

A First Data White Paper

Consumer Adoption and Usage of Banking Technology

By First Data and Market Strategies International

MARKETSTRATEGIES
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Introduction

Today's consumers, especially those known as Millennials and Gen Y, are used to having technology integrated into most aspects of their work and personal lives. Banking is no exception. To respond to changing customer expectations, banks, credit unions and other financial institutions have incorporated online and mobile technology into consumers' banking experiences. However, financial institutions still need to answer several questions pertaining to banking technology:

- How well are financial institutions meeting the needs of consumers when it comes to offering high-tech products and services?
- Whom do consumers view as the trusted provider of the mobile wallet?
- How does adoption of banking technology vary for different consumer groups?

This white paper answers these and other questions that are critical to the ongoing success of financial institutions in a rapidly evolving marketplace. The paper is based upon the findings of a recent online research study of 2,000 U.S. consumers conducted jointly by First Data and Market Strategies International. The "New Consumer and Financial Behavior" study assessed consumers' attitudes, behaviors, desires and technology adoption. This white paper is the third in a series of four based on results of the study and focuses on consumers' attitudes and behaviors related to technology in banking.

Topics include:

- Consumers' attitudes about, and adoption of, banking-related technology.
- Usage of mobile banking.
- Perceptions of the mobile wallet by different consumer groups.
- Usage of online banking and bill payment.
- Steps that financial institutions can take to appeal to various types of consumers.

About the Study

The "New Consumer and Financial Behavior" study was conducted jointly by First Data and Market Strategies International, a market research consultancy. During March 2011, 2,000 banked consumers (who have at least one account at a financial institution) completed an online survey of their attitudes, behaviors and expectations pertaining to their primary financial institution, as well as their adoption of related technology. All respondents were individual or household financial decision-makers recruited from the uSamp opt-in online panel of U.S. adults. For purposes of analysis, respondents were grouped into six consumer segments using a sophisticated and robust segmentation approach that combines demographics, attitudes, behaviors and values to create comprehensive, instructive consumer profiles. A full description of the research methodology is included on p. 9.

All Consumers Are Not Alike

The "New Consumer and Financial Behavior" study analyzed consumers' behaviors, beliefs and attitudes across six consumer segments as summarized below. While this paper focuses mainly on aggregate results, it contains some useful information about variances in behaviors and attitudes among different consumer groups.

Consumer segments	Overview
Fast Trackers	Young technology enthusiasts who make and spend money and are always online
Young Aspirational	Younger consumers who are curious about technology, budget-conscious and need help saving money
Middle-of-the-Roaders	Traditional when it comes to using mobile technology, these consumers like to spend money despite moderate incomes
Value Seekers	Financially stable, older consumers who are motivated by rewards and frequently use credit cards
Simplifiers	Older, lower-income consumers with simple banking needs who are not that interested in new technology
Conventional Stalwarts	Older, traditionally-minded consumers who prefer to pay by cash and check, visit their bank often and are light users of technology

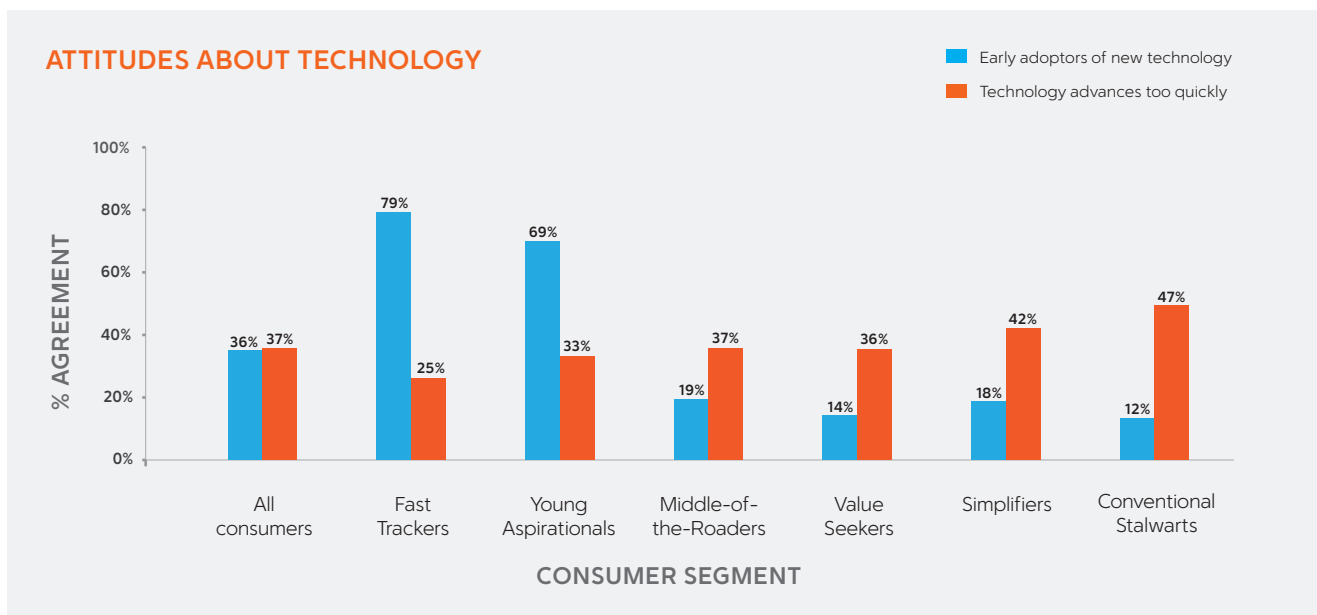
Note: See the white paper "[Meeting the Needs of the New Financial Consumer](#)" for more details on these consumer segments.

Some Consumers Are More Open to New Technology than Others

Financial institutions face a daunting challenge: satisfying tech-savvy consumers without alienating those who are slower to adopt new technology. While about one-third of consumers identify themselves as early adopters of new technology, an equal number feel that technology moves too quickly for them.

Attitudes about technology vary substantially by consumer segment, as shown in the graph below. Seventy-nine percent of young, tech-savvy Fast Trackers say they adopt new technology within the first year it is available, and just a quarter feel that technology moves too fast for them. On the other end of the spectrum, nearly half of older, more conservative Conventional Stalwarts feel technology advances too quickly, and only 12 percent identify themselves as early adopters.

For consumers who are reluctant to try new technology, inertia may be to blame. Nearly one-third of consumers in the study said they haven't changed how they bank during the last 10 years. For example, three-fifths of consumers still receive paper statements, although far fewer rely on paper statements to actually manage their accounts.



How can financial institutions appeal to both tech-savvy and tech-averse consumers? One way is to make personnel available to talk to customers about new technology rather than expecting them to learn on their own. Forty-three percent of consumers say they prefer to talk to someone to learn about a new technology. Even among Fast Trackers, about one-third would prefer to learn about new technology through a conversation. This finding indicates that financial institutions shouldn't assume that only older, less tech-savvy customers would appreciate having an employee available to answer questions and provide an explanation of new technologies.

Use of Mobile Banking Remains Low

One of the newer applications of technology in banking is the use of mobile phones to check account balances, receive account alerts and conduct other banking activities, especially via smartphones such as the iPhone and Android-based devices. The study showed that many consumers possess the technology to take advantage of mobile banking: 64 percent of consumers surveyed use a mobile phone; of these, 48 percent own smartphones. However, although 40 percent of consumers are familiar with mobile banking, just 15 percent use it.

While overall adoption of mobile banking is low, this convenient, “on the go” method has been universally adopted by Fast Trackers, who are younger, more tech-savvy and far more likely to own a smartphone than the average consumer. Somewhat surprisingly, while 67 percent of Young Aspirationals own a smartphone, just 10 percent currently use mobile banking services.

Mobile Banking Is Critical to Fast Trackers

More than one-quarter of Fast Trackers state that the availability of mobile banking services would be a reason to switch banks, indicating that financial institutions should actively promote mobile banking services to this consumer group as a means to attract and retain customers.

Familiarity with Account Alerts Outpaces Usage

Account alerts via email and text are a convenient way for consumers to find out their current account balances and keep on top of payment withdrawals and account overdrafts. About two-thirds of consumers are familiar with this banking feature, but just 36 percent of consumers currently use account alerts. Email is three times more popular than text messages as a channel for receiving account alerts: 32 percent of consumers receive email alerts while just 10 percent receive texts. Even for Fast Trackers, who are heavy users of smartphones, email is the most-used channel.

More Established Banking Technology Enjoys High Rate of Adoption

In large part due to the “wait and see” attitude among older banking consumers, mobile banking and mobile wallet services have not yet been widely adopted by U.S. consumers. However, more established online banking technologies, such as ATMs and online banking, enjoy widespread usage across all consumer segments.

Eighty-seven percent of consumers in the study use online banking (note: this study was conducted online). For Fast Trackers, this number rises to 100 percent. In fact, except for the older, more traditional Conventional Stalwarts (whose online banking usage is just over 50 percent), usage by all other consumer segments is greater than 90 percent.

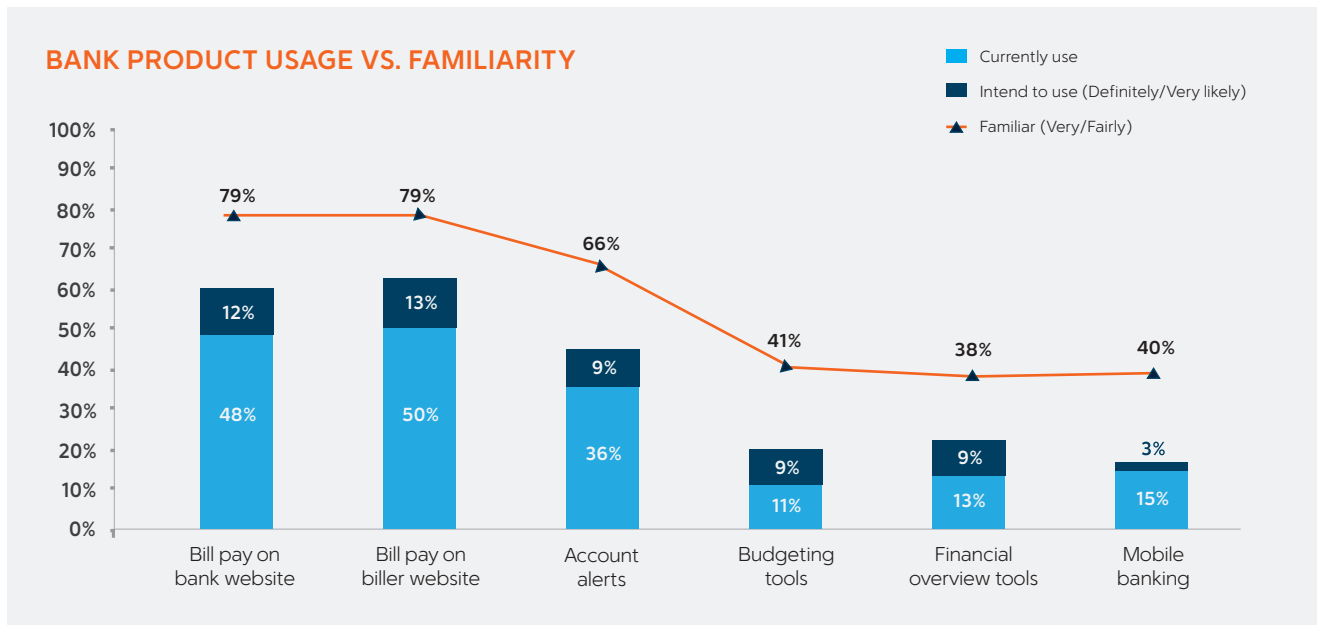
Consumers cite convenience, fraud protection, greater control over their finances and the fact that they are already using the Internet as the main benefits of online banking. Consumers who are reluctant to adopt online banking often comment, “I haven’t changed the way I bank much in the past 10 years,” and “I like going to my bank branch and talking to the people I know about my banking needs.” As might be expected, the older, more conservative Conventional Stalwarts identify most strongly with these statements, and they are most concerned with identity theft related to online banking.

Online Bill Payment Usage Lags Online Banking

Slightly more than half of consumers pay bills online from their institution’s website, far lower than the 87 percent who use online banking. An almost equal number of consumers pay bills online at other websites. Financial institutions have an opportunity to convert more online bankers to online bill payers by promoting the convenience of one-click banking.

Gaps Exist Between Product Familiarity and Usage

Consumer-recognized benefits of online banking may be used to drive further adoption of other technologies, given consumers' demand for convenience and their desire to monitor their accounts. The following graph identifies the gaps between consumers' familiarity of various banking technologies and their current and intended usage.



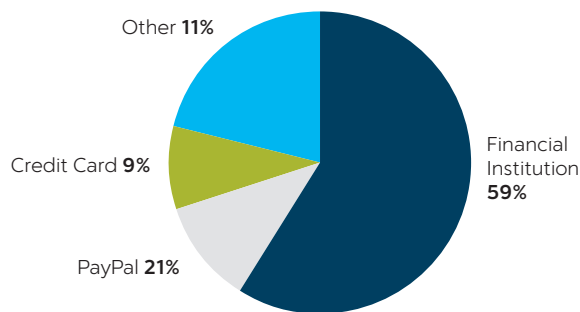
Most Consumers Have Limited Interest in Mobile Wallet

The ability to pay for goods and services via mobile phone is a relatively new concept in the U.S., although it has been successfully used in other countries for some time. Overall, just 18 percent of consumers find the mobile wallet concept appealing. This number jumps to nearly half for both Fast Trackers and Young Aspirational, indicating that these two groups would be far more likely to use a mobile wallet.

Why aren't many consumers likely to use a mobile wallet anytime soon? Security is the biggest reason, cited by nearly two-thirds of consumers in the study. Additionally, 40 percent of consumers are concerned about a lack of functionality.

On the positive side, 40 percent of consumers find the mobile wallet concept compelling due to its convenience. An equal number would be more interested in the mobile wallet if they received discounts at the point of sale or rewards for its use. Financial institutions will likely have the most success promoting the mobile wallet and other technologically sophisticated applications to Millennials, at least initially. However, once the technology is more proven, other consumers will be more likely to give it a try. The mobile wallet might never gain universal adoption, however: twenty-nine percent of consumers said they would never use this technology.

Whom would consumers trust to keep their mobile wallet data secure? Currently, 59 percent of consumers would consider their financial institution to be most trustworthy, followed by PayPal at 47 percent. The good news for the financial institutions, however, is that nearly six out of ten consumers would prefer to get their mobile wallet from a financial institution, as shown in the chart below.



It is important to note that there are already a lot of other players in the mobile wallet space—from credit card companies to well-established technology providers like Google and PayPal. Consequently, financial institutions should capitalize on consumer trust and quickly promote their services to gain first-mover advantages and stay ahead of the competition.

Implications for Financial Institutions

Financial institutions must continue to respond to consumers' needs by staying on top of technology changes and by offering products and services that consumers want. Based on the study findings, financial institutions should:

- **Recognize that all consumers won't be interested in new technology:** Some consumers will never be interested in high-tech banking channels and services. If financial institutions want to maintain this customer base, they must continue to offer more traditional ways of doing business. It's also important to understand that many consumers will begin to accept new technology once they feel it's been proven.
- **Fill the gap between product familiarity and usage:** Study results indicate that consumers want to actively manage their funds and reduce fees, and would highly value tools to help them accomplish these goals. Online banking, for example, is recognized by most consumers as an easy and useful way to monitor their accounts and control their funds. Consumers' underutilization of account alerts and mobile banking represent opportunities for financial institutions to add value by demonstrating the direct consumer benefits of those technologies.
- **Realize that technology doesn't stand on its own:** Contrary to popular wisdom, even younger, more tech-savvy customers say they appreciate the opportunity to talk with someone to learn how to use new technology. Accordingly, financial institutions can build stronger relationships by making personnel available to discuss new technology with customers.
- **Capitalize on existing trust to promote the mobile wallet:** Financial institutions are in a favorable position when it comes to the emerging mobile wallet. As the most trusted potential provider of this service, they have a unique opportunity to use the goodwill they've established over time to capture market share.



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About Market Strategies International

Market Strategies International is a market research consultancy with deep expertise in the communication, energy, financial services, healthcare and technology industries. We design and implement the most intelligent research and deliver meaningful results that help companies make business decisions with complete and total confidence. Founded in 1989, Market Strategies is the 17th largest research firm in the U.S. according to "Honomichl Top 50," published in the June 2010 issue of *Marketing News*. Visit marketstrategies.com for more information.

Study Methodology

Market Strategies interviewed a national sample of 2,000 consumers aged 18 and up between March 17 and March 24, 2011. Respondents were recruited from the uSamp opt-in online panel of U.S. adults and were interviewed online. The data were weighted by age, gender and household income to match the demographics of the U.S. banked population. Due to its opt-in nature, this online panel (like most others) does not yield a random probability sample of the target population. As such, it is not possible to compute a margin of error or to statistically quantify the accuracy of projections.

For more information, contact your First Data Representative or visit firstdata.com.