

EXPECTATIONS OF CONSUMER PROTECTION FOR NEW TYPES OF MOBILE PAYMENT SERVICES: QUALITATIVE AND QUANTITATIVE RESEARCH RESULTS

WENDY QUINN

Mobile premium services are the best known and most widely used form of mobile payment to date. They are essentially a method of electronic payment, a platform on which consumers can purchase content such as ringtones, games or news updates (generally via sending an SMS text message to a '19' number), that gets sent to their mobile phone and paid for via their mobile phone bill. They are often referred to as premium SMS or MMS, and are so called because customers are charged a premium for using the service — that is, they cost more than a standard SMS or MMS.

Mobile phone-based payments are evolving from existing mobile premium services to become one of a number of emerging non-cash payment options available to individuals for purchasing a wide range of goods and services.

New services, referred to as mobile wallet services, have been trialled in Australia by a range of payment stakeholders, including Telcos and banks. The transaction doesn't necessarily have to involve an SMS, nor does the payment necessarily need to be charged to the mobile bill.

Transaction here refers to how you make the payment and access the goods or services using a mobile — by that I mean the method / technology used. For example, RFID, which stands for radio frequency identification, which enables a transaction through plugging a mobile into a device or waving the mobile close to a reader using Near Field Communication (NFC) technology. Or a transaction can be conducted using SMS or a WAP (Wireless application protocol) interface.

Payment refers to how you ultimately pay for the goods or services. For example, adding it to your mobile bill, your credit or debit card or processing it through a mobile payments service company (an intermediary that facilitates the transfer of money to individuals or organisations).

There is potential for using different payment methods with different transaction methods.

Regulation of mobile payment services in Australia

The Australian Communications and Media Authority (ACMA) is the regulator for broadcasting, the internet, radiocommunications and telecommunications.

Mobile premium services have been a significant focus for the ACMA over the last two years and have been a testing ground for the limits of co- and self- regulatory frameworks.

Mobile premium services are subject to the Mobile Premium Services Code. This was registered by the ACMA under the Telecommunications Act and took effect on 1 July 2009. Its objective is to establish appropriate community safeguards and customer service requirements for Mobile Premium Services. The code has been under review.

The ACMA has introduced measures to address deficiencies in the supply of mobile premium services, consisting of both direct regulatory instruments and a rigorous compliance monitoring regime.

The mobile premium services industry is currently exploring mobile payment business models which importantly do not involve the use of premium SMS as a charging mechanism.

While the time-frame for introduction of the next generation of mobile phone-based payment systems is likely 18 months to two years, the ACMA is engaging with mobile carriers and payment regulators, including the Australian Securities and Investment Commission, the Australian

Prudential Regulatory Authority and the Reserve Bank, to encourage consideration of consumer safeguards in the development of these services at an early stage.

To provide a starting place for discussions and to get a better understanding of the issues, the ACMA undertook both qualitative and quantitative research into mobile payment services.

Qualitative Research

Fieldwork — 30 November to 2 December 2009

Methodology

- 7 adult groups (6–8 respondents per group)
- 6 teenager/ young adult mini-groups (5–6 per group)

Segmentation

- Low vs high usage of electronic payment methods
- Lifestage/age
- Socio-economic status
- Gender (single sex for teen groups)
- Locations — three states, metropolitan and regional locations.

The discussion guide covered a number of topics, including gaining their reactions to different mobile payment services through the use of scenarios — scenarios enabled different payment methods to be described using everyday situations which helped people to understand these technologies which may be unfamiliar to them. Scenarios were based on different transaction and payment method combinations, e.g. one scenario involved RFID technology, with the amount charged to a linked debit card, and another involved a person to person transfer via an SMS linked to a mobile services company account.

Key findings

Primary methods of payment:

- Adults use a range of electronic payments:
 - credit card, debit/EFTPOS card, BPay, Internet banking, PayPal for eBay
- Younger adults (18–35) use debit/EFTPOS cards and cash:
 - most don't trust themselves with a credit card: 'I just don't trust myself with a credit card — it would be so easy to spend what you've not got.'
- Teenagers use cash

Expectation that use of electronic payment methods will increase in the future:

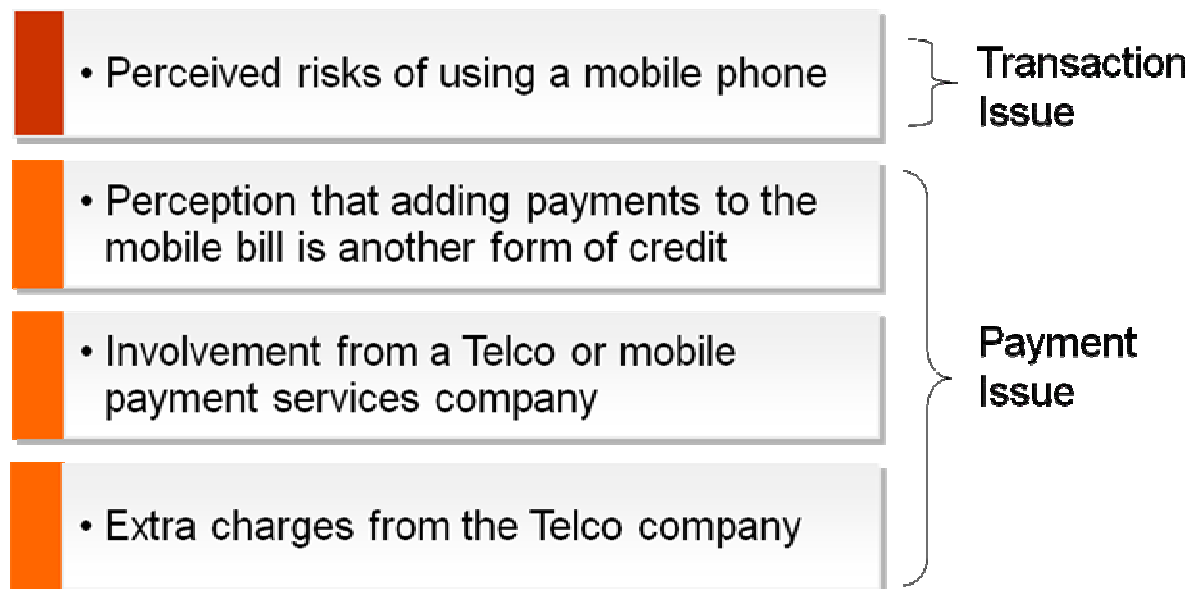
- Customer incentives
- Changing technology, more convenient:
 - e.g. Internet banking/shopping via the Internet on a mobile: 'I was just paying my bills on my mobile while I was sitting out there waiting for this group to start.'
- Blue sky thinking:
 - one card to pay for everything
 - barcodes encrypted in people's skin
 - fingerprint ID to verify transactions

- ‘It would be cool if you could pay with your phone.’

Key opportunities for mobile payment services:

- Micro payments — ‘On the go’ transactions, e.g. transport, newspapers, coffees
- Instant, anywhere transactions, e.g. using SMS to purchase goods and person to person transfers.

Figure 1: Concerns about mobile payments



Expectations for the role of providers and regulators in protecting consumers in regards to mobile premium services

- Costs need to be clearly visible and easy to comprehend
- Ensure consumers understand costs cannot come out of cap
- Subscription premium services — terms and conditions need to be explicitly expressed at time of purchase
- Cooling off period
- Needs to be easy to unsubscribe — one SMS
- Ensure bill payer’s permission for those under 18
- Banning access to ‘19’ numbers for mobiles belonging to those under 18.

Expectations for consumer protection in regards to emerging and future mobile payment services

Concern	Safeguards
Lost/ stolen phone and no verification of ID	<ul style="list-style-type: none"> – Ability to cancel mobile billing account instantly – Including a verification step e.g. PIN – Ensuring expenditure is capped
Unlimited expenditure if charged to mobile bill	<ul style="list-style-type: none"> – Cap in place preventing use when limit reached – Pre-warning message when close to reaching limit
Fraud (incl. hackers)	<ul style="list-style-type: none"> – Security measures and levels of guarantee
Uncertainties over the practicalities of transaction, e.g., RFID	<ul style="list-style-type: none"> – Security measures in place to protect consumers from accidental swiping or viruses
Personal and financial data passed onto third parties	<ul style="list-style-type: none"> – Ensure details are only passed onto the necessary parties
Lack of receipt	<ul style="list-style-type: none"> – If charged to mobile account, need to be able to use bill as proof of receipt
Overspend by minors	<ul style="list-style-type: none"> – Ensure bill payer's permission for those under 18 – Banning access to services for those under 18 until explicit permission is given by an adult or bill payer – Seeking Permission from parents for use of certain services – Allowing parents to apply a PIN

People currently believe that providers of mobile payment methods should be responsible for protecting consumers. They are more likely to trust the mobile payment method if they know the provider has been proactive in providing security measures. It is expected that regulators need to only step in and enforce safeguards should the provider claim to have these in place but fails to do so.

For new mobile payment services, consumers do not expect a regulatory body to be responsible for demanding that safeguards be put in place before providers offer services. The expectation is that people would not even trial emerging systems unless certain 'safeguards' were guaranteed by the provider. A regulator having to force providers to comply highlights that there is a risk: the provider is trying to 'scam' people and / or the technology is not appropriate.

'Potential early adopters' are obviously those most at risk. The risk is increased by the likelihood that early adopters will be teens and young adults who may not act with as much caution (as has been the situation with mobile premium services).

Therefore, consumers expect regulators to educate them about the new mobile payment services as they emerge, and on where to complain should providers fail to enforce the 'safeguards' they claim to have in place.

Quantitative research into mobile premium services users

IpsosMediaCT

Fieldwork — 17 May to 9 June 2010

Online questionnaire:

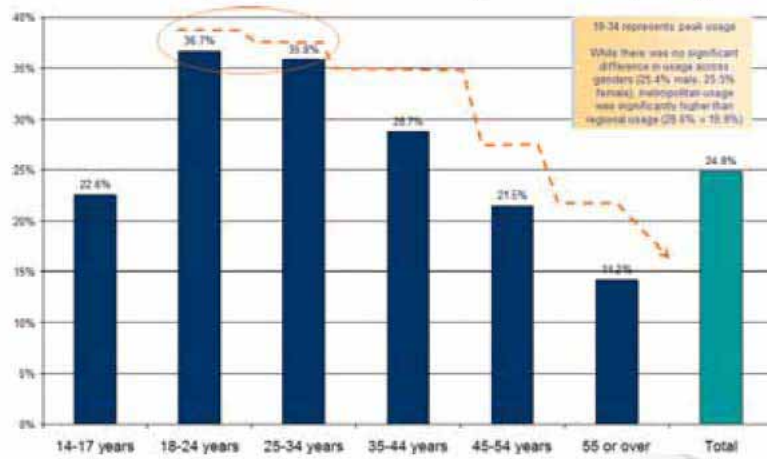
N= 6,283 — firm contacts

N=1,602 Mobile premium services users

¼ of Australians have paid for a mobile premium service in last 12 months.



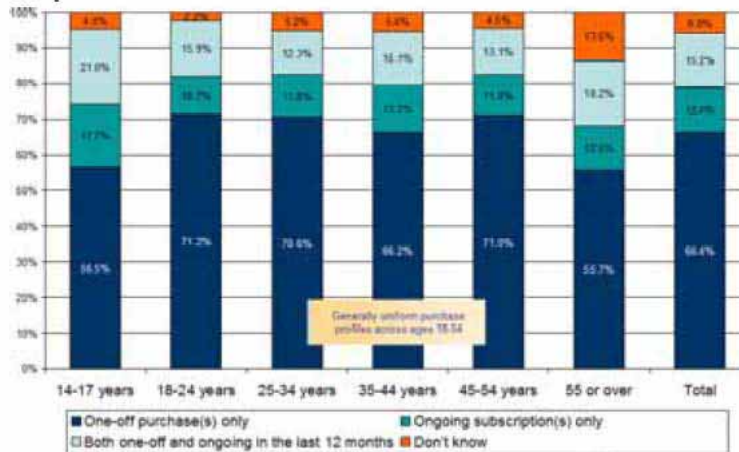
Personal mobile premium service usage incidence, by age



Base: Total respondent sample, N=6,283



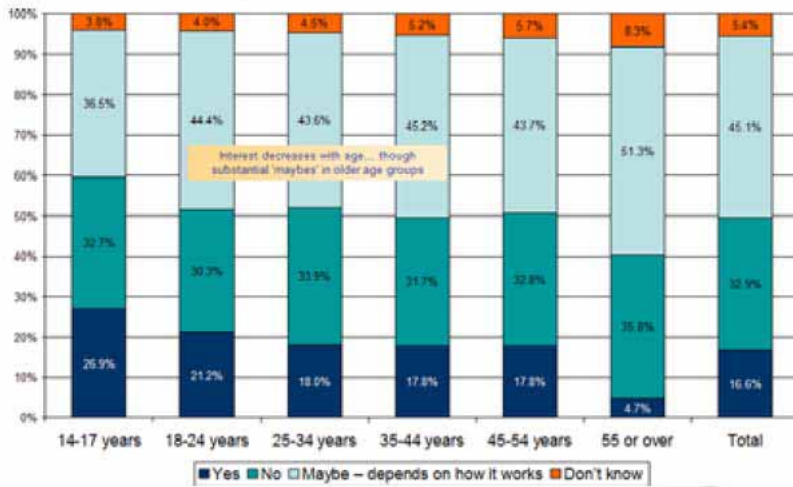
Type of purchase



Base: Paid for MPS in last 12 months. Age 14-17 n=124, 18-24 n=271, 25-34 n=381, 35-44 n=317, 45-54 n=245, 55+ n=264, Total N=1,602



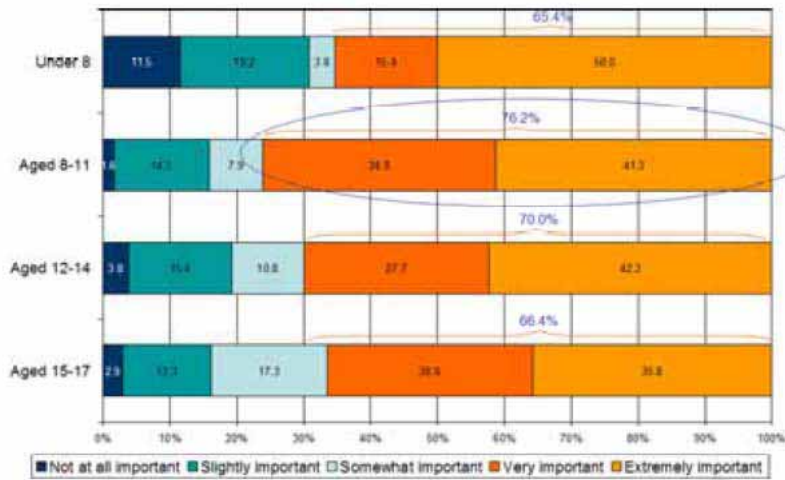
Interest in limiting spending



Base: Currently have no MPS spend limit. Age 14-17 n=52, 18-24 n=198, 25-34 n=289, 35-44 n=230, 45-54 n=174, 55+ n=193, Total N=1,136



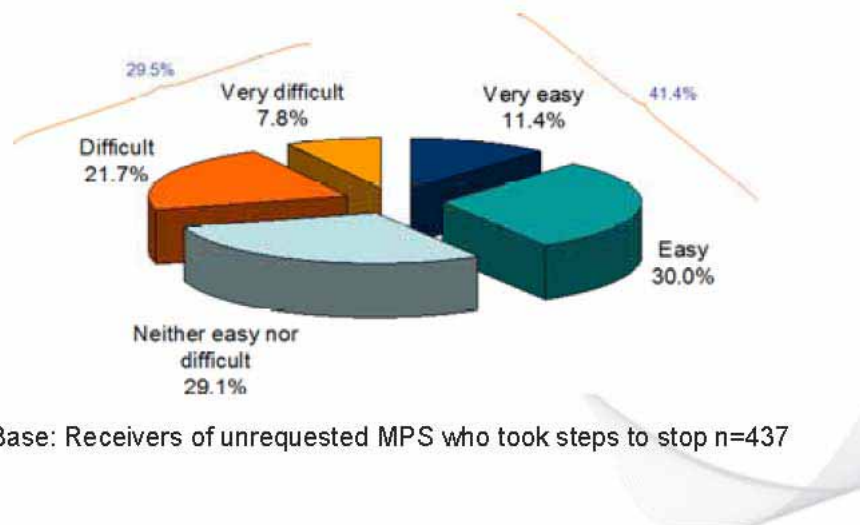
Importance of limit on child's MPS expenditure



Base: Parents with children: under 8 n=26, 8-11 n=63, 12-14 n=130, 15-17 n=173



Ease of stopping unrequested messages



The ACMA's consumer research on mobile payment services, along with its experience in regulating mobile premium services, provides an authoritative evidence base to inform development of consumer safeguards and discussions with industry and other key stakeholders. The ACMA is committed to working with stakeholders on addressing weaknesses in the current mobile payment environment and ensuring consumer protection issues are closely considered in the design and deployment of any new mobile wallet services.

Based on the quantitative findings, the ACMA has strongly encouraged mobile carriers to develop arrangements which give mobile customers more control over how much they spend on premium services.

The qualitative research will provide insight to industry on consumer attitudes to mobile wallet services and issues industry should address in their consideration of new offerings.

Mobile phone-based payments will soon become increasingly common for a wide range of day-to-day purchases. The ACMA has been proactive in consideration of appropriate consumer safeguards for the next generation of mobile phone-based payments, by shining a light on the needs, expectations and behaviours of consumers in this increasingly complex space.

The Mobile Premium Services User Survey 2010 report and Community Research Into Attitudes Towards Use of Mobile Payment in Australia report are available from the ACMA website at: http://www.acma.gov.au/WEB/STANDARD/pc=PC_311301.