



# Mobile Market Insights

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## Special Topic

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## Mobile payment solutions

Mobile payment solutions perhaps rank among the top opportunities that have been permanently 'around the corner' for mobile operators. Mobile payments represent an enticing opportunity for carriers looking to develop new services and for payment companies' intent on driving increased use of electronic payment technology.

Certain factors become critical to the success and expansion of the mobile phone as a commerce device as the mobile payments industry drives toward mass adoption. The entire value chain of carriers, content providers and billing providers must work toward a common goal of developing an easy-to-use interface, which will increase the adoption of services with consumers. The carriers need to concentrate on changing consumer behavior, which they can only achieve if the platform design focuses on customer needs and not generating data usage

revenue. To change consumer behavior, content providers must develop a user-friendly interface that enables quick transactions as well as enables consumers to effortlessly create a mobile wallet.

Yankee Group suggests that based on failed launches of mobile payments technology earlier this decade, companies will need to develop integrated platforms if they wish to alter consumer spending habits. Each mobile commerce initiative provides a different way for consumers to use this

technology in everyday transactions. To gain traction in the marketplace, it is suggested to provide integrated commerce functionality with remote payment, person-to-person transfer and mobile banking all from the same portal. For example, providing just a text-to-pay service will not offer enough value to consumers to change their behavior, thus consumers might continue to use traditional payment methods such as cash, credit or check.

Source: Yankee Group

### Integrated Mobile Payments Portal

Source: Yankee Group, 2007



## The principal areas of mobile payments

### Remote payments

Transactions are performed by connecting to a remote server via the cellular infrastructure for the purchase of content, services or goods. Top-ups and the purchase of digital content over premium SMS are the only widely used applications of this type. Remote payments for other goods or services have seen limited success for niche applications only.

### Proximity payments

Using contactless or near field communications (NFC) technology, a short-range wireless technology enables the payment between a compatible phone and a terminal installed at the point of sale, without using the mobile network necessarily. There are a number of contactless payment systems installed in retail outlets, but the most prevalent use today is in the transport sector.

### Person-to-person (P2P) payments

This is defined as the remote transfer of funds between individuals using the mobile phone.

Source: Ovum

## Mobile marketing and advertising to be worth \$3 billion by 1Q 2008

The world market for mobile marketing and advertising is expected to be worth about US\$3 billion by the end of 2007, according to a recent study from ABI Research.

By 2011, the value of this market will reach \$19 billion, including mobile search and video advertising.

ABI Research says that it also expects some of the highest levels of spending to come in the broadcast mobile video space. By 2011, it will surpass SMS as a source of mobile marketing spending, due in part to mobile broadcast networks' presence in all major markets. In 2011, ABI Research expects spending for broadcast mobile video advertising alone to reach \$9 billion. But for this market to reach its full potential, carriers,

advertisers and marketing companies must utilize multiple technologies and business models to bring their messages to mobile consumers.

"Mobile advertising and marketing is a risky, albeit enticing business," says principal analyst Judith Rosall.

"Unlike the PC, a mobile device offers a uniquely personalized communications channel. Carriers worldwide have quite a bit of information about their end-users: name, sex, age, and geographical location. And depending on the handset and plan their users have purchased, the carriers probably also know something about their economic status and credit record. But they don't like to release this information to third parties because they want to protect and

control their customers."

Mobile marketing and advertising is also at varying levels of maturity, depending on the market or country, says Rosall.

In Europe and Asia, mobile marketing is fairly well developed. However, early-adopting brands in the US are still in the process of testing the water. They don't typically allocate a set percentage of their annual budgets to mobile. In turn, major ad agencies are still relatively inexperienced with mobile marketing campaigns, and reluctant to utilize location-based services and technologies such as MMS and mobile search that are still in the early stages of deployment.

Source: Cellular News



## Brazil Bradesco, Itau launch mobile banking in partnership with TIM

Brazilian banks Banco Bradesco and Banco Itau Holding Financeira will launch mobile banking services under an agreement signed with TIM Participacoes, the Brazilian unit of Italian mobile operator Telecom Italia Mobile (TIM).

The mobile banking service will allow the clients of Bradesco

and Itau to receive information for their accounts, to transfer money to other clients of the banks, to make different types of payments, as well as to apply for loans.

TIM has some 26 million clients in Brazil, while the clients of Bradesco and Itau stand at some 52 million.

TIM already has similar partnership with Banco do Brasil and Unibanco.

Source: Factiva News



## Phone tech targets drunk drivers

Technology is also helping keep roads free of drunk drivers.

In Japan transport companies are using mobile phones attached to breathalyzers to make sure their employees aren't driving while under the influence.

With a device developed by mobile phone operator NTT DoCoMo and Tanita Corp., drivers breathe into the alcohol detector that connects to a cell phone for real-time reading of the alcohol content in their breaths.

To verify that it is actually the driver breathing into the device,

the process takes place while he and a supervisor are connected on a video call, during which they can also reiterate other safety rules.

DoCoMo said it has sold 1,500 of the alcohol-sensors to 150 companies since their launch in June 2006. The sensors, which come with special software, are sold on average for 90,000 yen each. A similar system made by rival operator KDDI, which uses e-mail instead of a video phone, is also equipped with GPS technology that helps companies keep track of drivers' exact locations. Transport companies are welcoming the help from new

technology especially after the government toughened penalties for firms that fail to properly supervise their drivers.

Also, extensive press coverage on tragic crashes caused by drunk drivers has raised public concern for road safety.

The number of fatal accidents involving drunk drivers in Japan fell by 14 percent in 2006 from a year earlier, thanks to stricter rules, but the total for that year still stands at 611 cases, according to Tokyo police.

Source: Telecom TV



## The Phone as Bank Central

The guy next to you on the train looks like he's texting away, but actually he might be checking his bank balance, paying bills, or transferring emergency funds to his son away at college.

Citibank is the latest, unveiling Citi Mobile, the first downloadable mobile banking application from a major financial services provider. After enrolling online and downloading the app to a cell phone or smartphone, customers can view balances, pay bills, transfer money, locate ATMs, and click to call customer service. Seriously, there will be a growing market for mobile banking when there's a need for immediacy, like emergency fund transfers and balance checks, predicts James Van Dyke, president of payment consulting firm Javelin Strategy and Research. But his take on a

mass market for mobile bill paying: "It's ridiculous." The banks beg to differ, though. Wachovia, which has a mobile offering, says mobile bill paying is one of the top customer requests. Since the Citi Mobile app resides on the phone, it's faster and offers a graphics-intensive interface that's closer to online banking than text-heavy Web-based apps. Customers select the Citi icon on their phones to access accounts instead of navigating through multiple Web pages on a tiny screen. They'll also receive new features automatically whenever Citibank makes an upgrade available.

Bank of America took a different approach, launching its WAP-enabled Web-based mobile banking service in February. Most mobile browsers

can access the service, which lets Bank of America customers check account balances, pay bills, and transfer funds. "We chose to go with a WAP application, so that everyone can access it," says Sanjay Gupta, an e-commerce executive for Bank of America. The downside: WAP displays information mostly in text form without rich graphics.

AT&T is using Firethorn Holdings' software to enable the mobile banking app. The software sits on a mobile device and connects with Firethorn's servers, which communicate with the banks' systems. AT&T has plans for similar preloaded apps for BancorpSouth, Regions Financial, and SunTrust Banks.

Source: *InformationWeek*



## Advertising: Grabbing older consumers via cellphone

Until recently, cellphone-ad campaigns have been the preserve of companies targeting young, tech-savvy consumers. Now, marketers aiming at older people are dipping their toes in the mobile marketing waters.

In US, cellphone advertising has been held back by advertiser concerns about alienating consumers. More than three-quarters of consumers are turned off by the idea of ads on their phones, and only 3% said they trust text ads, according to a recent Forrester Research survey. Forrester Research estimates that consumers between ages 12 and 21 are more than twice as likely as the average adult mobile user to send messages or browse the Internet on their cellphones. Just 33% of mobile-phone users 45 to 54 years old use any form as messaging, compared with 76% of mobile-phone users 18 to 24 years old, the firm estimates. To expand the mobile-ad market, marketers need to teach older consumers to use their mobile

phones for more than just talking, ad executives say. That will help consumers to start using their phone "for more than just voice, but this retail and purchasing experience," says Bruce Woolsey, vice president of emerging media for Avenue A/Razorfish, a digital marketing agency owned by Seattle-based aQuantive.

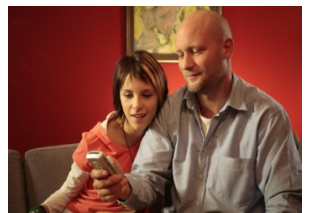
Evidence is growing that older consumers will play – if the incentive is right. Mobile-entertainment firm Limbo says promotions it has arranged for companies such as Lifetime Television show that the potential demographic for such marketing is much broader than the 18- to 25-year-old men it originally had in mind. Lifetime, a cable network whose average viewer is 48 years old, has sponsored more than a dozen Limbo promotions, soliciting more than 200,000 unique entrants who bid an average of 14 times per game. Lifetime sold sponsorships of some of the

promotions to other advertisers, such as retail chain Big Lots last fall.

"What we really learned with this application is that if it is fun, someone will play it, they will tell their friends about it," says Limbo Chief Executive Jonathon Linner. "It's a good reason for a lot of people to start text messaging."

Procter & Gamble, the world's biggest marketer, also got a strong response to a promotion it did with Limbo in June. P&G's beauty brand Max Factor, which is aimed at women between 18 and 35, sponsored a sweepstakes contest with prizes that included a \$1,000 shopping spree. More than 250,000 players participated. P&G says the promotion exceeded expectations, and now is rolling out another Limbo promotion with its Cover Girl brand.

Source: *The Wall Street Journal*



### 3 UK introduces 'free' mobile TV subsidised by advertising

There has been huge publicity of late about TV on mobile handsets and now the British sector got as an added twist as 3 UK, the country's original 3G operator, rolled-out an enhanced and upgraded version of its TV news and entertainment content on its handsets, now subsidised by advertising.

The deal works like this; 3 subscribers wanting to use the free service must first access a screen requiring them to input personal details such as age, sex, interests etc so that the advertising they will watch before and after the "free" mobile TV content" can be "targeted" to their specific demographic. Then, off they go, getting square-eyed to their heart's content.

3 hopes the new scheme will bring in

some significant sums in advertising revenue in addition to the subscription fees the carrier makes from the rather limited number of customers who pay for existing advertising-free video services.

John Penberthy-Smith, 3's marketing director said, "We recognise that you can't just force advertising on to customers, you have to give them something valuable in return if you expect to get their attention." And that's why the carrier is beefing-up its mobile TV offerings with new content, programming and partners. The feedback so far has been that connectivity is fast and robust, the quality of the colour display is excellent and that the handset is easy-to-use and holds power well.

That's the upside. The downside is

the gripes, and they refer to the actual channels and programmes. A lot of it is pretty dumbed-down stuff, so-called 'news' about third-rate celebrities, their friendships and feuds, stories about fashions, pets, sports gossip and even a guide to making cocktails. None of that has gone down brilliantly well with our guineapigs so far, but they do like the news content and some of the sport. That said, it is early days and the trial has quite some time to run.

Source: TelecomTV

### Visa in contactless pacts with 2 phone providers

VISA Inc. said it is working with two mobile phone makers to integrate contactless payments with the devices' burgeoning banking capabilities. The San Francisco card company said Wednesday that it has agreements with Qualcomm Inc. of San Diego and Kyocera Corp. of Tokyo to integrate near-field communications chips on their handsets with software that Visa is developing for mobile banking. Visa also said it is working with VeriSign Inc. of Mountain View, Calif., to provide content to mobile devices, and with the Cupertino, Calif., software maker Ecrio Inc. to allow the redemption of bar-coded coupons through mobile devices at the point of sale.

The announcements, at the Wireless 2007 conference in Orlando, provided a more detailed look at plans Visa announced in January to test mobile banking and payments technologies this year.

John Philip Coghlan, Visa's president and chief executive, urged wireless carriers to work closely with financial companies to develop this new market. "The convergence of payments and mobile communications is not just logical - it

is inevitable," Mr. Coghlan said. He described Visa's mobile platform as a set of services and enabling

*"The convergence of payments and mobile communications is not just logical - it is inevitable,"*

*John Philip Coghlan,*

*President and CEO of VISA*

technologies that the company will use as building blocks to develop applications for banks and carriers.

Visa said a survey it commissioned of 800 consumers who were interested in mobile payments found they would prefer, by a five to one margin, that the charges appear on a credit or debit card statement instead of a wireless bill.

The survey, conducted this month by the Alexandria, Va., research consulting firm Fabrizio McLaughlin & Associates Inc., also found that nearly 90% of consumers who were interested in mobile payments would pay more for a phone with the feature, and 58% of customers age 18 to 42 would consider switching

financial institutions to gain access to such a service.

AT&T Inc. announced that Wachovia Corp., SunTrust Banks Inc., and Regions Financial Corp. would offer mobile banking and payments services to their customers using software from Firethorn Holdings LLC. AT&T plans to preload the application on its handsets. Mark Siegel, a spokesman for the San Antonio telecom's AT&T Mobility, said in an interview that it is urging competitors to embed mobile banking technologies in their handsets.

"This benefits all of us, and the industry as a whole," by encouraging the development data services that generate revenue for the carriers, Mr. Siegel said. "It creates a rising tide that lifts all boats."

Source: Amerikan Banker



## Advertising funded mobile games launched in Israel

Israel's largest mobile operator, Cellcom has launched an ad-funded mobile game service powered by innerActive. The new service offers the subscribers free games downloads, sponsored by top brands such as: Nokia, McDonalds, Diadora Samsung, Adidas and Walt Disney. The mobile game service offers Cellcom's mobile users the opportunity to download mobile games, in exchange for exposure to advertisements within the games. The dynamic ads are injected into the games as Product Placement and appear at different media areas within the game as part on the environment, using innerActive technology. "The digital coupons

The internet travel company, lastminute.com and developers CoolGorilla have developed a language phrase book - which speaks the phrases via a mobile phone speaker. The application is extremely intuitive - the user simply navigates to the appropriate phrase in English that they would like translated and presses 'select'. The application then speaks the phrase in the foreign language through the consumer's phone, in real time and provides an additional text translation on

and Product Placement methods used in the trial have proven themselves with high conversion rate among our clients," said Adi Cohen, VP Marketing of Cellcom. "The trial confirms also our view about the importance for the advertising to be an integral part of the content. innerActive's platform enables mobility, availability and personalization in advertisements that reach the end-user in the most segmented manner," said Ilan Grinboim, President & CEO of Nokia Israel. "Using the Product placement allows me to be a part of the whole user experience and thus present him relevant offers."

screen. The phrase is delivered perfectly in the foreign language as the developers used native-language speakers in the creation of the phrase books. The applications are available for English-speakers to communicate in six foreign languages: French, Spanish, German, Greek, Italian and Portuguese. Each version has between 250 - 300 sound files covering all elements of their foreign experience. Later this year more talking phrase books will be launched including

The campaigns were built by leading advertising agencies such as McCann Digital, Saatchi & Saatchi, BBDO and others, over innerActive's Web Campaign Management - the InFlare. The dynamically inserted ads are targeted and segmented in real time according to user profiles, and generated - among other - upon users' behavior and responses.

Source: Cellular News



multiple versions communicating from one non-English language to another, eg French to Italian. Mark McCulloch, Head of Brand Development at lastminute.com added: "This is truly a break through in being smart on holiday. Instead of you having to flick through the pages of a phrase book to find what you want to say, you simply click your phone menu, select the phrase you need and voila!"

Source: Cellular News



## Vodafone aims to lift India user revenues, focus on content

Vodafone Group Chief Executive Arun Sarin said that he would look to boost user revenues by introducing new services, such as mobile banking in India.

Vodafone announced it would work with Citigroup to develop M-PESA, a mobile phone money transfer application across the world. Sarin added that in many emerging markets - such as India and Africa - mobile phones provide the only way to transact with a bank.

"There is massive opportunity here for our business in India in terms of (average revenue per user)," said Sarin. The boss

added that he would look to increase Indian ARPU rates to higher levels, so that the world's largest operator by revenues could generate more money, as it does in the UK and in the USA. An upbeat Sarin also told the audience that ownership of Hutchison Essar would fundamentally change the business. "Personally I am very excited about this transaction because it fundamentally changes the type of business we are," he said. "The world is changing and the growth is coming from emerging markets. We have been gradually moving our business to where the

growth is and India represents a fantastic opportunity."

"We're going to bring low-cost handsets and mobile-banking and money-transfer services," he said.

Earlier Tuesday Vodafone announced a deal with Chinese mobile manufacturer ZTE to produce a range of low-cost Vodafone-branded phones to appeal to customers in emerging markets. Sarin added that Vodafone would also be more vigorous is trying to lure fixed-line phone customers over to mobile services. "Mobile prices are very close now to fixed-line

prices. We need to pull more minutes away from fixed-line."

Sarin also said that Vodafone would build on recent deals with eBay, Google, Yahoo!, Microsoft, MySpace and YouTube to generate more revenue from advertising.

However, he added that the mobile industry needs to work together to define mobile advertising standards if advertisers are to become interested.

Source: Cellular News

## You can bank on your mobile

In tech-savvy South Korea, consumers use their mobile devices to check bank accounts, get notification of credit-card purchases, and even travel on the subway by flashing their phones at the turnstiles. This is made possible by cooperation between banks, mobile operators and equipment suppliers who are ensuring that security and ease of use make mobile banking attractive to consumers.

The enabling technology is a combination of SMS, secure encryption, and near-field communication chips for point-of-sale transactions. With an estimated 1 billion mobile devices in the world, financial institutions and innovators are using wireless networks as conduits for faster and more fluid transactions. For example, loan officers can expedite home purchases by checking credit and approving loans without customers having to visit their banks. But the real winners of mobile banking will

be in the developing world, where many consumers and entrepreneurs are underserved by the traditional banking sector.

Innovative mobile services providers, such as Wizzit in South Africa, offer banking services where none existed previously. More than half the adults in South Africa have no bank account, yet nearly a third of them have mobile phones. The Economist magazine reports that half a million South Africans already use mobile banking services to send money to family and friends, and to pay for goods and services. By using their pre-paid mobile airtime to transfer money, consumers in developing countries do away with cash and its inherent security risks. In Kenya, a pilot program call M-Pesa even issues micro-loans via mobiles. Cingular Wireless will launch its mobile banking service in the US early this year, allowing customers to check their account balances, transfer

money and pay bills on their mobile devices. The operator will also conduct a trial in New York City of NFC-enabled phones with MasterCard PayPass™ contactless payment capability.

The potential to do away with cash and credit cards - and to stimulate economic activity - is making mobile banking one of the most important developments in today's banking sector.

Source: Ericsson



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*Our ultimate aim is to facilitate and support your development in these technologies through providing how these technologies relate to end user needs, expectations with best practices, case studies, latest news.*

*In each issues we will provide insights about a specific topic and telecom tidbits.*

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