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Executive Summary

- In Germany, Spain and the UK the majority of consumers will own a smartphone by 2018 (N.B. our definition of a smartphone is one that is capable of downloading apps).
- Among smartphone users, more than half have bought something through mobile commerce.
- Ease of use and speed are the most valuable attributes of m-commerce.
- Around half of our sample would like to manage their finances via their phone (varying from 48% in the UK to 53% in Spain).
- The majority of consumers agree that they would be more confident in m-commerce if they could buy through a bank app (68% in Spain).
- More than half of our sample would trust websites endorsed by a bank (varying from 51% in Germany to 68% in Spain).
- While security is a concern for purchasing via a mobile phone, consumers anticipate purchasing more expensive items via a banking app. This is due to the greater confidence they have in buying through a financial institution app.
- Of all the services that consumers could be connected to prior to purchase, their bank is the most favoured – over and above price comparison sites.
- Loyalty schemes emerge as an important motivator in encouraging the use of a bank app.
- A significant part of the population would feel valued if their bank offered them information about products and services that they could purchase (varying from 25% in Germany to 46% in Spain).
- While balance checks are still the most frequent use of mobile banking, other more sophisticated activities are not far behind; the majority of German smartphone users have paid a bill using their phone and half of Spaniards have made a balance transfer.
- Overall, banks have an opportunity to flex a number of unique strengths in m-commerce; from highly repetitive, information checking activities like balance checking through to a more advisory role in recommending brands and offering consumers promotions. Banks can act as a trusted advisor and as a secure route for payments.

1. Introduction

In 2009, the Future Foundation researched and wrote a report for Monitise which concluded that 17% of the UK population accessed the internet on a mobile device. The report quoted a widely-available industry estimate that – by the far distant point of 2013 – that proportion could double.

According to our own 2012 data, 39% of the UK population now own a smartphone (i.e. one capable of downloading apps); some way ahead of that 2009 forecast.

The success of mobile internet is one of the most disruptive influences on British consumers. It has become a tool of mass empowerment. Its effects have been, and continue to be, far-reaching.

The Future Foundation is a consumer futures agency and we understand consumer change through sixty quantified trends. In this report we will use some of these trends to explain the drivers of change. We've also used some of our own nVision data to support the new fieldwork conducted for Monitise.

In this new report for Monitise we look at m-commerce and the role that financial institutions may have in this emerging opportunity. Our report is based on new quantitative research conducted in the UK, Germany and Spain. This research is supplemented by Future Foundation global data. We have also interviewed three leading experts in banking, telecommunications and mobile marketing to give us a guide to the future.

2. The context: smartphones in the UK, Germany and Spain

2.1. Smartphone Penetration

Across Europe ownership of mobile phones has reached saturation point.

While smartphones have not achieved the same ubiquity – yet – they are catching up quickly.

The impact of this is substantial, causing significant behavioural change among consumers. Many people don't 'go online' anymore, instead they are *always on* – by 2018 the majority of people in Britain, Germany and Spain will have a phone that allows internet access and the old distinction between online and offline worlds will become largely meaningless.

We have used a very stringent measure of ownership to quantify smartphone penetration (below). Our figure is based on the entire population from 16 plus. We have not excluded people over the age of 65 or 75. Similarly we define a "smartphone" as one that allows the user to download apps - not just an "internet-enabled phone."

Percentage of the population whose mobile phone allows them to download apps | 2012

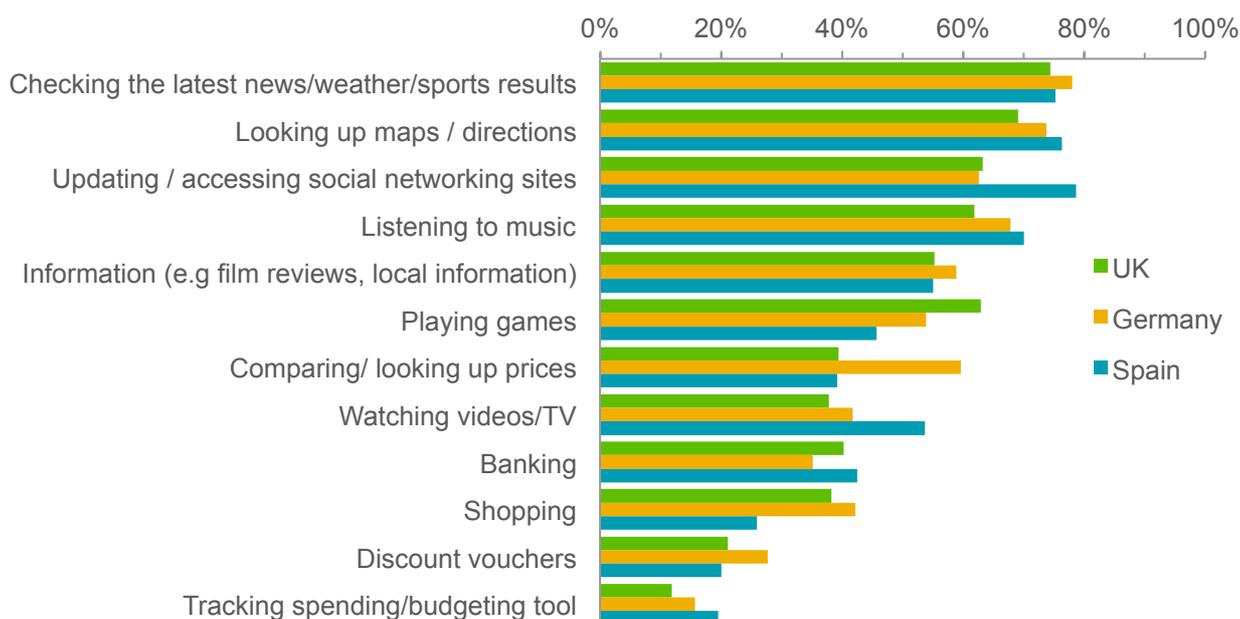
	2012	2018 forecast
Great Britain	39%	65%
Germany	29%	52%
Spain	37%	58%

Source: nVision Research | Base: All individuals aged 16+, 2012

2.2. How consumers use smartphones

In the main consumers use smartphones for practical purposes; checking news and weather and looking up maps. All as we'd expect. However some interesting country differences emerge. Among younger people (16-34) smartphone penetration is much greater in Spain than it is in Germany or (to a lesser extent) the UK. This is reflected in our behavioural data. In Spain social networking and entertainment are more important to consumers than they are elsewhere. For Germans the smartphone is a practical tool, helping them compare price, locate vouchers, find information and shop. The Germans are exemplars of how the mobile phone has empowered consumers, allowing them to shop efficiently and to make considered choices - often while in store. By contrast, British consumers stand out in their enthusiasm for playing games on phones.

“Which, if any, of the following do you do on your mobile phone?” | Among smartphone owners



Source: Monitise/Future Foundation/nVision | Base: 500 online respondents per country who are aged 16+ and own a smartphone, 2013

In terms of interacting with brands, one of the commercial tasks carried out most often is banking. A quarter of Spaniards, who have used mobile internet in the last six months, have used their mobile for banking purposes; that's a greater proportion than those who have used it for price comparison, purchase suggestion or group buying. Generally speaking the pattern across Europe is for consumers to use banking and finance apps more than shopping apps. Greater familiarity and trust in banking apps may explain this.

Percentage who have used their mobile for banking purposes in the last six months, among mobile internet users | 2012

	Banking
Great Britain	22%
Germany	15%
Spain	27%

Source: nVision Research | Base: 321-981 online respondents per country aged 16+ who have used mobile internet in the last 6 months, 2012

The smartphone offers consumers a high degree of control over their finances – a significant benefit during this, the first global recession of the internet age. We can see this reflected in the number of mobile internet users who have an online budgeting tool; one in ten in both Germany and Spain.

It is likely that the recession has made consumers appreciate the benefits of mobile phone banking more readily – across Europe we've seen a significant increase both in the numbers of consumers who claim to be budgeting their finances more and in the number of people who gain satisfaction from running a tight budget. The phone enables them to assess the affordability of products while in store. It also allows consumers to judge if they have sufficient funds before they buy an item. This is something that we see reflected in how people use mobile banking – balance checking is the most common mobile banking activity. Even spontaneous purchases can now be considered purchases.

Frequent balance checking is also partially explained by our **Smart Boredom** trend. The concept of 'downtime' is being challenged by a change in behaviour that is being driven by mobile internet. Constant connectivity allows consumers to carry out tasks during periods of enforced idleness (such as waiting for trains and standing in queues). These quiet moments are now populated by digital online activity – an important occasion for routine banking tasks. The significance of this shouldn't be understated as more than half of consumers in Spain, Sweden and the Czech Republic claim that they are interested in using their mobiles to undertake routine tasks while on the go.

2.3. Impact of tablet computers

It's worth noting the influence of tablet computers in m-commerce.

In Russia, Turkey, Spain, The Netherlands and Italy, among those who have access to the internet, one in five own a tablet (according to our own global data).

In the UK, among those people who have smartphones and tablets, personal computers remain the favoured device for buying goods and services (73% of consumers buy this way). Tablets are some way behind at 17%, with smartphones coming in at 10%. However among 16 – 24 year olds the proportion using tablets and smartphones is the same at 16%. Some of this will be down to usability and screen size. Security remains a concern for consumers with the p.c. still being perceived as more secure than either a phone or a tablet. Our UK analysis also suggests that many consumers – falsely – equate the size of the device with how secure it is; the bigger the device the more secure. The fact that consumers can think this way demonstrates that there is still work to be done on educating and reassuring the public on mobile connectivity. However we remain convinced that these concerns will be overcome – as they were in phone banking and online banking.

2.4. Forecast

In Spain, Germany and the UK smartphone penetration is between 30% and 40%. More broadly in Europe penetration varies between 22% in Italy and 46% in Sweden.

We forecast vigorous growth across all EU markets. By 2018 two thirds of Britons, three in five Spaniards and half of Germans will own a smartphone. In other words using a smartphone will be a majoritarian behaviour in these markets in 2018.

3. Smartphones and Banking

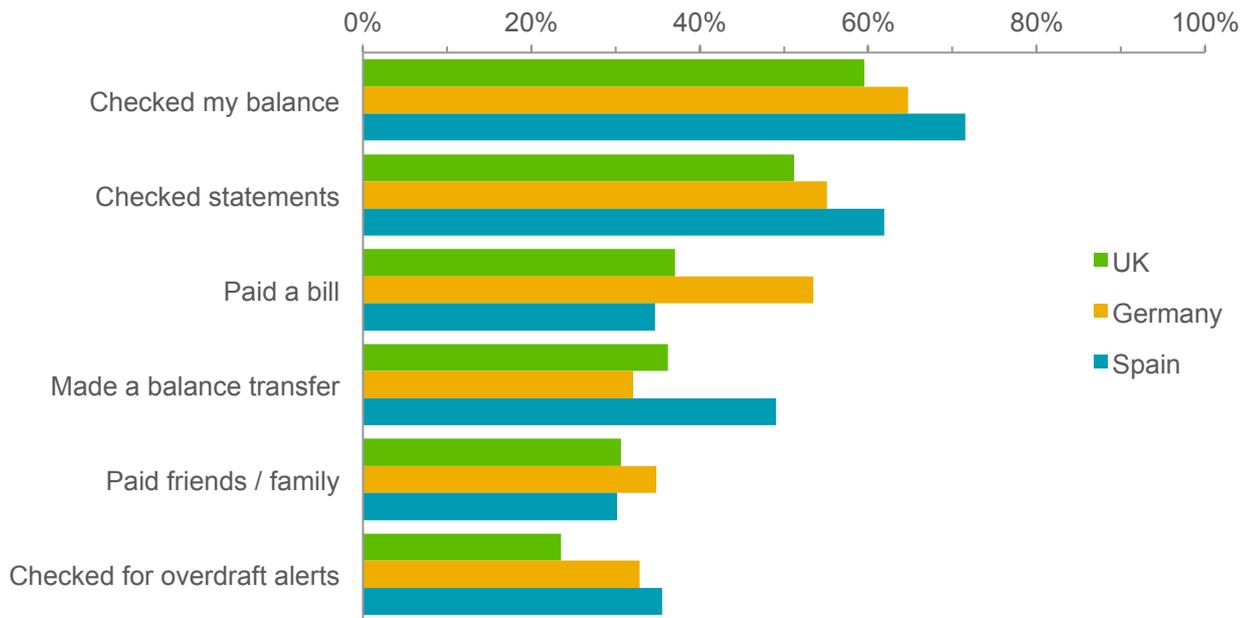
3.1. Current consumer use

As we've seen, banking is an important activity for smartphone users; a third of Germans and two fifths of Spaniards use their smartphones for managing their finances in some way. While much of this use is fairly straightforward (balance and statement checks) more sophisticated uses are emerging – paying bills for example. In Germany half of respondents have paid a bill using their smartphone while around a third of consumers in our three countries have transferred money to family members. This is a manifestation of our **Networked Families** trend which describes the robust health of the modern family, connected by modern technology. In many cases they are also connected by financial necessity, transferring money between generations and making joint decisions on family spending. The strength and connectedness of the modern family is a recurring theme in our work and technology has a significant role in supporting this.

We know that money flows between family members – quite often across three rather than two generations. Mostly the money is transferred from older family members to younger family members but there are instances of money going the other way. The mobile phone has an important role in facilitating these transfers.

Perhaps the most striking feature of mobile banking is just how many smartphone users are actively engaging with financial institutions via their phone.

“Which, if any, of the following banking services have you done on your mobile phone either on a website or using an app or via SMS / text banking?” | Among smartphone owners

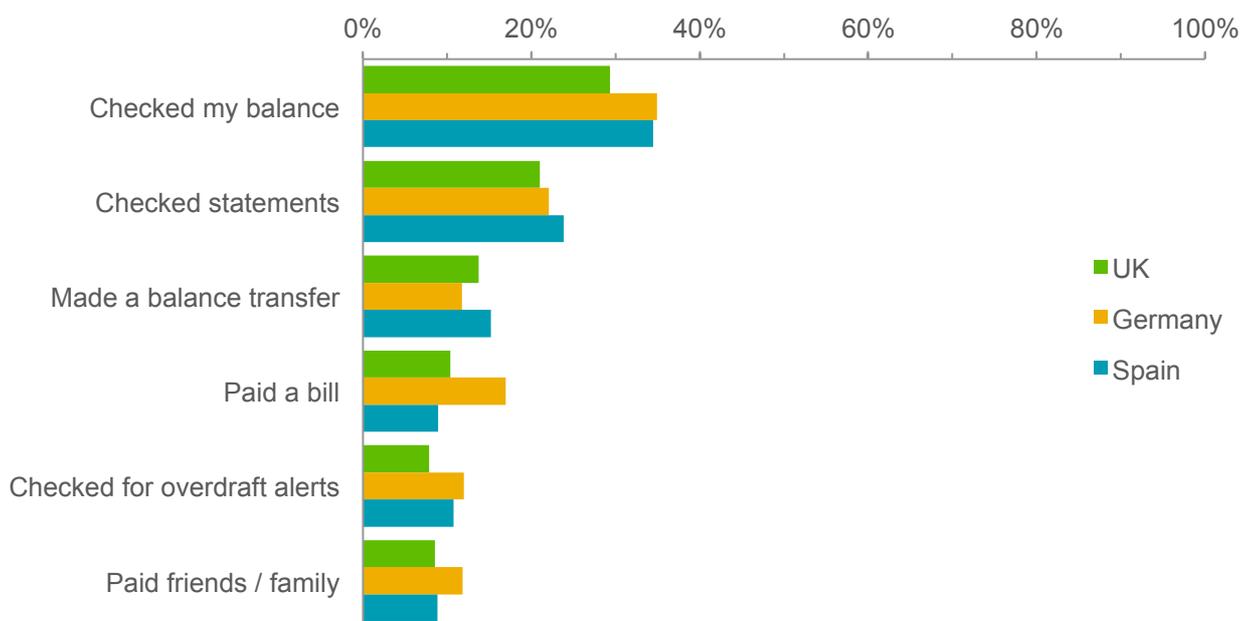


Source: Monitise/Future Foundation/nVision | Base: 500 online respondents per country who are aged 16+ and own a smartphone, 2013

3.2. Apps and mobile internet

Our research shows a similar pattern between those who use an app and those who use a mobile internet site.

“Which, if any, of the following banking services have you done on your mobile phone using an app?” | Among smartphone owners



Source: Monitise/Future Foundation/nVision | Base: 500 online respondents per country who are aged 16+ and own a smartphone, 2013

4. M-commerce

4.1. Penetration of m-commerce

Our 2013 data shows that half of smartphone users are active in m-commerce (we've excluded the purchase of an app as an m-commerce activity so that we can get a more rigorous and accurate assessment of m-commerce).

Perhaps more tellingly, the number of people who haven't bought anything with their smartphone and who have no intention of doing so is only 19% in Spain and Germany and 21% in the UK.

Percentage who have bought something (that is not an app) through their mobile, or who would be interested in doing so (see notes for question wording) | Among smartphone owners

	Have bought	Interested in buying
Great Britain	52%	27%
Germany	57%	25%
Spain	46%	35%

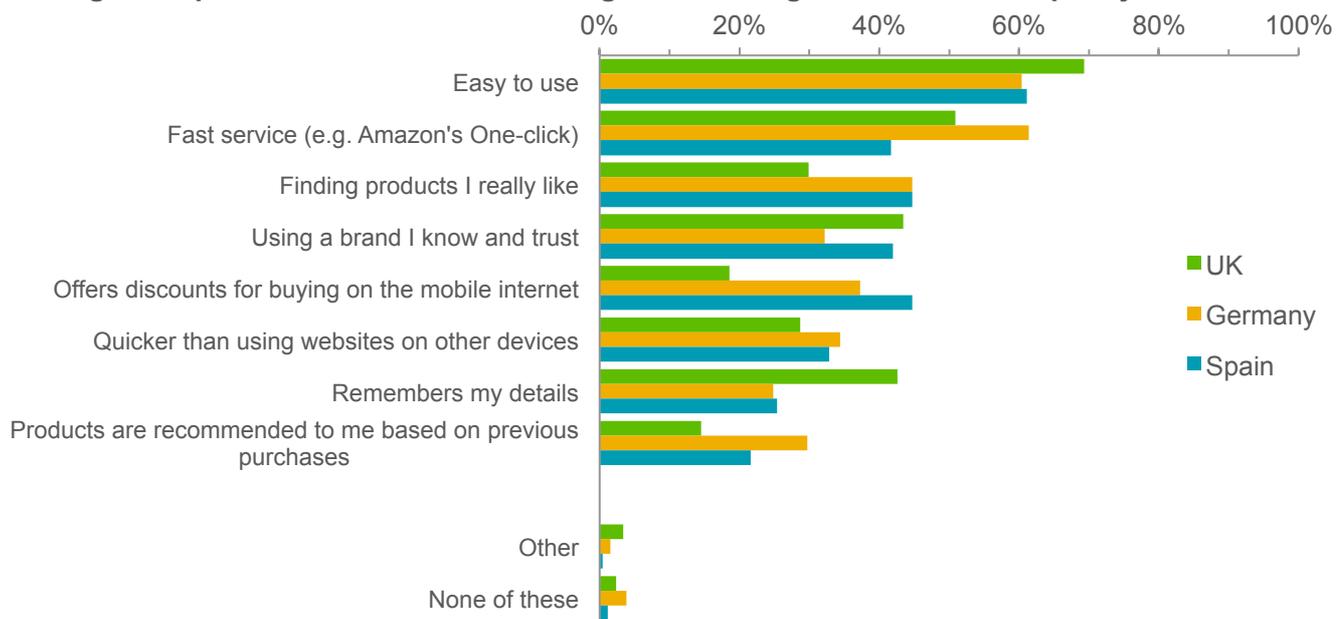
Source: Monitise/Future Foundation/nVision | Base: 500 online respondents per country who are aged 16+ and own a smartphone, 2013

British and German consumers have mainly bought books, CDs and DVDs through m-commerce in the past year. The pattern is different in Spain with travel and entertainment tickets being the most popular items, narrowly ahead of entertainment downloads.

The German and British pattern is consistent with the early days of e-commerce; indeed Amazon is the favourite destination for m-commerce with both Britons and Germans (by some margin). Spain is slightly different in that eBay is the favoured m-retailer, ahead of Amazon and El Corte Ingles. In all three countries Amazon and eBay dominate m-commerce.

4.2. What consumers like about the experience

“What is it about the purchase experience on these smartphone websites / apps that you like?” | Among smartphone owners who have bought something via mobile in the past year



Source: Monitise/Future Foundation/nVision | Base: 237-300 online respondents per country who are aged 16+, own a smartphone and have bought something via mobile in the past year, 2013

Some country variations emerge in what consumers get from m-commerce. In Germany speed is a vital consideration with a service like Amazon’s “One-click” especially valued. In Spain discounts are a big incentive while in Britain ease of use (over a number of visits) is the greatest positive aspect of m-commerce.

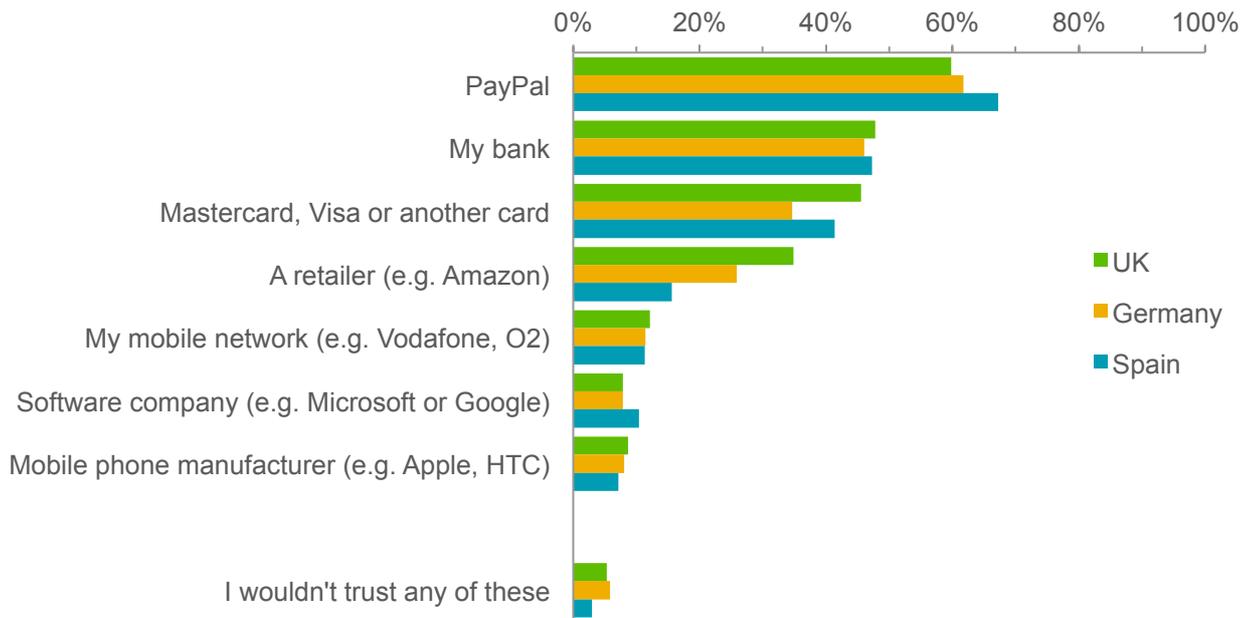
The element of speed is an important one – in previous work for Monitise we found that young people in particular equate speed with service; fast service is good service.

4.3. M-commerce and payments

When it comes to payments, PayPal is the single preferred payment provider (especially so in Germany and Spain). The dominance of eBay in m-commerce goes a long way towards explaining this. When we asked our sample to name the company that they buy from most using a smartphone, eBay was the most popular choice in Spain and the second most popular in the UK and Germany.

Banks are the next preferred provider, narrowly ahead of credit cards (but with a more significant lead in Germany). This is a strong performance given the often-quoted trust issues surrounding banks. It is important to remember that trust is multi-faceted; trust in banks as an institution is not the same as trust in ‘my bank’. Consumers have much higher levels of trust in the technology the banks use because their everyday experience has been good.

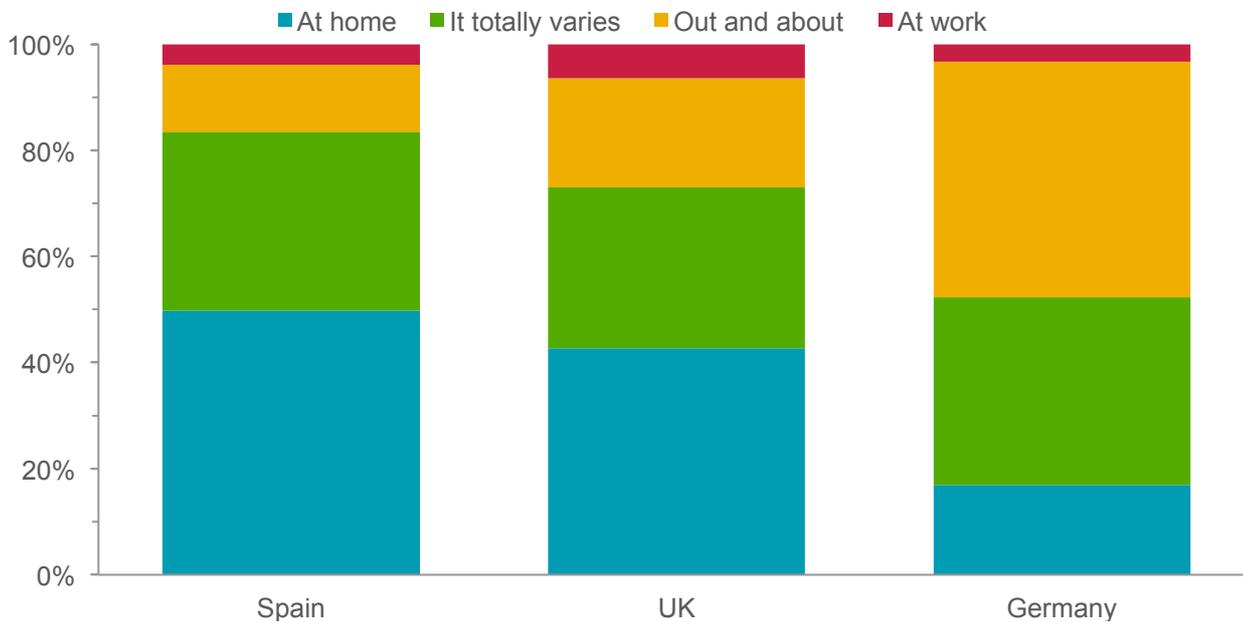
“If you were paying for items with a mobile phone, which sort of company would you trust most to carry out the transaction?” | Among smartphone owners



Source: Monitise/Future Foundation/nVision | Base: 500 online respondents per country who are aged 16+ and own a smartphone, 2013

4.4. M-commerce: location

“When you buy something on your phone are you usually...” | Among smartphone owners who have bought something via mobile in the past year



Source: Monitise/Future Foundation/nVision | Base: 237-300 online respondents per country who are aged 16+, own a smartphone and have bought something via mobile in the past year, 2013

In Germany consumers are more likely to use m-commerce when they are out of the home; 45% of purchases happen this way compared to only 13% in Spain. In all countries around a third of smartphone

users state that the location for m-commerce varies – suggesting a considerable degree of spontaneity and also a degree of location relevance.

4.5. M-commerce: the role of financial institutions

Can banks usefully support consumers in m-commerce and add value?

We believe they can. The foundation for this belief is that many consumers want to use their smartphone as a control device – a tool for managing and organising. Clearly the bank has a central role in this, particularly around budgeting and helping consumers to avoid becoming overdrawn.

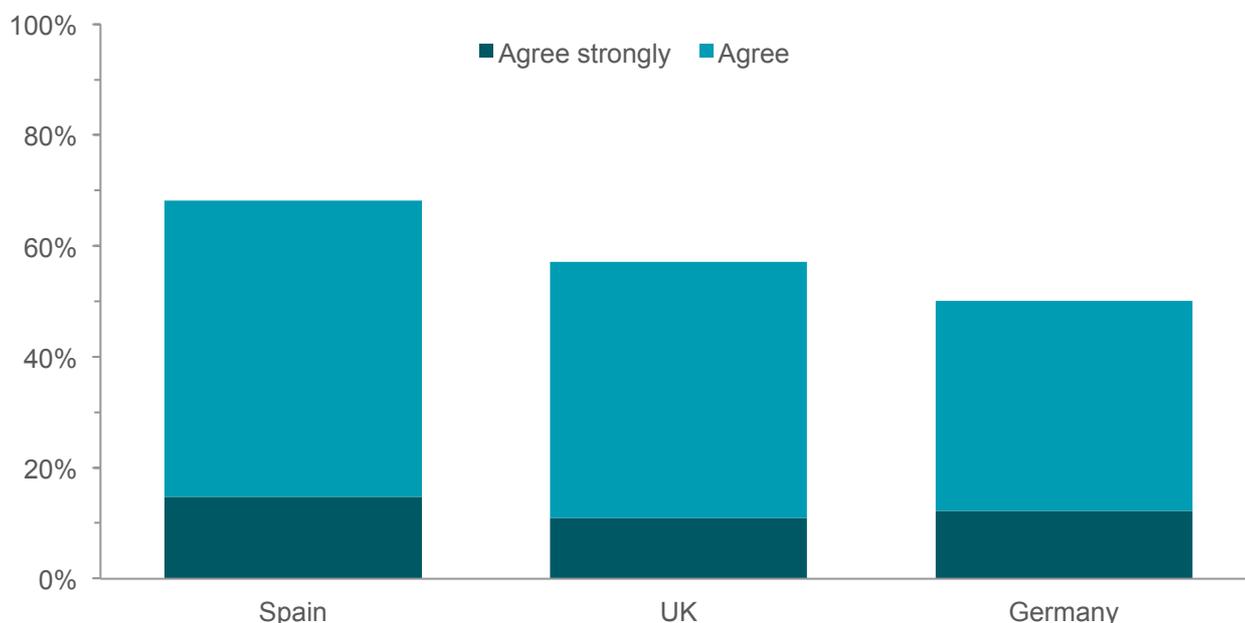
“I would like to be able to research, plan and organise my finances using my mobile phone” | Among smartphone owners

	Desire to manage finances on one's mobile
Great Britain	48%
Germany	54%
Spain	53%

Source: Monitise/Future Foundation/nVision | Base: 500 online respondents per country who are aged 16+ and own a smartphone, 2013

The second reason is that banks can increase the confidence that consumers have in using m-commerce. The trust that consumers have in bank technology comes to the fore here.

“I would feel more confident in buying goods and services through a mobile phone if I could do so through an app offered by my bank” | Among smartphone owners



Source: Monitise/Future Foundation/nVision | Base: 500 online respondents per country who are aged 16+ and own a smartphone, 2013

So, at the functional level, consumers can be encouraged into m-commerce if they can do so through a banking app. However there is more to it than just the comfort of bank-grade security and reliability. There

is also a degree of faith in the bank and in the judgements it makes. We see this very clearly when we ask consumers if they would trust a website that had been endorsed by the bank.

“I would trust websites that had been endorsed by my bank” | Among smartphone owners

	Agree
Great Britain	57%
Germany	51%
Spain	68%

Source: Monitise/Future Foundation/nVision | Base: 500 online respondents per country who are aged 16+ and own a smartphone, 2013

In Spain only 9% of smartphone users claim that they would *not* trust a website recommended by their bank; in the UK the figure is 16% and in Germany 24%.

Given that financial institutions record transactions a significant minority of consumers are open to the notion that financial institutions may be able to recommend products or services based on previous purchases.

“I would find it useful if my bank used the data they have on my previous purchases during the last two years to recommend products or services to me” | Among smartphone owners

	Agree
Great Britain	28%
Germany	26%
Spain	46%

Source: Monitise/Future Foundation/nVision | Base: 500 online respondents per country who are aged 16+ and own a smartphone, 2013

Only in Germany do the majority of smartphone owners disagree with the idea that it would be useful if financial institutions made recommendations based on past purchase behaviour.

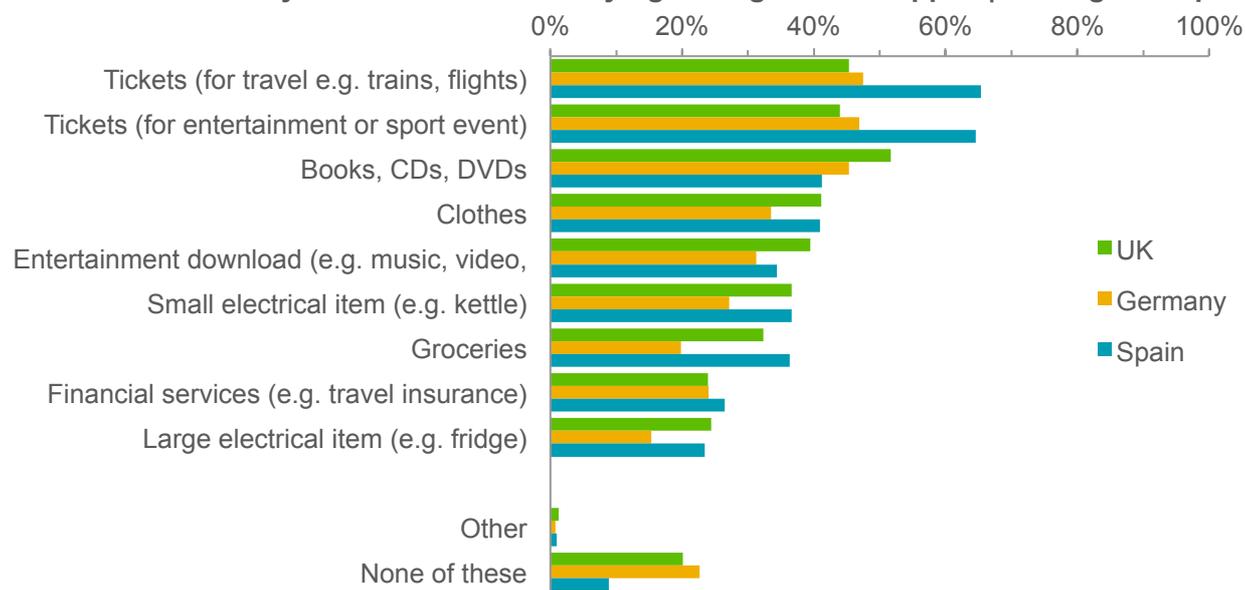
4.6. M-commerce through a banking app; what would people buy?

Currently the three favourite types of products acquired through m-commerce are:

- Books, CDs, DVDs
- Clothes
- Entertainment download

When consumers consider what they might buy via a banking app, the picture is different. Firstly they are more likely to buy a higher value item. Consumers perceive a greater level of protection when buying through a bank – it's simply more secure. Secondly these items are what we'd expect to consumers to purchase while out of the home, many of these items being of the moment. Again consumers may feel better protected while out of the home by using a bank app.

“What items would you be interested in buying through a bank app?” | Among smartphone owners



Source: Monitise/Future Foundation/nVision | Base: 500 online respondents per country who are aged 16+ and own a smartphone, 2013

4.7. Barriers to m-commerce

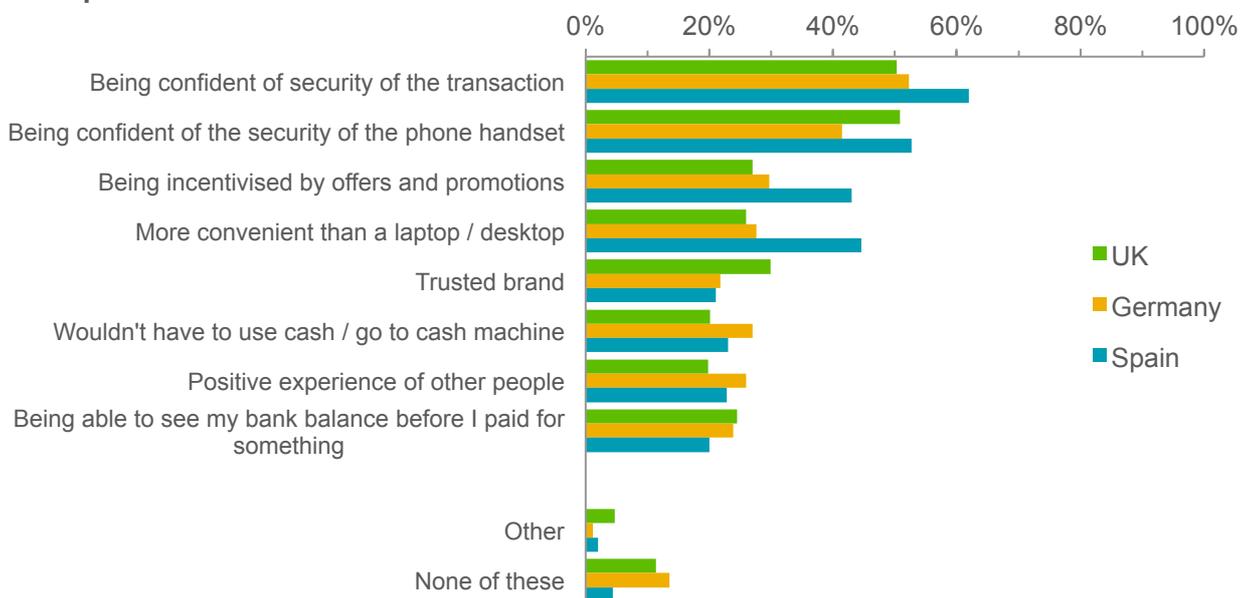
When asked why they haven't used m-commerce, the most commonly stated reason is that consumers would prefer to use a desktop or laptop. The reasons for this are manifold and include screen size, a keyboard making navigation easier and familiarity. Security concerns come second. As we've seen, consumers have a considerable amount of faith in the security of banking technology and this confers a significant advantage on financial solutions. If m-commerce is positioned correctly to consumers they are likely to use it.

One in 10 Spanish and British consumers worry that m-commerce might cause them to impulse buy and spend more than they can afford – again the banks are in a unique position to assuage those fears through providing balance updates and budgeting tools.

4.8. How barriers may be overcome

What would encourage consumers to use m-commerce? Reassurance on security is the single greatest factor – both in terms of the transaction itself and in the handset. Financial institutions are well-placed to address the former.

“What would encourage you to buy items / make more purchases using a mobile phone?” | Among smartphone owners



Source: Monitise/Future Foundation/nVision | Base: 500 online respondents per country who are aged 16+ and own a smartphone, 2013

Promotions emerge as a strong incentive especially in Spain. It's worth restating that consumers expect technology to be easy and intuitive and that a third of British consumers agree with the statement; “when I buy a new technology device I don't expect to have to read the manual.” The simpler m-commerce is, the more successful it will be.

The desire for convenience means that many consumers (between 20% and 27% on this sample) don't like going to a cash machine and their mobile may be a preferred means of making purchases. This is particularly the case in Germany where fees can be charged on some ATMs.

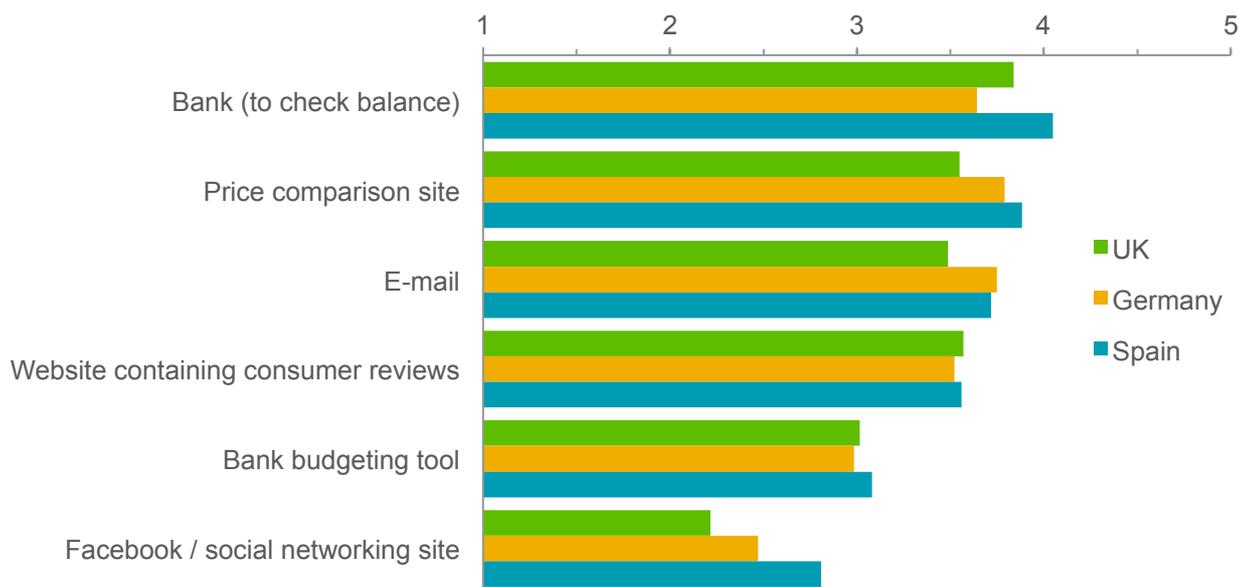
Between one in five and one in four smartphone users would find it useful if they could see their bank balance before they bought something. This is particularly the case in Britain and Germany - 24% would value being able to see their balance before making a purchase.

For consumers this is the principal benefit that financial institutions can bring to m-commerce. As we've noted control has become more important to consumers during the recessionary period and hence being able to check on funds before making a purchase is vital.

We asked smartphone users what services they would value in m-commerce. The response is an illustration of our **Maximising Behaviour** trend. This trend relates to how consumers deal with choice. It is our view that prior to 2008, maximising behaviour (by which we mean carefully considering purchases, spending time comparing price and performance to ensure that the optimal purchase is made) was in decline. The recession has changed that and, in many markets, consumers are now investing more time in ensuring they have bought the right product at the right price. We see this in our research for Monitise; comparison sites and review sites are services that consumer would like to connect to prior to purchase.

Bank budgeting tools also score highly as consumers seek to control expenditure tightly.

“On a scale of 1 to 5 (with 1 being ‘not at all important’ and 5 being ‘very important’) how important would it be for you to connect to the following services when you buy a product?” | Mean score, among smartphone owners



Source: Monitise/Future Foundation/nVision | Base: 500 online respondents per country who are aged 16+ and own a smartphone, 2013

4.9. What would make consumers buy via a banking app?

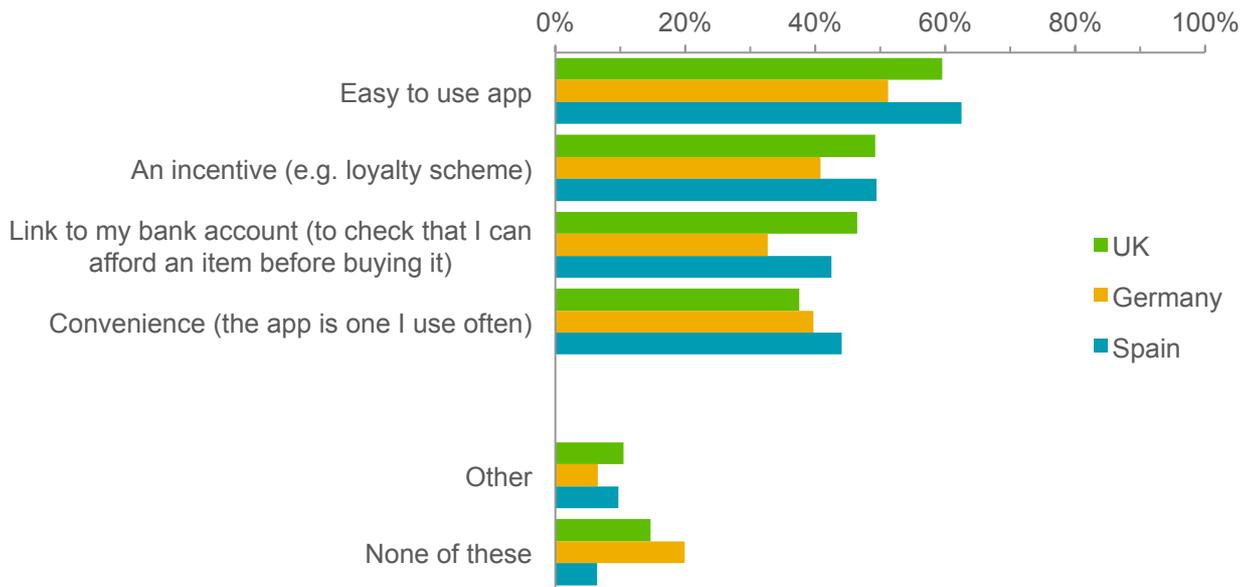
Financial institutions have a powerful advantage in terms of consumer perceptions of transaction security. But what else would encourage consumers to use a bank app as a gateway to m-commerce?

Not surprisingly, ease of use comes top. This is a world that demands **Simple Complexity** which in our trend coinage means being able to use powerful resources and tools through a simple and intuitive interface. Not all m-commerce payments are simple with considerable consumer irritation aroused by repetitive actions, the struggle to remember passwords and different, sometimes confusing, payment options.

Two fifths of British and German smartphone users would like the ability to link to their bank account before purchasing an item thus ensuring that sufficient funds are available.

We also see some evidence of the prime real estate that is the first page of apps on a smartphone. The convenience provided by an app being located on that first, easy-to-reach, screen means much heavier use of that app compared to others located on further distant screens. The bank app has a real opportunity here as it is likely to be on that first screen; it is one of the apps that consumers will use more often – for example for balance checking.

“What would it take for you to buy products and services via a banking app from your bank?” | Among smartphone owners

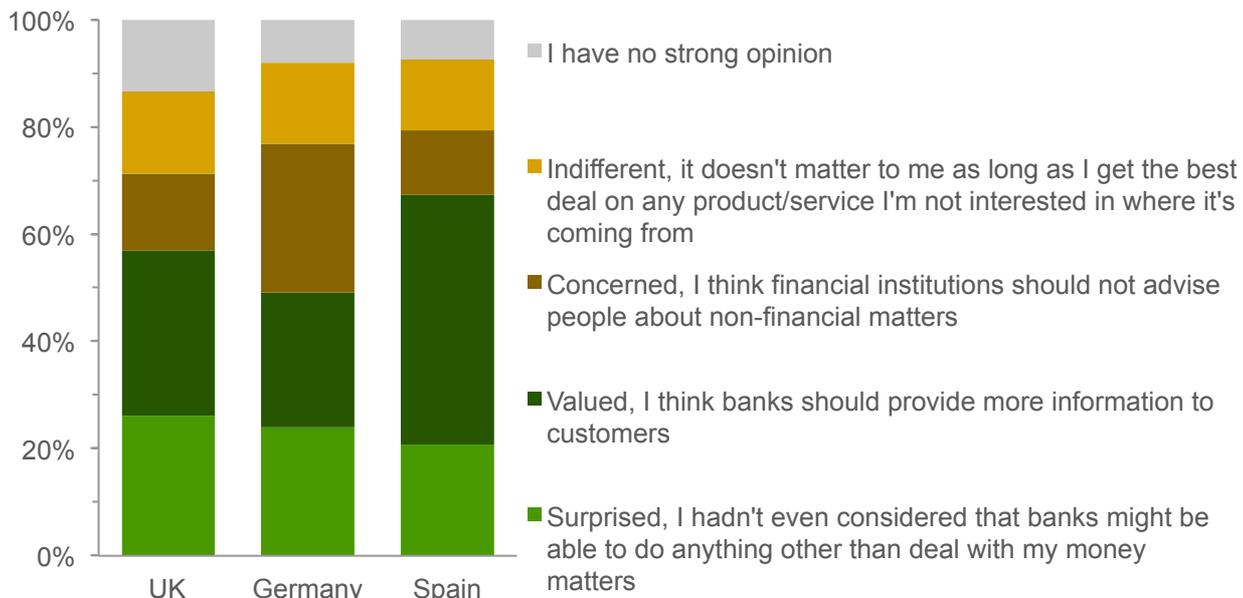


Source: Monitise/Future Foundation/nVision | Base: 500 online respondents per country who are aged 16+ and own a smartphone, 2013

4.10. Financial institutions: stretching the brand

When financial institutions come to add value to the m-commerce experience what will the consumer reaction be? Will consumers appreciate these institutions flexing the big data that they have and using it to benefit them or will this be a step too far?

“Many retailers now offer financial services products (e.g. M&S, Tesco). If the tables were turned and your bank started to offer products that you can buy and offers, much like supermarkets do - how would you feel?” | Among smartphone owners



Source: Monitise/Future Foundation/nVision | Base: 500 online respondents per country who are aged 16+ and own a smartphone, 2013

German smartphone users are the most concerned with 28% believing that financial institutions should stick to managing money. However even in Germany – the country least receptive to this banking brand

stretch – a quarter of consumers would feel more valued through receiving additional information the financial institutions could provide. Another 15% are indifferent to the notion but are sensitive to the best deal – if a bank can provide that deal then all well and good.

Spain is the most enthusiastic country with 46% agreeing that they would feel valued by their bank if it provided more information on smart shopping. Only one in eight would be concerned about this new role for financial institutions.

Great Britain occupies a familiar mid-table position between two continental extremes. Surprise that a bank would offer these services is the principal reaction in Britain (26%). However one in three would feel valued by being offered this kind of information. Only 14% are concerned at the prospect of banks offering this type of advice to customers.

Overall the reaction from consumers in the three countries we surveyed was, in the main, positive; bank brands can stretch their role in providing tailored and timely information to consumers and, executed well with due deference to concerns on privacy, this extended service from financial institutions can enhance the quality of the relationship.

Simon Andrews, Founder of Addictive, says: “There are a lot of things [added value services] that [financial institutions] could be doing ... and I think none of those are going to make you a vast amount of money, none of those are going to change your business model but suddenly you’re doing a lot more for your consumer.”

5. Future Focus

For a perspective on the future we’ve turned to three leading experts all steeped in mobile and banking.

Peter Simpson, former Commercial Director of First Direct: “...to me the bank will be on the home screen of your mobile and that is a big and exciting position to be in. It’s going to own some of the major space in people’s lives because the home screen of your mobile phone is going to be the manager of your life in the future and the bank is going to be on it.”

Financial institutions have a number of natural advantages in supporting m-commerce; not least the consumer desire to use time efficiently through use of their smartphone. Our sample of smartphone users sees the benefit. Banking can be one of the high frequency tasks that earn a banking app a place on the home screen. As such it forms a gateway to other services. By helping consumers with relevant information financial institutions give them greater control. That degree of control becomes truly powerful when it’s easy to use. As such, the smartphone is a tool of consumer empowerment and is increasingly important in the purchase process.

The value in mobile is in giving consumers the information they need when they want it and where they want it. Only banks can do this.

5.1. Future risk

Andrew Till, Senior Vice President of Mobile and Media Business Unit at Symphony Teleca: “...I am not convinced that they [financial institutions] as yet have the right enablement strategies that make it a very simple, seamless experience for mobility and e-commerce.”

Mr Till doesn't believe that banks are having the right conversation with consumers. He believes that a greater focus needs to be put on educating consumers on how simple mobile commerce can be: "I'd say there has been very little about why you should do your mobile banking or, let's say, why should you use NatWest or Barclays services over PayPal."

Peter Simpson has a concern that consumers have a fixed mindset about banking and retail, the two being quite separate in their minds: "...mobile commerce is huge in the States and it won't be long before 50% of people are engaged in it. I think you're going to do it [mobile commerce] from a retail portal rather than a bank portal. I'm pretty sure that's going to be the case; so if I want to buy something I shall go into my John Lewis app rather than my HSBC app. I think that is something banks need to think about and I'm not sure that I'm too clear about how they would overcome the consumer perceptions about that... ...the more they act as a bank the better they'll be. I think you're going to go to your bank account to do your banking and I think you're going to go to retail apps to do your buying."

The risk is that financial institutions may find themselves as transaction facilitators and that a new breed of intermediaries will create a value-added consumer experience. In this scenario the consumer relationship could be with the intermediary with the bank in a largely invisible, purely functional, role. A new breed of intermediaries are already appearing in other areas of personal finance – Money Vista and Nutmeg for example.

More broadly we have identified a trend towards **The End of Inefficiency**. We define this as consumers being willing to delegate decision-making in some markets to intelligent smart agents who will move their money around automatically in search of the best rates and keenest deals. The sort of markets where these smart agents might proposer are those in which consumers have a low emotional engagement (such as energy and insurance) and where consumers perceive little difference between providers. In 2012 we asked British consumers about their interest in a service that automatically moved their savings to get the best interest rate. Two thirds of consumers stated that they were interested in such a service. The proportion is even higher for a service that switched energy supplier to get the best tariffs.

5.2. Future opportunity

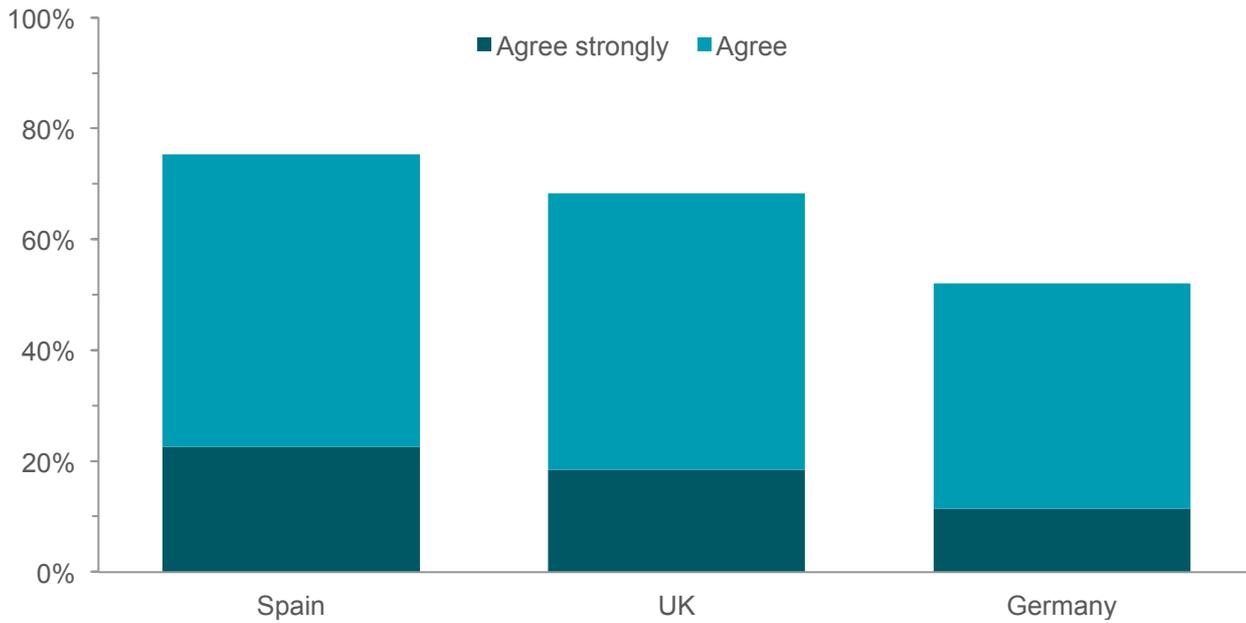
While Peter Simpson is wary about financial institutions blurring the distinction between retail and banking, he sees a very real opportunity in m-commerce: "What the banks can do is provide added-value services around money. They can provide research services; there's no doubt at all they could do a kind of MoneySupermarket type approach on money management and banking. They could do research relating to the best way to pay for things, for example." Peter also envisages a future in which loyalty schemes become more important. "I think you are going to see more exciting and – well – bigger and better loyalty offers. I think that's a big offer for the bank and a big opportunity." As we've seen in section 4.9, incentives and loyalty schemes are motivating to smartphone users.

There is also a very positive role for traditional financial brands as payments options multiply; "...there's going to be a lot of confusion and you're not going to know who takes what [form of payment] and I think people don't like feeling silly, particularly where money is involved... ...it's a natural thing to say, "Oh, I'm going to pay this way." How do you make yourself into one of the natural two or three that you'd automatically [use]? Part of that, obviously, is getting a wide number of merchants to accept you but then part of it is making you feel like that is a smart thing to do." Simon Andrews, Founder, Addictive.

5.3. Future opportunity: a consumer perspective

The last word should come from consumers. We asked our smartphone sample if they saw payments through a phone handset as an inevitable development.

“I think it is inevitable that most people will use a phone to pay for goods and services in the future” | Among smartphone owners



Source: Monitise/Future Foundation/nVision | Base: 500 online respondents per country who are aged 16+ and own a smartphone, 2013

What is interesting is not just the high level of overall agreement but the proportion who agree strongly; one in four in Spain, one in five in the UK and one in 10 in Germany.

With consumers expecting more sophisticated payment options in the future, there is a receptive and expectant audience awaiting new innovation. It's not that they are waiting for financial institutions to catch up, it's more that they expect innovation in many aspects of their lives and that they welcome further services that make their lives simpler.

As always those innovations that make life simpler, more convenient, more efficient and more secure for consumers will succeed.

6. Conclusion

Can financial institutions grow their role in m-commerce and enhance their relationship with their customers?

We believe they can.

They have a number of advantages which other payment providers can't match. While the nature of consumer trust in financial institutions is complicated there are some elements that the industry can build on – the integrity of the technology that they use and the sense of comfort they provide in the security of transactions. As we've demonstrated consumers also trust those organisations which their bank recommends and this allows financial institutions to grow their role; to an extent, consumers are giving them permission to do so.

Helping consumers with money management remains a vital advantage and one that is vivid during a period of recession. In so many ways the smartphone is the ultimate form of remote control. Consumers increasingly see it as a money management tool and banks can build on this.

To succeed in m-commerce, banks need to get four things right:

- **Ease-of-use.** Consumers expect technology to be simple and intuitive. Nobody expects to read an instruction manual anymore.
- The ability to **check their balance** and hence avoid becoming overdrawn or incurring charges. The bigger psychological need is to feel in control.
- **Security.** Consumers need to be reassured and need to see evidence that online payments and banking can be secure. We believe security concerns can be overcome.
- **Presence.** The financial institution needs to be top-of-mind for consumers when they are using m-commerce. It needs to be present and useful. It needs to be on the first page of apps. To borrow the Coca Cola dictum, the financial institution needs to be within arm's reach.

There is a scenario in which payments become fragmented and confusing - this would act to deter some consumers from using m-commerce. Financial institutions have a chance to build on their unique strengths and provide a value-added service that consumers have faith in. The opportunity is not likely to last long.

7. Appendix

7.1. Quantitative Research methodology

Monitise commissioned new quantitative research for this report. It was conducted in May 2013 using an online sample of 500 smartphone users in the United Kingdom, Germany and Spain. Within the sample of 500 we included 100 people who use a smartphone for banking purposes.

When we conduct research that is nationally representative we use a sample of 1,000. This is a standard approach among the research community. In this research we only interviewed those people with a smartphone (43% of the population in the UK, 29% in Germany and 37% in Spain). With smaller groups to survey the sample size can be smaller while still being robust.

To ensure that respondents understood the concept of m-commerce through a bank app, we provided a video demonstrating how such a service would work as part of the questionnaire.

7.2. Expert Interviewees

For this project we interviewed three individuals to gain three different perspectives on the future. They are:

Andrew Till is Senior Vice President of Mobile and Media Business Unit at Symphony Teleca. He has worked in mobile telecommunications for 18 years and has often worked on projects that envision the future. He is a member of the Leadership team at SymphonyTeleca and has held previous leadership roles at Motorola and Psion.

Peter Simpson has been voted one of the three top direct marketers of the decade. He runs Peter Simpson Marketing and is also Chairman of Data Lateral Limited, Commercial Director of Destiny Legal Services Ltd and Avertis Ltd. He was Commercial Director of First Direct and was instrumental in creating the bank. He is a sought-after consultant and speaker and widely respected as one of the most successful British marketers.

Simon Andrews has been running digital agencies since 1995. He joined DLKW as a partner in 1999 before launching Big Picture in 2005. He then joined MindShare in 2006 as Global Chief Digital Strategy Officer as Big Picture was absorbed into MindShare. He left MindShare to found Addictive.

7.3. Secondary sources

We have drawn on the Future Foundation's proprietary nVision research to create the context for this report. Each year the Foundation conducts quantitative online research with a nationally representative sample of 1,000 individuals in sixteen European countries. Research is also conducted globally in Australia, India, Turkey, South Korea, Russia, Brazil, Argentina, China and the United States.

In Section 1 of this report we quote a "widely-available industry estimate" from 2009. This was a figure estimated by Futuresource Consulting and commented upon in The Guardian.