption. The European market is highly complex. The plethora of handsets and multiple operating systems alone creates difficulties for developing and delivering content; never mind the need for multiple currencies, languages and other intricacies across Europe.

From a mobile network infrastructure perspective, European operators are constrained by billing systems that dictate how content is integrated into their networks and delivered to consumers. Experiencing errors in the delivery of products and receiving multiple SMS messages for a single purchase are just two indications of systems that are stretched.

In the US, mobile operator Cingular witnessed a 700% average monthly revenue increase in mobile data uptake from 2002 to 2003 after implementing its DirectBill service, which streamlined the purchase process for consumers, among other features facilitated through a new breed of mobile commerce software.

In Europe today, many mobile operators are also in the process of upgrading existing systems with next generation mobile commerce software to eliminate many of the technology challenges of managing and delivering premium mobile content and services.

Areas covered in the research include:

- Data indicating a pent-up consumer demand for purchasing services and content via their mobile phones
- Propensity among consumers to purchase specific goods and services including newspapers, parking payments, transportation tickets and other services
- Insight on consumer purchasing on the Internet vs. via mobile phones
- Overview of goods and services being purchased today using mobile phones
- Review of user experiences in purchasing premium mobile data goods and services

In-person research was carried out with 183 mobile phone users at Waterloo Station in London on 20th September, 2004. The study focused on the demand among consumers for purchasing goods and services via their mobile phones and also their experiences in purchasing premium mobile content and services today.

Results

Qpass, the proven and preferred provider of mobile commerce software, conducted a study into the views of consumers on purchasing goods and services via their mobile phones.

1. Have you ever purchased goods or services via the Internet?

| | | |
|--------|------------|-------------------------------|
| a) Yes | 62% | 113 respondents |
| b) No | 38% | 70 respondents |
| | | Total Respondents: 183 |

2. Have you ever made a purchase via your mobile phone for anything other than calls and text messages, such as ringtones, wallpaper/logos, games or information services?

| | | |
|--------|------------|-------------------------------|
| a) Yes | 20% | 37 respondents |
| b) No | 80% | 146 respondents |
| | | Total Respondents: 183 |

3. If you have bought products or services with your mobile phone, what have you bought? (Select all relevant answers)

| | |
|------------------------------|--------------|
| a) Ringtones | 23 responses |
| b) Wallpaper/logos | 4 responses |
| c) Games | 11 responses |
| d) Information services | 16 responses |
| Total Respondants: 37 | |

4. If you have bought products or services with your mobile phone, what was the experience of your purchase? (Select one response)

- | | |
|--|----------------|
| a) Transaction worked ok | 23 respondents |
| b) Charged the wrong amount | 0 respondents |
| c) Didn't understand item on bill | 1 respondent |
| d) Failed to receive the product | 7 respondents |
| e) Received multiple SMS messages for one purchase | 6 respondents |

Total respondents: 37

5. What is the maximum you would be prepared to pay each month for additional mobile content services such as daily news updates, the weather forecast, sports results or other subscription services? (Select one answer only)

- | | |
|-----------------|----------------|
| a) Nothing | 27 respondents |
| b) Up to £1 | 34 respondents |
| c) £1 to £2 | 81 respondents |
| d) £2 to £5 | 29 respondents |
| e) More than £5 | 12 respondents |

Total respondents: 183

6. Thinking of the future, which of the following would you be prepared to purchase via your mobile phone? (Select all relevant answers)

- | | |
|---|---------------|
| a) Parking ticket/payment | 143 responses |
| b) Cinema tickets | 62 responses |
| c) Vending machine drinks or snacks | 48 response |
| d) Newspapers or magazines | 103 responses |
| e) Music or video downloads | 42 responses |
| f) Public transportation | 97 responses |
| g) None of the above – would not want to use my mobile phone to purchase goods. | 27 responses |

Total Respondants: 183

Primary Findings

- **Pent-Up Consumer Demand for Using Mobile Phones for Purchases**

More than four out of five consumers (82.5 percent) polled said that they would be prepared to purchase items via their mobile phones but only 12.6 percent had ever done so satisfactorily.

- **High Propensity for Consumers to Make Daily Purchases via Phone**

Mobile phone users identified with the convenience and potential of a mobile phone as a payment mechanism: 78.1 percent said that they would use a mobile phone to pay for parking, 56.3 percent a newspaper or magazines and 53.0 percent tickets for public transport.

- **Subscription Services Appealing to Consumers**

One fifth (22.4 per cent) of mobile users would be prepared to spend more than £2 per month on mobile contact services whilst almost half (45.4 per cent) said they would be prepared to pay £1 to £2.

- **Majority of Consumers Purchase on Internet Vs Minority via Phones**

More than three times as many phones users have made purchases via the internet versus with their mobile phones, with 61.7 percent admitting to being internet shoppers versus 20.2 percent for m-commerce.

- **Ringtones Top Mobile Commerce Purchases Today**

For those who had made a transaction via their phones, ringtones (62.2 percent) and information services (43.2 percent) were the most popular purchases.

- **Mixed User Experiences with Mobile Phone Purchases**

For those mobile phone users who had made a mobile transaction, the user purchasing experience was mixed. Almost two in five reported some form of error in the transaction process: 18.9 percent said that they failed to receive the product, 16.2 percent received multiple SMS text messages for a single purchase and 2.7 percent didn't understand the item when it appeared on their mobile phone bill.

Recommendations

Based on the findings, Qpass makes the following recommendations to facilitate the uptake of mobile commerce.

- **Determine factors that are limiting the consumer experience** such as roadblocks to purchasing, availability of desired products and services and personalisation.
- **Implement lessons learned from the Internet.** The introduction of 'one-click' purchasing, the ability to use multiple purchase methods and anonymous purchasing capabilities have dramatically increased consumer propensity to complete purchases.
- **Conduct an assessment of network infrastructure** constraining mobile commerce. Criteria should include: ability to easily add and manage content provider partners; capabilities for sophisticated consumer offers, including subscriptions, bundles and hard goods; efficient transaction and payment management (ie, one-touch purchases and revenue distribution); customer care capabilities that offer consumers and call centres easy access to information.
- **Plan for future payment requirements** to integrate with payment associations to the benefit of the consumers (ie, Simpay and Mobipay in Spain).

About Qpass



Qpass, headquartered in the US and with offices in Europe, is the proven and preferred provider of mobile commerce software for leading mobile operators. Qpass customers collectively reach more than 70 million subscribers today. Over the past 18 months, Qpass customers have experienced sales increases of more than 3,500% resulting in premium data services revenue worth hundreds of millions of dollars per year. These operators, including Cingular Wireless, AT&T Wireless, Nextel, Alltel and Dobson, use the Qpass Services Management software as an overlay to existing business systems. The software efficiently manages mobile commerce payment and settlement, content partner relationships, service bundle creation and customer care in mobile or Wi-Fi networks. Today more than 150 content partners and aggregators are integrated with Qpass software, delivering over 10,000 applications to mobile users. For more information, visit www.qpass.com.