



## LEAD-OFF NFC SERVICE CHARGES OF \$17.4 BILLION TAKE A STEP CLOSER - 08 SEPTEMBER 2008

Future service charges of \$17.4 billion took a step closer to reality this week with the release of results from the latest NFC trial in London. This week results from the trial featuring prominent industry names, such as O2, Transport for London, Barclaycard, Visa Europe and Nokia, were released and highlighted the appeal of services such as contactless ticketing for transportation and mobile phone based payments in place of cash.

Consisting of 500 users over six months, the trial was designed to assess the viability and attractiveness to users of a number of new services and it reinforced the findings of IMS Research's report entitled "The Mobile Wallet: How, What, Where & When?" Headline grabbing results included that 89% of users wanted the contactless Oyster travelcard built into their phones and 78% were interested in general in contactless mobile services. Most interestingly for the handset vendors, 87% said that the availability of NFC would influence their choice of mobile phone in the future.

The partners overwhelmingly claimed the results as successful, and with some justification, however, some within the industry and media were not so enthusiastic. Some press reports highlighted that only 41% of users preferred using their phone for low value purchases in place of cash. However, it has to be questioned whether the fact that two out of five users find a fledgling service preferable is a failure or not. Research Director John Devlin commented, "Realistically such mass market services are still two years away from launch and the typical consumer mindset is still very much cash-orientated for low value purchases. Contactless cards are only just being introduced (in London) and the move to contactless payments with a mobile phone is still very alien to the average person. If anything, the fact that approaching half of users did prefer contactless mobile to cash payments this far ahead of launch could be construed as a positive result."

In fact, these results are in line with IMS Research's own forecasts, which highlighted stronger early adoption of services that fit with local mindsets and cultural preferences. Typically this includes mass transit systems in metropolitan areas, particularly in Western Europe and parts of Asia, and payment for fast food and convenience stores in North America. "In these instances consumers will find an instant purpose and benefit in NFC and contactless mobile services," added Devlin. "This is important for it to be successful and will lead to the introduction and adoption of further services."

However, on a cautionary note he added, "Operators are well positioned to take a lead in the introduction of NFC and they will be among the long term beneficiaries. Additional future services promise high potential revenue for them although if they only focus on the lead off services, i.e. ticketing and payments, then there could be problems. In an ideal world the network operators will be involved and can play a central role in the launch of NFC. However, there are other routes to market. Companies such as Tyfone offer full NFC capability via a removable memory card, which means that potential partners can go straight to their customers with NFC services."

In its report on Mobile Wallet applications and services, IMS Research forecast that the future service charges made by stakeholders, on contactless mobile payments and ticketing transactions will be worth \$17.4 billion to 2012.

**Notes for Editors**

If you would like an interview with an expert in this area, please contact Alison Bogle, Marketing Manager, at [Alison.Bogle@imsresearch-usa.com](mailto:Alison.Bogle@imsresearch-usa.com) or +1 412-441-1888.

**About IMS Research**

IMS Research is a supplier of market research and consultancy services on a wide range of global electronics markets. The company is supported by headquarters in Wellingborough, UK and offices in Austin, Texas and Shanghai, China. IMS Research regularly publishes detailed research on Financial & I.D. Technologies. Consultancy, reports and opinions are regularly provided on the smart card, NFC, RFID, contactless payment, mobile banking and payment, and mobile ticketing markets, among others.

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