

Collective Dynamics



MicroPayments



Research Prospectus

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Micropayments Research Prospectus

Introduction

There are trillions of dollars in cash payments below \$20 in value in the US annually. Beyond payments at traditional brick and mortar locations, the Web/Internet provides a new and growing venue for additional micropayment growth. There has been interest from financial services providers and others in the US to move some of this payment activity to non-cash payment options such as stored value, credit card, or wireless options. Collective Dynamics (CD) is conducting primary research to discover consumer attitudes regarding non-cash micropayment options to find out:

- What payment methods do consumers most want in the future (card, Internet, wireless, etc.)?
- How do these compare to each other and to cash?
- What segments of the consumer base are most interested in which options?

We believe the results of this research will be of great benefit to financial institutions and financial services providers in better understanding evolving consumer needs and thereby focusing strategies and resources on meeting these needs more effectively.

Topic

The topic of this research study is to understand the business drivers and issues in and surrounding non-cash micropayments. Micropayments as used here are low dollar amount (less than \$20) non-cash consumer payments, purchases, or transactions. Collective Dynamics (CD) will address the main issues, business questions impacting stakeholders, and consumer receptiveness to various combinations of micropayment brands and payment alternatives. This is best described by indicating the types of business questions that the research will address which are as follows:

- ◆ What payment mechanisms (wireless, credit cards, virtual wallet, stored value cards, etc.) do consumers prefer?
- ◆ Where are consumers most interested in using micropayments? (Internet, retail location, vending, telecommunications, etc.)
- ◆ What are consumers most likely to purchase using a micropayment? (tickets, phone minutes, vending items, parking, transit, etc.)
- ◆ What payment brands are preferred? (VISA, MasterCard, American Express, Discover, etc. or merchant provided options)
- ◆ Which billers are most trusted and how does this influence adoption of service? (telephone company, wireless phone company, bank, credit card issuer, other retailer, etc.)
- ◆ What are the relative preferences for debit, credit, and prepaid? By type of merchant or product?
- ◆ What are the biggest issues or problems to use of alternative micropayment options from a consumer perspective?
- ◆ What are the demographic characteristics of consumers most likely and least likely to adopt the service? (age, income, etc.)

Specific business drivers (attributes of payment options) and their range of values (levels) will be evaluated as described below. For example, a business driver (attribute) might be *Brand* and its values (levels) might be VISA, MasterCard, Discover, American Express, etc.

Approach/Methodology

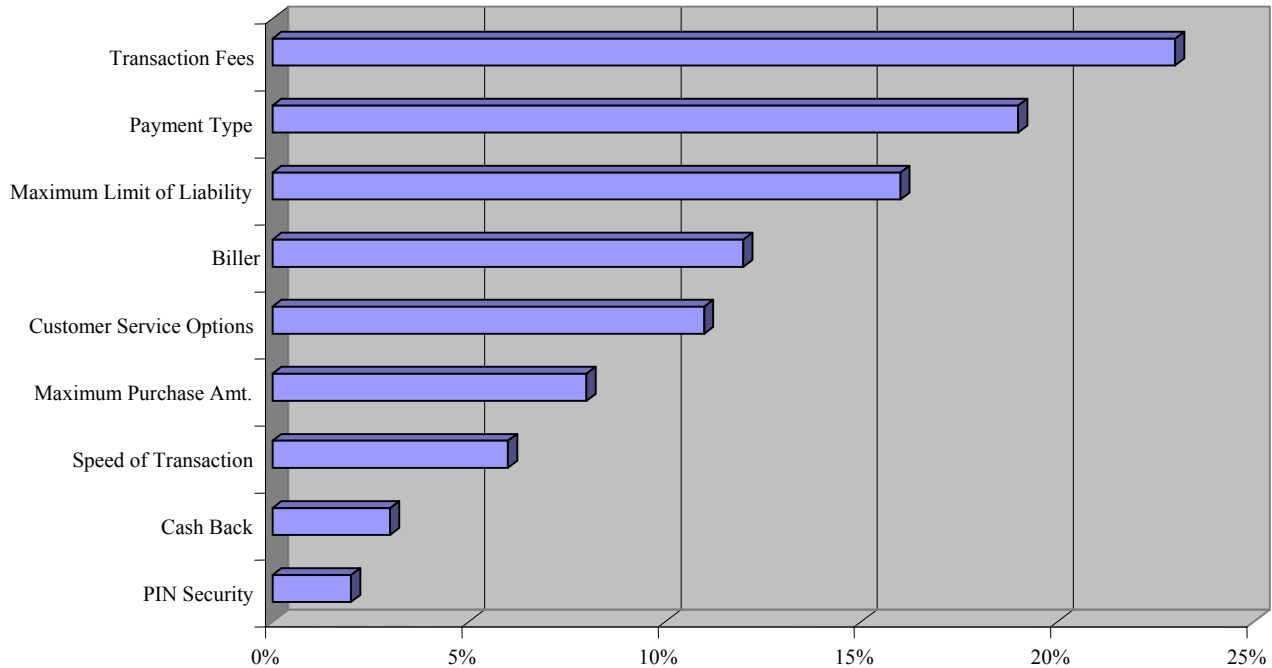
Collective Dynamics will utilize on-line interviewing and conjoint techniques to gather both qualitative and quantitative information. The first phase of the study will test the relative importance of business drivers (attributes/levels) identified from industry experience and other research. This first phase will also contain “open ended” questions to better identify issues and disincentives that are important to the survey population. The second phase will focus on more detailed analysis of the important attributes/levels and consumer issues and quantitative measurement of these attributes/levels.

Collective Dynamics Micropayments Research Study

Example Output

The following charts are based on example data and are intended solely to illustrate the types of insights that are being investigated in the research. They are not intended in any way to represent actual business driver values.

Relative Importance of Micropayment Product Features



Preference For Potential Micropayment Forms by Venue

		MicroPayment Mechanism					
		Cash	Check	Credit Card	Debit Card	Stored Value Card	Wireless
Micropayment/Purchase Type	Person-to-Person Payment	High	Medium	Low	Low	Low	High
	Vending	High	Low	Medium	Medium	Low	High
	Tickets	High	Low	High	Medium	Low	Medium
	Subscriptions	High	Medium	Medium	Medium	Medium	Low
	Gas/Convenience Store Items	High	Low	Medium	Medium	Medium	Medium
	Parking/Transit	Medium	Low	Medium	Medium	Medium	High
	Laundromat	High	Low	Low	Low	High	High
	Fast Food	High	Low	Medium	Medium	Medium	High
	Online Purchases	Low	Medium	High	High	High	Low