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Is This the Future of Banking?

Focus group views on mobile payments

Overview

Mobile payments allow customers to make online and point-of-sale purchases, pay bills, and send or receive money by accessing a website via the browser on a smartphone, sending a text message from the phone, or using a downloaded app. It has become a viable option for consumers without bank accounts (the unbanked) to make transactions and manage their funds.¹ The technology could also offer a more convenient and sometimes cheaper way for all Americans to manage their money. Mobile payments have been criticized, however, as a possible threat to customers' security and privacy.

The Federal Deposit Insurance Corp. reports that nearly 8 percent of U.S. households—approximately 9.6 million—lack bank accounts, but 33 percent of those have access to smartphones, which they could potentially use to meet their banking needs. Research projections show that use of mobile payments in the U.S. will grow at a 22 percent compound annual growth rate through 2019.² But questions remain about how the emerging market will function, who the dominant providers will be, and how consumers will respond.

To better understand consumers' views on the potential benefits and risks of mobile payments, The Pew Charitable Trusts in May 2015 convened focus groups with consumers who use mobile payments, as well as unbanked customers who own smartphones. Two groups were held in each of the following cities: Chicago; San Jose, California; Atlanta; and Tampa, Florida. See "Focus Group Participants" (Page 3) for more details on the groups convened in each city.

The objective of this research was first to gauge people's awareness and perception of mobile payments technology; explore their usage or willingness to use it; and understand any barriers to usage. The next goal was to understand current consumer practices, including why some people do not have bank accounts and how those who do not have them use mobile banking products, such as bank apps (as a precursor to mobile payments adoption). Although these findings are not nationally representative, they provide insight into consumers' views and experiences and will be used to inform the development of questions for a nationally representative survey. That research will delve into the attitudes and experiences of mobile payments users, the potential of mobile financial products to deliver safe and secure transactions, and whether mobile payments could meet the needs of the unbanked. The focus group research found that:

- Younger smartphone owners with bank accounts used mobile banking more regularly than similar consumers over age 66. Those who had adopted mobile banking were using it to pay bills and transfer funds; some were also using it to deposit checks.
- Mobile payments were used most frequently for online shopping and funds transfers. Users cited convenience and speed as reasons for adopting the technology.
- All groups had relatively high awareness of major mobile payments brands, which allow consumers to make mobile purchases at a variety of online and brick-and-mortar retailers—through services such as PayPal, Apple Pay, and Google Wallet—and to buy coffee at Starbucks, currently the most popular mobile payments app.
- Participants cited several barriers to using mobile payments, including a lack of perceived personal benefit as well as discomfort with some industry practices, particularly regarding security.
- Nonusers found potential incentives—cash back, reward points, discounts and coupons, and free items—enticing and suggested that they might use mobile payments if these were offered.
- Participants were generally unaware of what personal data are collected when they conduct transactions online and via smartphones or how those data are used. They also did not know whether or to what extent their privacy is compromised. Many seemed resigned to the tradeoff between use of the technology and collection of personal data, although they indicated they would prefer that data collection were regulated.
- Most unbanked participants previously had a bank account and cited many reasons for no longer having one. Ultimately, most said they aspire to get a new one.

These findings clarify the potential of mobile payments to provide a useful product—and the barriers that may prevent consumers from adopting or safely using this technology.

Focus Group Participants

The focus groups consisted of six categories of participants, which may overlap:

- Smartphone users: those who access the Internet or use apps on their devices regularly.
- Banked consumers: those who use financial products such as checking and savings accounts, loans, mortgages, and debit and credit cards.
- Unbanked consumers: those who had no relationships with financial institutions.
- Mobile payments users: those who, within the past six months, had paid for products or services or sent or received money via a smartphone browser, a text message from the phone, or use of an app.
- Mobile payments nonusers: those who had not used this technology in the past six months or had never used it.
- Consumers age 66 and older: All other groups were made up of consumers age 65 or younger.

Table 1
8 Focus Groups in 4 Cities
 Groups by city and populations represented

	Number of participants	Smartphone users	Unbanked	Banked	Mobile payments users	Age 21-65	Age 66+	Low to moderate income
Atlanta 1	9	X	X			X		
Atlanta 2	10	X		X	X	X		
Tampa 1	9	X		X			X	
Tampa 2	9	X		X		X		
San Jose 1	9	X	X			X		X
San Jose 2	9	X		X	X	X		
Chicago 1	7	X	X			X		
Chicago 2	10	X			X	X		

Note: For additional information on the makeup of the groups, please see the methodology.

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Personal finance practices

Comparing participant experiences

For insight into consumers' willingness to try and potential concerns about new products (such as mobile payments), participants were asked to discuss their current usage of and satisfaction with transaction products.

Typical methods of payment

About half of unbanked participants said cash was their primary method of payment, and the rest employed a combination of cash and prepaid debit cards, which many use for budgeting, saving, and setting aside money; making online purchases; and paying bills. However, a few said they tried to limit use of their prepaid cards because of fees associated with some transactions. Others said they limited use of prepaid cards because they felt that they spent too much too fast.

In contrast, banked participants, who generally have more choices than the unbanked, often decided on the method of payment based on what they were purchasing. Overall, the groups of mobile payments users and banked smartphone users reported similar payment behaviors:

- Most usually pay for purchases with a checking account debit card.
- Some preferred to pay primarily with credit cards, often because of incentive programs such as cash back or rewards points.

One notable exception to these general findings, however, was the San Jose group of mobile payments users. About half of these participants said they usually make point-of-sale purchases using a mobile payments app on their smartphone. (Apple Pay was specifically mentioned.) None of the other mobile payments user groups cited a similarly high frequency of use.



My job just deposits my check onto a card that they gave me. You cannot refill it—you can only empty it—and you get charged every time ... I try not to use it, and when I do, I take out maybe half of what I need."

—Unbanked Chicago participant

Basic financial activities and monitoring of finances

Banked mobile payments users and smartphone users reported checking their primary bank account balances regularly, from daily to two or three times per week. Most banked mobile payments users, about half of banked smartphone users, and one banked smartphone user in the 66-and-over age group used their banks' smartphone apps for balance and transaction monitoring. Other consumers, especially those 66 and over, checked their balances by logging onto their banks' websites from their personal computers.

In contrast, many unbanked participants had developed alternative personal systems for tracking their finances, including keeping written records of their cash transactions. A few said they had no system beyond ensuring that they have enough money to pay their bills. They generally knew that after bills were paid, they would have little left over.

Unbanked prepaid debit card users described using the cards as financial management tools by periodically calling the customer service number to check balances and transaction history and receiving texts from the

providers. Participants cited these notification services as easier and more reliable ways of tracking their finances than managing cash only.

Many unbanked participants said they were not satisfied with how they were managing their money. Because their resources were limited and often unpredictable, it is difficult for them to maintain a working money management system. As one participant noted, “Something always comes up.”

The vast majority of unbanked participants said they had bank accounts in the past, typically to enable employers’ direct deposit. When the job ended, many did not maintain their accounts.

Understanding the concerns of the unbanked can help identify whether mobile payment products could meet their needs, particularly because most say they would like to have a bank account if their concerns could be addressed. A few said they would prefer a community bank or credit union to a large bank. Several said they would want a bank account if they could be confident they would not face penalties and unaffordable fees. Others mentioned that they would like to have only a savings account, which would not be accessed for daily expenses. Some said if they had enough money, a bank account could help them plan better and reach their financial goals, such as saving.

These interests and concerns suggest avenues through which mobile payments technology might offer the services that these consumers need while addressing the issues that keep them out of the banking system. The technology could offer products that do not allow overdraft or other hidden fees or that help them budget their funds.

Mobile banking

Mobile banking—defined as bill pay, funds transfers, and payments transacted on a smartphone via a bank’s website or app—is a widely used precursor to mobile payments. Once consumers are comfortable using their smartphones to access their bank accounts, they may be more open to using the devices to make payments. Although only those with bank accounts can use mobile banking, an understanding of their opinions can help illuminate the most valuable features that a mobile payments platform could provide, even if it is not linked to a bank account.

Participation

Use of mobile banking varied by segment but was more common than use of mobile payments. Notably, all participants who made mobile payments also used mobile banking features. Those in the younger banked smartphone groups more regularly used mobile banking than did banked smartphone users over age 65. Most mobile banking users paid bills and transferred funds; some also deposited checks. Overall, these findings indicate a willingness to make transactions with a smartphone that could be expanded to making payments without involving a bank.

Mobile versus online banking

Mobile banking and mobile payments users frequently accessed their banks’ smartphone apps, while a couple of users visited their banks’ websites on their smartphones. However, some also occasionally used online banking—accessing their banks’ websites via computer.

A few chose to use their banks’ apps for some activities and online banking for others. For example, one said he did “quick stuff” (e.g., checked his account balance) via his smartphone app but used his laptop for more involved transactions (e.g., transferring money, paying bills) because he felt it was more secure.

Reasons for Being Unbanked

A bank account offers many benefits to consumers, including the ability to use direct deposit, have a safe place to save money, and avoid purchasing expensive alternative financial services. The reasons cited by participants for not using banks included:

- **Low incomes and limited financial resources.** Many did not feel that their monthly income warranted a bank account: “There’s not enough money to put in there.”
- **Fees.** Many disliked or were fearful of account fees—especially overdraft fees, which some had experienced in the past. One participant recounted his experience with bank reordering and overdraft fees:
“I had a couple hundred dollars in my account, and I bought a laptop. ... I knew my card was going to go through because I had most of the money. ... [But the bank takes] out the bigger amount of money that you spend before they take out the smaller amount, so the eight to 12 different things that I bought throughout the week, almost none of that got paid for. So they slapped me with like nine overdraft fees.”
- **One-sided relationship.** Some participants did not see any personal benefit to having a bank account. They never had enough money to earn interest, banks made money by charging them fees, and they resented that banks would lend to other customers but not to them:
“Why allow somebody else to use my money? Somebody else can use my money but I can’t.”
“I don’t think that it’s fair that I’m allowed to put my money into the bank, and there are a few select people that can come to that bank, and they can be loaned the money that I put in there; but if I want a loan, I can’t. ...”
- **Lack of confidence.** Some questioned their ability to manage a banking relationship because, for example, of the potential for overdraft. They might use a prepaid card instead in order to avoid checking account overdrafts:
A participant related a conversation with her adult children: “ ‘Mom, get a prepaid card. You do not have to be bothered with the overdraft fees and worried about that,’ and I would see the advertisement on TV about, ‘Load your money on a prepaid card,’ and it did not sink in until I actually did it, and then that is when I backed up from the banks.”
- **Lack of trust.** A few participants said they generally did not trust banks, perceived banks as an enemy, or worried about bank failure: “They are not there to help you.”
- **Preference for cash.** A few preferred a “cash only” financial life.

Banked smartphone users

Some banked smartphone users, particularly those over age 65, did not use mobile banking but typically banked online using their home or work computers. Reasons for preferring a computer over a smartphone included:

- Larger screens and easier typing.
- More information and options on full websites.
- Faster and more secure networks, especially compared with public Wi-Fi.
- Convenience and ease of access.

Mobile remote deposit capture

About two-thirds of mobile payments users and a few banked smartphone users, mostly those 65 and younger, were using mobile remote deposit capture, which allows the consumer to take a picture of a check with the smartphone camera to deposit it. Mobile payments users employed this function with greater frequency and confidence than did other banked smartphone users. Only one banked smartphone user in the 66-and-over group was using it.

In Tampa, many in the 66-and-over group expressed apprehension about this technology:

- “I am a little reluctant, and I kind of ease in to some of these technologies once I am fairly certain that they are safe, but I am not comfortable unless I am sure.”
- “I think that maybe I am too old-fashioned. I deal with two banks, both are one block from my house, so when I leave in the morning I stop at one and then stop at the other one, go to the window and do my deposit and don’t have any risk.”

Those using mobile remote deposit capture cited convenience as its key benefit. Some also seemed to like its high-tech aspect. Users said their funds were available within one to three days, the same amount of time as when they deposited a check at a bank branch or ATM.

In comparison, nonusers typically expressed a preference for depositing checks at the bank. One summarized this view as follows, “When I have a check ... I’d feel a little bit more comfortable handing it to a person instead of taking a picture and hoping it will get there. It just seems a little too ‘space age’ for me.”



I pay through my bank on my phone. So it’s like a bank app. And you can make a payment on there. Paying bills is really easy when you’re doing it on the phone.”

—Chicago, banked, mobile payments user

Many felt unsure or scared about the feature. They expressed concern that the deposit would not be credited, that digital transfer was more vulnerable to bank errors than delivering a check to the bank, and that exposing the check writer’s account information could lead to a security breach. They also lacked awareness and understanding of the feature and the way it functions or were uncertain about how to handle the check post-deposit and how to enable mobile deposit on their phones, particularly whether and how to get an app.

Security

Overall, most participants perceived mobile banking to be reasonably safe and described positive experiences with it. They acknowledged some risk in using it but were typically willing to accept this risk to enjoy the benefits.

Age seemed to correlate with heightened mobile banking security concerns. Banked smartphone users over 65 expressed the highest level of concern about security, while mobile payments users, who ranged in age from 21 to 65 but skewed young, were least concerned.

More generally, individual concerns about security were elevated when a participant had personally experienced any kind of account fraud or knew someone who had. As a San Jose mobile payments user stated: "It seems like every morning, from the first half hour of getting up, while I'm sitting there drinking my coffee, it's like, 'Do I still have all my money, or did someone get it?'"

Device and network security

Most participants did not perceive increased risk associated with using a smartphone for mobile banking compared with a computer or tablet, with a few exceptions. Some banked smartphone users said that a computer was more secure than a smartphone: "I feel like someone can steal my information on my smartphone, but not so much on my laptop."

Many felt that the type of network they were using affected their mobile banking security risk much more than the type of device used. Participants usually believed that financial transactions conducted via public Wi-Fi were less secure than those done on a secure home network. An unbanked participant stated: "I think they are all safe until you use Wi-Fi outside of your house or attach your Wi-Fi to a Starbucks or a McDonald's, where somebody could be in there doing the hacking."

Mobile payments

The previous sections provided insight into consumers' attitudes and practices with respect to traditional transaction products such as checking accounts and newer features such as mobile banking. Those findings offer important context for understanding focus group participants' opinions about mobile payments. They show which features the participants value and which are barriers to usage. These insights could assist mobile payments providers in developing products that consumers will want to purchase and use.

User habits

Most participants who had used mobile payments did so for online purchases or funds transfers to other individuals. Some, especially mobile payments users in San Jose, also used mobile apps at points of sale. Payment apps mentioned by name included Apple Pay, Google Wallet, PayPal, and dedicated apps from vendors such as Starbucks and Wendy's.

Mobile payments users said their main reasons for usage were convenience, speed, and the need to make purchases when PayPal (or a similar service) is the only payment method accepted. Frequency of use ranged from weekly to monthly to a few times per year. Those selected for the mobile payments users groups reported the most frequent use overall. San Jose participants, who were the most technologically adept of any group, used the technology most often—a few times a week.

Apps

Mobile payments users provided insights into what apps they used and how they made payments with their smartphones:

- **PayPal.** Awareness of PayPal was virtually universal; users said it was appealing because it is well known, reputable, and widely accepted. Many had used PayPal for online purchases or funds transfers. One user stated: “One person is like, ‘Just PayPal me the money instead of splitting the check between like four or five cards.’ We just send the money through a PayPal app or something like that to them.” Another stated: “We were on vacation with another family. And like every two days, my wife and the buddy’s wife, they would figure out who owed who the most and then PayPal each other. Because we didn’t have checks, we didn’t have cash, and it was just easier to, ‘Oh, we owe you \$75. Here’s the \$75.’ ”
- **Apple Pay.** Awareness of Apple Pay was relatively high. Several had used it, especially participants in San Jose. They said it was accepted at many major retailers, such as grocery and drug stores.
- **Google Wallet.** Awareness of this app was relatively high, but only a few had used it, either online or at a point of sale. One San Jose participant mentioned linking it to his Uber account.
- **Starbucks.** Many had heard of the Starbucks app; some had used it and were generally positive about it. Participants cited convenience and the rewards program—i.e., free drinks and songs to download, discounts, and other extras—as its benefits. A few used it to budget money for their Starbucks purchases. One participant mentioned using it to store Starbucks gift cards she received.

Most in the banked smartphone users group in San Jose, made up of consumers with low to moderate incomes, had made mobile payments, typically via PayPal. They were well-aware of Apple Pay, Google Wallet, and Starbucks, and one had used Google Wallet.

Unbanked participants who had used mobile payments typically used PayPal. Awareness was high of Apple Pay and Google Wallet, which two had used. Some participants in the Atlanta group were aware of JPay—an app for transferring funds to incarcerated individuals—and a few had used it.



When I first moved here, my bank, there was no physical banking location within 300 miles. The bank had an app where I could deposit my check before I got another more local bank.”

—San Jose mobile payments user

Activation and enrollment

Most mobile payments users linked their mobile payments apps to debit cards connected to their checking accounts. They rarely funded a stand-alone Google Wallet, PayPal, or other mobile payments account or linked an app to a prepaid debit card.

All users had seen the disclosures and terms of service when signing up for mobile payments apps, but most had not read them. Some said that they skimmed the information, looking for “anything that stands out,” including fees. A few said they looked to see whether the app accepts or denies liability in cases of fraud. An unbanked smartphone user said: “They are not set up for you to read them. That is why they put them in small print. That is why it is always light gray instead of dark black or black behind the white background.”

Nonusers

Awareness and perceptions

Awareness of mobile payments among nonusers was moderate. Many were familiar with the general concept, although some—especially older, banked smartphone users—were not. However, even those with general familiarity typically did not know how mobile payments work.

App awareness was similar among those who did not use mobile payments. Awareness of PayPal was virtually universal, but some seemed familiar only with its use on a home computer for purposes such as online shopping or funds transfers. Many had also heard of Apple Pay and Google Wallet. Awareness of the Starbucks app and peer-to-peer payment apps was moderate.

Nonusers in the banked smartphone user and unbanked groups expressed at least moderate interest in mobile payments. Many seemed somewhat receptive to trying them, although participants identified several potential barriers to their use:

- Some did not see compelling reasons to use the technology, saying they were comfortable with their current payment methods. For example, a banked smartphone user in one of the 21-65 age groups said: “It just seems that all of this makes life more complicated than writing a check or paying with cash.”
- Some, particularly banked smartphone users over 65, said they needed to be certain of their phone’s security before trying it.
- Some banked smartphone users did not seem to know how they would access and download a mobile payments app.
- Unbanked participants wanted to better understand how they could access mobile payments without a bank account; some were unaware that they could link a mobile payments app to a prepaid card or deposit a balance through an app (e.g., PayPal).
- A few mobile payments nonusers stated that they were not interested in mobile payments, and a small number of unbanked participants were skeptical and had significant distrust of mobile payments (as well as prepaid cards and banks) and were committed to using only cash.

Motivating use

Many of the nonusers—banked smartphone users and about half of the unbanked segment—said they could be motivated by incentives and rewards to use mobile payments. These might include cash rewards, discounts, coupons, or free items. The Starbucks app was cited as already effective in this regard.

One mobile payments user said, “Incentives. Especially if you go there regularly, you want to feel special.” Some nonusers said they would need assurance that mobile payments were at least as secure as other electronic payment transactions. Banked smartphone users age 66 and over, as well as some unbanked participants, needed the most reassurance about this.

In Atlanta, one mobile payments user said fraud protection would also be motivational. She said she did not assume that her money was safeguarded with mobile payments apps and wanted the protections clarified.

When mobile payments users were asked how they felt about the data collection that would probably be associated with incentive programs, they did not seem to consider this a significant problem. Many said they

were resigned to such a trade-off. However, a few stressed their dislike of receiving follow-up communications (i.e., emails or ads), which they assumed to be the result of such data collection.

“You have to work within the realm, and the price of technology is that you sacrifice personal information for convenience,” said one participant in Chicago.

Unbanked use of a smartphone as a ‘bank’

One goal of the focus group research was to gauge whether unbanked smartphone users are interested in using their mobile devices as proxy bank accounts that provide the benefits of mobile banking without requiring interaction with a financial institution. For example, in Atlanta, unbanked participants were asked whether they were interested in the idea of using their phone as if it were a bank account, allowing them to deposit and spend money as they would with a checking account debit card. Many saw this concept as convenient because they always carry their phones, but they wanted to know how they would load money onto the app. There was interest in direct deposit from an employer to the app, as well as the ability to photograph a check and deposit it.

Unbanked participants cited particular features they would need if they were to use mobile payments, including:

- Availability of fluent English-speaking customer service representatives.
- Universal acceptance at retailers, with one saying: “It would be great as long as it was accessible everywhere. I don’t want to go one place, ‘We’ll take it,’ another place, ‘No.’ ”
- Easy and guaranteed access to, and safety of, their funds if their phone breaks or is lost. One participant said: “If I were to lose my phone, not only how fast would I be able to get access to my money, but how fast would somebody else have access to it?”

These participants expressed additional concerns about the phone as a bank account: that the app provider is “controlling” money (like a bank) or could go out of business, causing customers to lose their money; that technical issues could impede access to money; and that the app might promote excessive spending because money is “unseen” (compared with cash). These apprehensions were similar to those that unbanked participants expressed about overspending when using a prepaid card and may reflect larger financial worries that mobile payments providers could help these consumers address.

Security concerns

Most participants in all of the groups said they believed that mobile payments were about as secure as electronic transactions and payments on their computers—that is, reasonably secure, but not completely safe. Many banked participants derived peace of mind from the fact that banks and credit card companies would reimburse them for any fraudulent charges. This gave them confidence to conduct online transactions. Among all segments, banked smartphone users age 66 and over, who were least familiar with mobile payments technologies, were least confident in mobile payments’ security.

Devices and networks

Participants said they believed that although mobile payments are reasonably safe, security risks are inherent when the Internet is accessed from any device, especially with public Wi-Fi. These sentiments were similar to those expressed by mobile banking users regarding that technology. They did not differentiate between smartphones versus laptops and tablets in terms of security for accessing the Internet and making mobile payments.

Some banked smartphone users (particularly those in the 66-and-over group), a few unbanked, and a couple of mobile payments users said they felt that a smartphone was less secure. They believed the devices lacked security software and features found on computers. (Some in the unbanked segment were also concerned about smartphone theft.)

Mobile payments users suggested that apps provided by large, recognizable companies (i.e., Apple Pay, Google Wallet, PayPal, and Starbucks) were likely to be the safest because the firms would have the resources to ensure the best account security. At the same time, participants did not appear to assume that apps offered by small or less-familiar companies were insecure.

Payments privacy

Access to data generated during financial transactions

Participants assumed that financial institutions, retailers, and others were collecting information about them, including location tracking, when they execute financial transactions. Attitudes were neutral to negative about this, and many saw it as what they shared in exchange for access to convenient, low-cost, or free services. In discussing their concerns with data collection, some mentioned that online services they used for free would probably incur a cost if total privacy became the norm.

At the same time, a number of participants expressed moderate discomfort about the sharing of their personal information. These concerns included loss of control, lack of knowledge about how the information was being shared or used, and a feeling of being “spied on.” Some said targeted ads, which they assumed to be the result of data collection, bothered them. In particular, they were uncomfortable with the idea of an unknown entity having access to location-specific information. In contrast, a few participants were positive about targeted advertising; they said they would rather see messaging that was personally relevant to them.

Some reported taking actions to limit collection and sharing of their personal information. For example, some mobile payments users adjusted privacy settings on a website or browser. One said she adjusted privacy settings on her Facebook and YouTube accounts to prevent prospective employers from seeing some of her posts and videos. A banked smartphone user in the 21-65 age group disabled the cookies on his phone so that “there’s not a trail of everywhere that I’ve been.”

Ultimately, most expressed a sense of resignation regarding information sharing:

- “I think it’s just a fact of life in the 21st century.”—Banked smartphone user
- “Throw in the towel. There’s nothing you can really do about it.”—Mobile payments user
- “There is no confidentiality in this world.”—Unbanked participant

Attitudes about data collection regulation

Many participants said they felt that information sharing should be limited, but they had difficulty articulating how this should occur. Some believed that companies would either ignore or find ways around any new regulations. During the discussion of whether and how data collection of their smartphone transactions might be regulated, participants were shown a list of options and selected the following:

- Give people the option to limit the amount of their data collected and stored.
- Disclose exactly what is being collected and how it will be used.

- Allow each person to review and make corrections to his or her data profile. (Participants were skeptical that this would happen or that consumers would take the time to review such a report.)

In Tampa, banked smartphone users age 66 and over briefly discussed the right to be forgotten—that is, the ability to permanently delete all online information about themselves. Overall, participants reacted positively to the idea of being able to delete the personal data that companies have stored, but the participants' sense of urgency about the data collection seemed relatively low.

Conclusion

Use of mobile payments in the U.S. is projected to grow at a 22 percent compound annual growth rate through 2019, potentially offering a more convenient and possibly cheaper way for all Americans to manage their money. At the same time, more than 9 million households in the U.S. do not have bank accounts. Newer products such as prepaid cards and mobile payments have given these consumers a wider array of options to track their expenses, make payments, and save for the future. Focus group participants who were already using mobile payments appreciated the convenience; nonusers showed interest but would like to receive incentives for using them. Many participants were concerned about the security of their smartphones and any transactions made with them. Unbanked participants were interested in mobile payments, particularly in their potential to provide them with an easily accessible and affordable transaction account.

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Appendix A: Methodology

Pew contracted with Alan Newman Research to conduct eight focus groups in four cities—Tampa, Florida; Atlanta; Chicago; and San Jose, California—with a mix of banked and unbanked consumers, and users and nonusers of mobile payments. Two groups per market were convened to maximize the number of segments queried and to elicit qualitative feedback from a broader audience. Each focus group lasted 90 minutes to two hours. Groups were convened on May 13, 14, 20, and 21, 2015. A total of 72 participants were queried in this research. Groups included the following, with potential overlap among them:

- **Smartphone users.** All participants owned and used a smartphone (Android and iPhone were about equally represented). All accessed the Internet directly and/or downloaded and used apps on their devices on a regular basis (usually daily or, in a few cases, weekly).
- **Banked.** These participants had relationships with banks or credit unions and made use of financial services such as checking and savings accounts, loans (auto, personal, etc.), mortgages, and debit/credit cards.
- **Unbanked.** These participants had no relationships with financial institutions, and, if they were married, neither did their spouses.

- **Mobile payments users.** All participants who had used mobile payments did so within the past six months (and often more recently) via a variety of services such as Apple Pay, Google Wallet, and PayPal. Mobile payments were defined as payments made by accessing a website via the browser on a smartphone, by sending a text message from the phone, or by using a downloaded app. Examples of these payments include paying for products or services using a smartphone app and sending money to or receiving it from another person using an app. Mobile payments were distinguished from mobile banking both during screening and in the group discussions.
- **Mobile payments nonusers.** Nonusers of mobile payments had not used this technology in the past six months, and most never had.
- **Age breakouts.** All groups were made up of participants ages 21-65, except one in Tampa, which consisted of people age 66 and over.
- **Demographics.** All groups represented a mix of gender, ethnicity, income, education level (according to screening parameters for each group), and type of smartphone (Android or iPhone). A few groups skewed high or low in income or education level. Where applicable, this is indicated in Table A.1.

Table A.1

Focus Group Segmentation

Research segment	Segment characteristics	Number of groups and markets
Mobile payments users	<ul style="list-style-type: none"> • All participants banked • Made mobile payments in past six months • Mix of educational levels represented but skewed high (college graduate to postgraduate) • Mix of ages represented (21-65) but skewed young (under age 40) 	<ul style="list-style-type: none"> • 3 groups: 1 each in Atlanta, Chicago, and San Jose • 29 participants
Banked smartphone users	<ul style="list-style-type: none"> • Tampa participants were not mobile payments users; most in San Jose were • In Tampa, two groups split by age: one 66 and older and one 21-65 <ul style="list-style-type: none"> • San Jose group included mix of low (annual household income, or HHI, of less than \$35,000) and middle income (annual HHI of \$35,000 to \$65,000) 	<ul style="list-style-type: none"> • 3 groups: 2 in Tampa, 1 in San Jose • 27 participants
Unbanked smartphone users	<ul style="list-style-type: none"> • Mix of mobile payments use and nonuse (most in Atlanta were users, almost none in Chicago were) • Income skewed low (about half had annual HHI of less than \$25,000) • Educational level skewed lower (most had some college) • Most participants were minority (mostly African-American, a few Hispanic) • Almost all use Android phones 	<ul style="list-style-type: none"> • 2 groups: 1 each in Atlanta and Chicago • 16 participants

The following topics were explored with participants:

- Personal payment practices and related day-to-day management of money.
- Use of and habits related to accessing the Internet via smartphones.
- Awareness of, understanding of, and attitudes toward mobile payments.
- Use of smartphones to make point-of-sale purchases (mobile payments users).
- Barriers to using mobile payments (nonusers).
- Likelihood of future use for those who have not tried mobile payments or of continued use for those who have.
- Security concerns related to use of mobile payments.
- Privacy concerns related to use of mobile payments and to online data collection generally.

Endnotes

- 1 Board of Governors of the Federal Reserve System, “Consumers and Mobile Financial Services 2015” (March 2015), 5, <http://www.federalreserve.gov/econresdata/consumers-and-mobile-financial-services-report-201503.pdf>; Michael Liberty, “A Day in the Life of the Unbanked Consumer—and How Mobile Can Help,” *Re/code*, Sept. 16, 2014, <http://recode.net/2014/09/16/a-day-in-the-life-of-the-unbanked-consumer-and-how-mobile-can-help>.
- 2 Forrester Research, “Mobile Payments Forecast, 2014 to 2019,” Oct. 20, 2014, <https://www.forrester.com>.

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