

Comments by The NPD Group, Inc. in Response to: Federal Trade Commission Notice Announcing Public Workshop and Requesting Public Comments Project No. 124808.

In response to the Federal Trade Commission's request for public comment on mobile payments, The NPD Group requests that the Commission consider NPD's Connected Intelligence service as a source of information on the growing use of mobile payments by consumers in the United States.

On a monthly basis NPD Connected Intelligence produces the report: **Mobile Shopping and Transactions Report: Tracking Shopping and Transactions Application and Website Use on Smartphones**. This series utilizes an on-device smartphone meter to track app and web activity for mobile payment, banking, shopping sites and services and mobile couponing by consumers in the United States. The scope of data provides an ongoing look at how smartphones are changing the way transactions are conducted in the United States.

NPD Connected Intelligence Tracks Monthly Mobile Payment Data Including:

- Top Ten Payment Apps Downloaded
- Top Ten Payment Apps Used
- Payment App Use: Minutes Per Day
- Payment App Use: Launches Per Day
- % of Men Using Payments App
- % of Women Using Payment App
- Payment Apps Across Age Groups

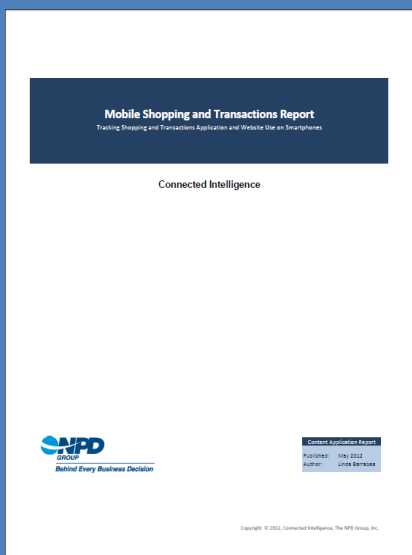
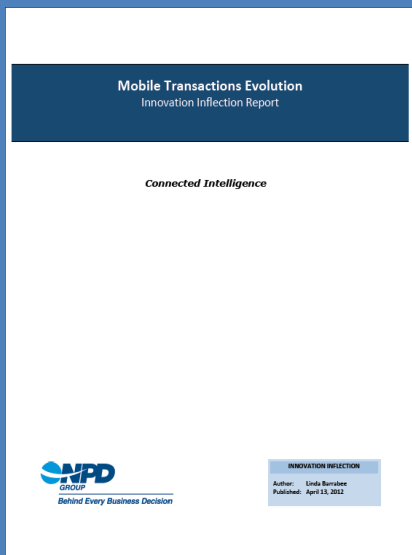
In addition to its monthly tracking of mobile payments, on April 13, 2012 NPD Connected Intelligence released the report **Mobile Transaction Evolution**. This in-depth report examines how the mobile transactions market is picking up steam in the United States, as wireless carriers, credit card, and e-commerce companies, among others, focus on how the mobile phone can play a pivotal role in facilitating on-the-go consumer transactions and commerce.

The NPD Group is the leading provider of reliable consumer and retail information for organizations that rely on it to guide critical strategic and tactical decisions across international and local markets. Government agencies utilize NPD's consumer information to understand social trends, monitor economic indicators, create targeted communications that reach particular demographic groups, and evaluate public programs.

Connected Intelligence provides competitive intelligence and insight on the rapidly evolving consumer's connected environment. The service focuses on the three core components of the connected market: the device, the broadband access that provides the connectivity and the content that drives consumer behavior. The Connected Intelligence **SmartMeter** powered by Informate is an application running on Android and BlackBerry devices leveraging an opt-in panel of consumers. The SmartMeter tracks data consumption, function and content use web and application use.

The following pages include blog postings that the NPD Group has released regarding Mobile Payments in recent months.

To seek analyst comment or request further information please contact Aaron Heffron (Aaron.Heffron@NPD.com) with additional questions.



From The NPD Group Blog:

MasterCard Launches its Own Mobile Wallet Solution - PayPass Mobile Wallet

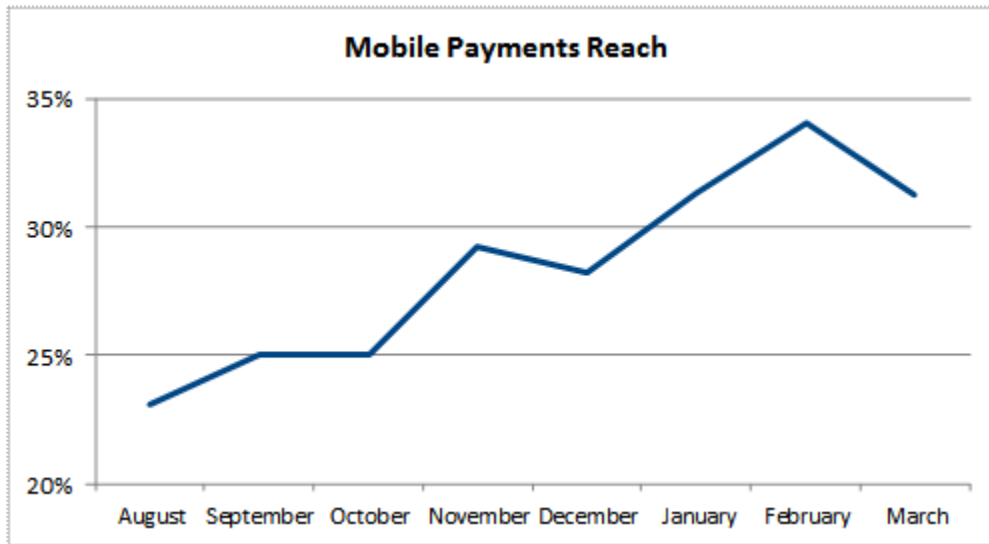
Amazon Raises the Stakes in Mobile Commerce, But Business Model Challenges in Media Remain

Let the Google M-Wallet Games Begin . . . Well, Sort Of

[NPD Group Press Release](#)

May 8, 2012

Android smartphone users engaged in mobile payment applications are on the rise, growing 8 percent since August to nearly 35 percent, according to new SmartMeter data from leading market research company, The NPD Group’s Connected Intelligence. An increasing proportion of consumers are engaged in using their smartphones to move money, buy products and services on their phone, comparison shop, redeem coupons, and start to pay for things using the phone itself.



Source: NPD Connected Intelligence® SmartMeter

“Mobile payment and wallet solutions are clearly at a very early stage of development, but consumers are demonstrating greater comfort in how they are using their smartphones,” said Linda Barrabee, research director, NPD Connected Intelligence. “Consumers are doing everything from basic utility (bill pay, moving money, and account management) to using the phone itself to pay for goods and services of limited value (micro-transactions), including buying a cup of coffee or movie tickets.”

The top payment apps used in March include PayPal, mobile bill pay apps (My Verizon and My AT&T), payments acceptance apps Pay Anywhere and Square, and Starbucks and Fandango Movies.

“Ultimately, the success of mobile payment and wallet initiatives rests on changing entrenched consumer behaviors, and shifting the reliance on, and use of, physical wallets and all of its contents to a mobile (digital) version,” said Barrabee. “In order to do this, and facilitate on-the-go consumer transactions and commerce, wireless carriers, credit card companies, and e-commerce companies need to make sure the process is convenient, simple, and secure for consumers.”

MasterCard Launches its Own Mobile Wallet Solution - PayPass Mobile Wallet

<http://www.npdgroupblog.com/2012/05/mastercard-launches-its-own-mobile-wallet-solution-paypass-mobile-wallet/>

NPD Group Blog Posting

Wednesday, May 9th, 2012

Linda Barrabee, Research Director, NPD Connected Intelligence

When Google Wallet launched last September MasterCard was named a key partner. This summer MasterCard will launch a partnership with wireless carrier mobile wallet player, Isis, in select markets (Salt Lake City and Austin). Clearly, though, MasterCard is prioritizing mobile wallet solution capabilities because now the credit card giant is launching its own mobile wallet solution – PayPass Mobile Wallet.

The announcement, made just before day 1 at CTIA 2012 in New Orleans, is really no big surprise. MasterCard, like other major payment networks, including Visa, is vying to maintain strong positioning in the growing and increasingly contested mobile payment and wallet space. MasterCard's PayPass Wallet services announcement is a multi-pronged approach, and centers on three elements:

- 1) PayPass Acceptance Network, including PayPass Online and PayPass Contactless, which looks to help merchants drive a consistent payments experience in mobile (NFC) and online and across devices (computer, tablet and smartphone).
- 2) PayPass Wallet, a white label digital wallet capability targeted at banks, merchants, and other partners, and is open to other payment methods (beyond MasterCard).
- 3) PayPass API, which allows partners to connect their own digital wallets into the PayPass Acceptance Network.

While it's still early, as most consumers do not yet understand the benefits of NFC-based payments, an increasing proportion of smartphone users are engaged in using their smartphones to move money, buy products and services on their phone, comparison shop, redeem coupons, and start to pay for things – mostly micro-transactions or payments, such as a cup of coffee (think Starbucks app) to movie tickets – using the phone itself. In fact, SmartMeter data from NPD's Connected Intelligence shows Android smartphone users engaged in mobile payment applications are on the rise, growing 8 percent since August and topping one-third of users by March.

With all that seemingly untapped demand, the challenges for MasterCard and others focused on NFC-based mobile payment and wallet plays are still the same – extending service capabilities more ubiquitously, including more wireless carriers, more NFC-equipped Android smartphones, more merchants accepting mobile payment and digital wallet solutions, and more payment methods (with associated hardware/infrastructure at point of sale).

In the meantime, other non-NFC-based solutions, such as PayPal, may have some running room, but still face some of the same issues to achieving a measure of success – including smart services integration, as well as scaling its solution with large, nationwide merchants, as well as consumer acceptance. While it still remains to be seen how many of these mobile wallet solutions will make the cut and survive, the market needs to focus on regular, mass market consumer use cases – including lower-value

(micro-) payments, such as mobile ticketing (where speed in the payment process delivers real consumer value), and from there moving up to higher-value transactions. Ultimately, the success of mobile payment and wallet initiatives rests on changing entrenched consumer behaviors, and shifting the reliance on, and use of, physical wallets and all of its contents to a mobile/digital version. In order to do this, and facilitate on-the-go consumer transactions and commerce, the ecosystem needs to make sure the process is convenient, simple, and secure for consumers.

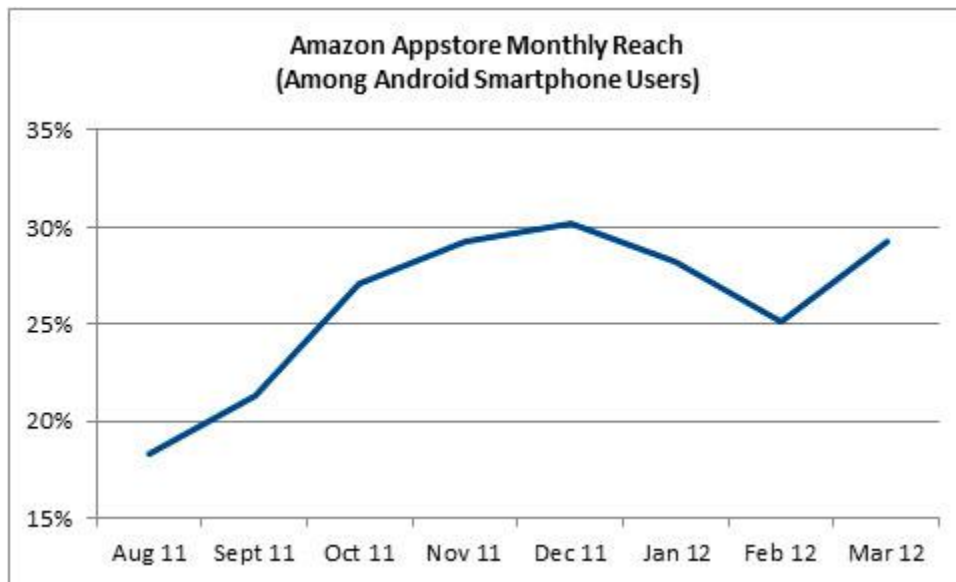
[Amazon Raises the Stakes in Mobile Commerce, But Business Model Challenges in Media Remain](#)

NPD Group Blog Posting

Thursday, April 26th, 2012

Linda Barrabee, Research Director, NPD Connected Intelligence

Over the last few weeks, Amazon has been on the move to enhance and extend app developer monetization opportunities distributed through its branded Amazon Appstore, and supported across all platforms including Android smartphones, tablets, and Kindle Fire. The in-app billing capability, announced on April 10, extends monetization beyond one-time sales to ongoing purchases within the app, including expansion packs, virtual currency and subscriptions. Then, on April 17, Amazon announced that it was planning on eliminating the \$20 upper-limit restrictions on in-app purchases, which is also enhanced greatly by parental control features and Amazon’s existing one-click checkout process.



While much later than Apple and Google to support in-app billing capabilities, Amazon is certainly in a better position now than it was six months ago to further developer monetization, particularly as Android smartphone users increasingly rely on Amazon’s storefront as a source for app content despite the differential in the sheer number of apps available – tens of thousands for Amazon compared to 400K+ for Google Play.

According to NPD's Connected Intelligence SmartMeter nearly one-third of Android users accessed the Amazon Appstore from their smartphones in March, up from just 18 percent in August 2011. This in concert with the success of the Kindle Fire, as well as the company's superior merchandising capabilities and user experience focus (i.e., one-click payments), makes it appealing monetization platform for app developers and publishers.

The real question in in-app purchases lies in the underlying business model, and whether or not they are flexible enough to support media companies' monetization, particularly in subscriptions. As it stands now, Amazon Appstore follows the standard 70-30 business model for in-app purchases as it does with paid apps, but there does appear to be some level of flexibility baked into the in-app model as the developers' guarantee of its 70 percent is based on the list price and not the Amazon retail price point charged to consumers.

[Let the Google M-Wallet Games Begin . . . Well, Sort Of](#)

NPD Group Blog Posting

Thursday, September 22nd, 2011

Linda Barrabee, Research Director, NPD Connected Intelligence

With the launch of Google's Nexus S smartphone, the ability to pay for items with a phone (using Near Field Communication) instead of a credit card has arrived in the U.S. One small step for mankind, one just as small step for payment solutions. The caveats for this service abound: You must be a Sprint customer to get the phone; you need a PayPass-enabled Citi MasterCard (or a Google Prepaid MasterCard); and, most importantly, you must understand what this all means and have a desire to use the phone for payments.

While most consumers do not yet understand the benefits of NFC-based payments, the U.S. market has been somewhat primed for phone-based payment schemes, thanks in part to the Starbucks app, which allows you to pay for your coffee with a glance at your phone. According to NPD Connected Intelligence's July 2011 "Connected Operating System Survey," however, only 9 percent of smartphone users had made a payment using their smartphones within the past three months, which is no doubt far less than the number of smartphone users who frequent Starbucks. But the interest is certainly there – significantly, of those who have not made a payment using their smartphones, 43 percent are interested in doing so.

With all that seemingly untapped demand, the challenges for Google Wallet centers on extending its service capabilities more ubiquitously, including more wireless carriers, NFC-equipped Android smartphones, and credit card companies (with associated hardware/infrastructure at point of sale). But Google is not the only mobile payments game in town, and the mobile payments market — not unlike other mobile market initiatives — is extremely fragmented, both in terms of varied technology approaches (NFC, apps, hardware/software, etc.) and the players (wireless carriers, financial institutions/credit card companies, PayPal, Verifone, and Square, among others), some of which are pursuing multiple approaches simultaneously.

The result is likely to be a mish-mash of NFC-based solutions that may, or may not, work at any given location and will limit device choices for consumers. The small step for mankind may be tripped up by the realities of the fragmented market, if the parties don't work closely together.