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The Mobile Shopping Revolution: How Mobile Is Redefining Shopping and Payments

February 2012

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- AlixPartners Mobile Financial Services Tracking Study Methodology
- Preview of Selected Findings: How Mobile Is Redefining Shopping and Payments

Executive Summary

- As consumers increasingly embrace smartphones, our research indicates that mobile is transforming how consumers shop and make purchases
- Smartphone adoption continues to increase as 62% of consumers age 26-34 own a smartphone, and 15% have made a mobile payment
- Mobile's ability to offer ongoing engagement to consumers appears to be revolutionizing retail
 - Almost 40% of smartphone owners are active users of mobile retail shopping apps driven by strong usage among consumers between the ages of 18 and 34
 - 68% of consumers with a mobile device who use mobile shopping features reported using their mobile device to research information about a particular item in Q4 2011
 - 29% of consumers who used a price checking app reported that after using the app they purchased an interested item from a cheaper online alternative, while 25% reported they purchased an interested item from a nearby store at a lower price
- As consumer engagement with mobile shopping intensifies, "smart shopper" digital wallets offer the means for banks to stay relevant, and compete

AlixPartners will release its latest mobile shopping consumer research white paper, *"The Mobile Shopping Revolution: How Mobile is Redefining Shopping and Payments"*, at the upcoming BAI Payments Connect Conference.



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AlixPartners Mobile Financial Services Tracking Study Methodology

Study Description

- Survey conducted semi-annually in Q2 and Q4 since May 2008 with an online panel from MarketTools
- Nationally representative sample of U.S. consumers, at least 18 years of age
- Survey is focused on:
 - Role of mobile on consumer primary bank switching decisions
 - Smartphone ownership and usage
 - Mobile banking, payments and shopping
- Most recent survey execution in December 2011
 - 5,592 banked consumers completed the survey

AlixPartners Mobile Financial Services Tracking Study Demographics

Demographics

Age	Total	Household Income	Total	Investable Assets	Total
18-25	11.0%	Less than \$5,000	3.2%	Less than \$5,000	29.7%
26-34	17.0%	\$5,000 to \$14,999	7.3%	\$5,000 to \$9,999	6.4%
35-44	20.8%	\$15,000 to \$24,999	11.4%	\$10,000 to \$24,999	7.6%
45-54	17.7%	\$25,000 to \$34,999	12.5%	\$25,000 to \$49,999	7.3%
55-64	13.3%	\$35,000 to \$49,999	15.2%	\$50,000 to \$99,999	8.1%
65 and above	20.3%	\$50,000 to \$74,999	19.3%	\$100,000 to \$249,999	9.8%
		\$75,000 to \$99,999	11.2%	\$250,000 to \$499,999	5.9%
		\$100,000 to \$150,000	8.6%	\$250,000 to \$1,000,000	3.8%
		\$150,000+	5.0%	\$1,000,000+	3.0%
		Decline to answer	6.3%	Not sure	7.4%
				Declined to answer	11.0%
Gender	Total				
18-25	49.7%				
26-34	50.3%				

Note: Number may not add due to rounding

Source: AlixPartners Mobile Financial Services Tracking Study Q4 2011 (N = 5,592)

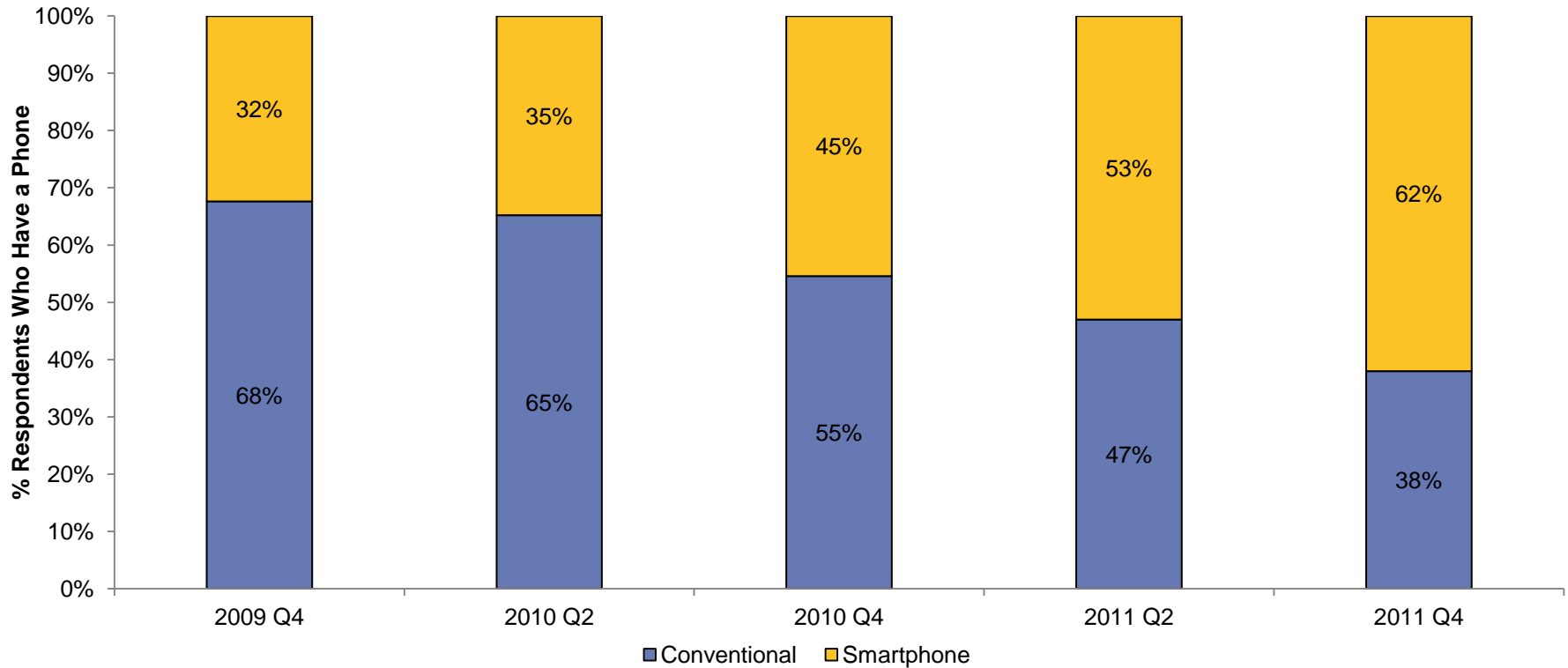


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Smartphone Penetration Is a Fundamental Driver of the Adoption of Mobile Financial Services

Phone Ownership by Type 26-34 Age Segment, Q4 2009 – Q4 2011

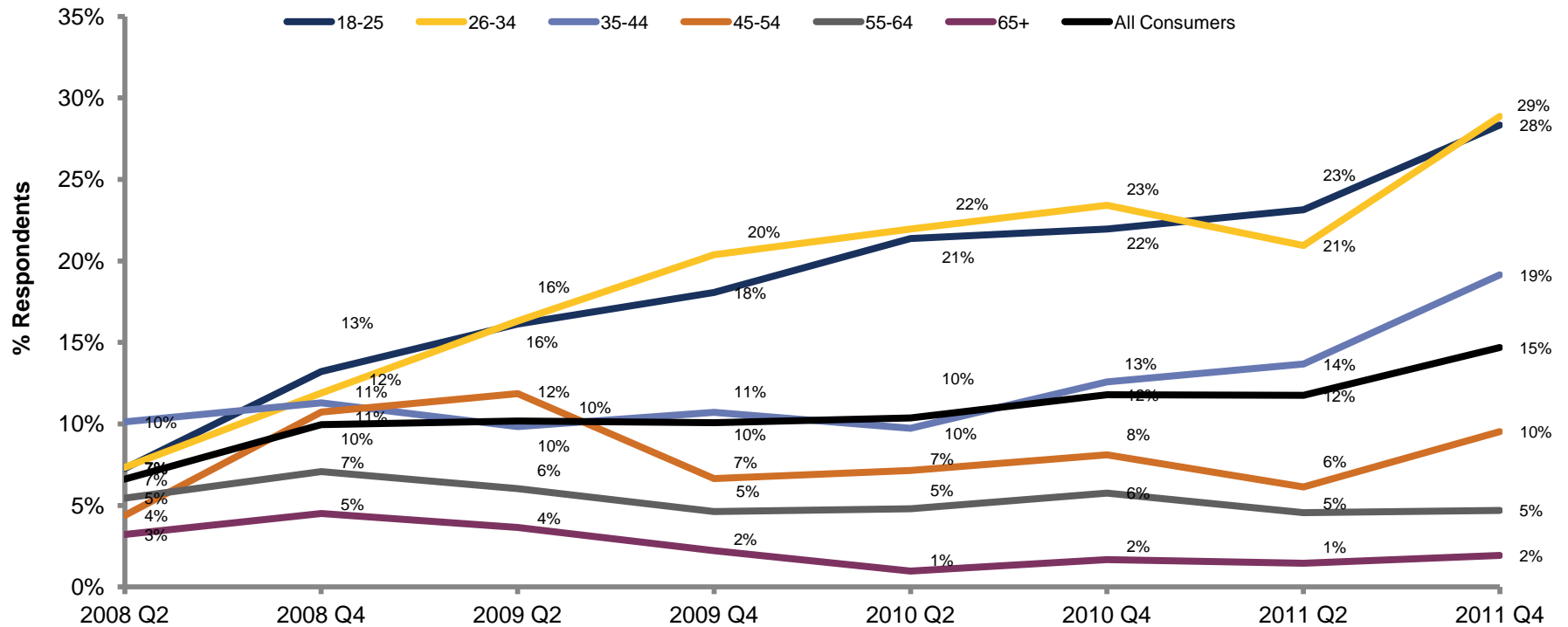


Question: Do you have a conventional cell phone or a smartphone (e.g., iPhone, Android or Blackberry)?

Source: AlixPartners Mobile Financial Services Tracking Study Q4 2009 (N= 363), Q2 2010 (N=173), Q4 2010 (N=487), Q2 2011 (N= 505), Q4 2011 (N=949)

Driven by Younger Consumers, Overall Mobile Banking Adoption Continues to Climb

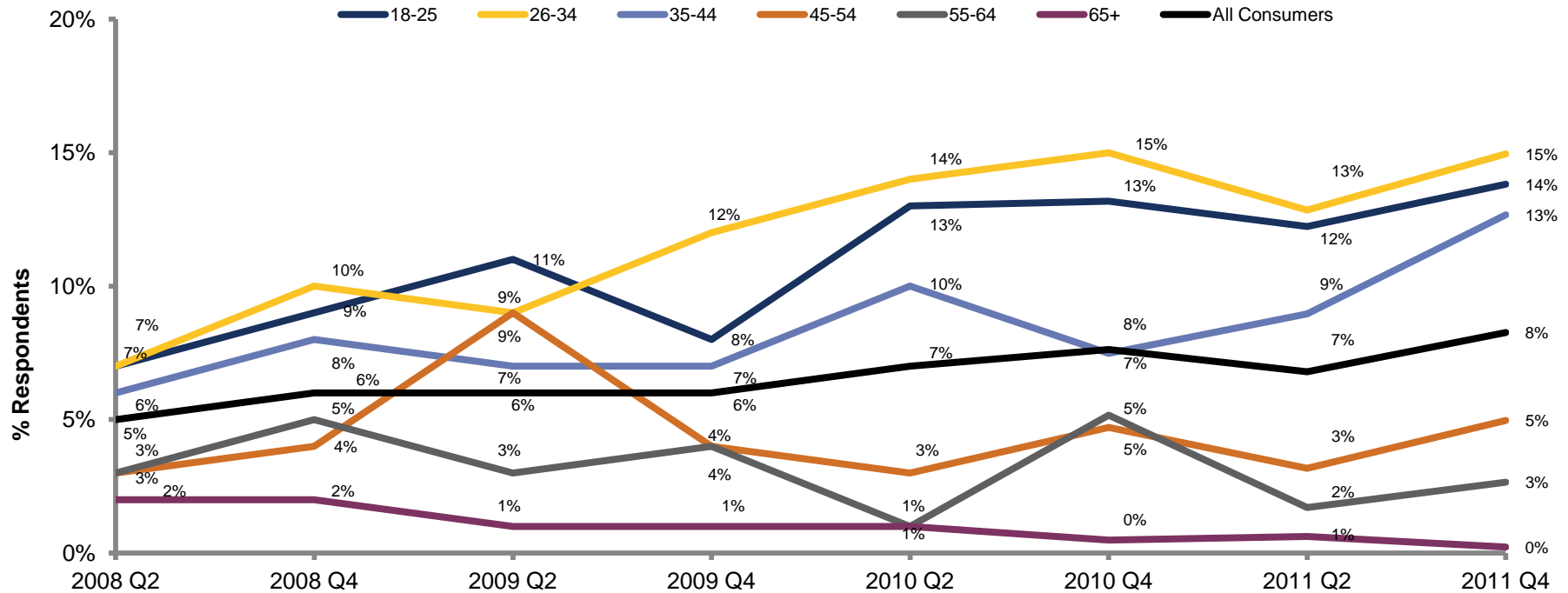
Mobile Banking Adoption By Age Segment, Q2 2008 – Q4 2011



Question: Do you have a mobile banking account? (i.e. Have you accessed balances, paid bills, or made account transfers using your cell phone's browser or cell phone application?)
 Source: AlixPartners Mobile Financial Services Tracking Study, Q2 2008 (N=3,204), Q4 2008 (N=2,051), Q2 2009 (N=1,050), Q4 2009 (N=2,113), Q2 2010 (N=1,032), Q4 2010 (N=2,942), Q2 2011 (N=2,799), Q4 2011 (N=5,594).

Not Surprisingly, Adoption of Mobile Payments Is Now Also Gaining Traction

Mobile Payments Adoption By Age Segment, Q2 2008 – Q4 2011

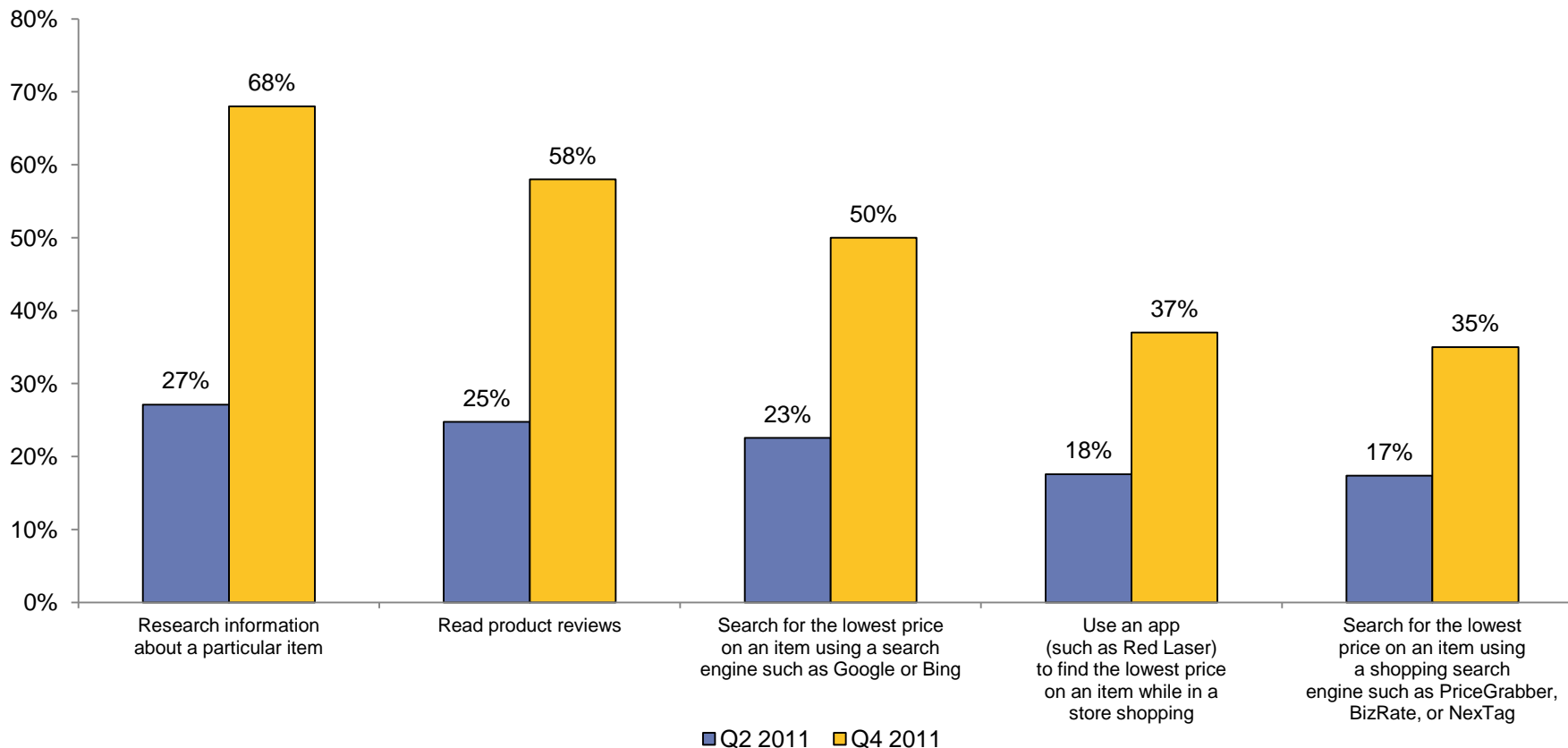


Question: Have you sent money, paid someone, or paid for something using your cell phone? (not including purchasing ringtones, games, or wallpaper for your phone) [asked of respondents who have a cell phone]

Source: AlixPartners Mobile Financial Services Tracking Study, Q2 2008 (N=3,204), Q4 2008 (N=2,051), Q2 2009 (N=1,050), Q4 2009 (N=2,113), Q2 2010 (N=1,032), Q4 2010 (N=2,942), Q2 2011 (N=2,799), Q4 2011 (N=2,421)

Mobile “Pricing Checking” and Research Tools Have Become Exceedingly Popular

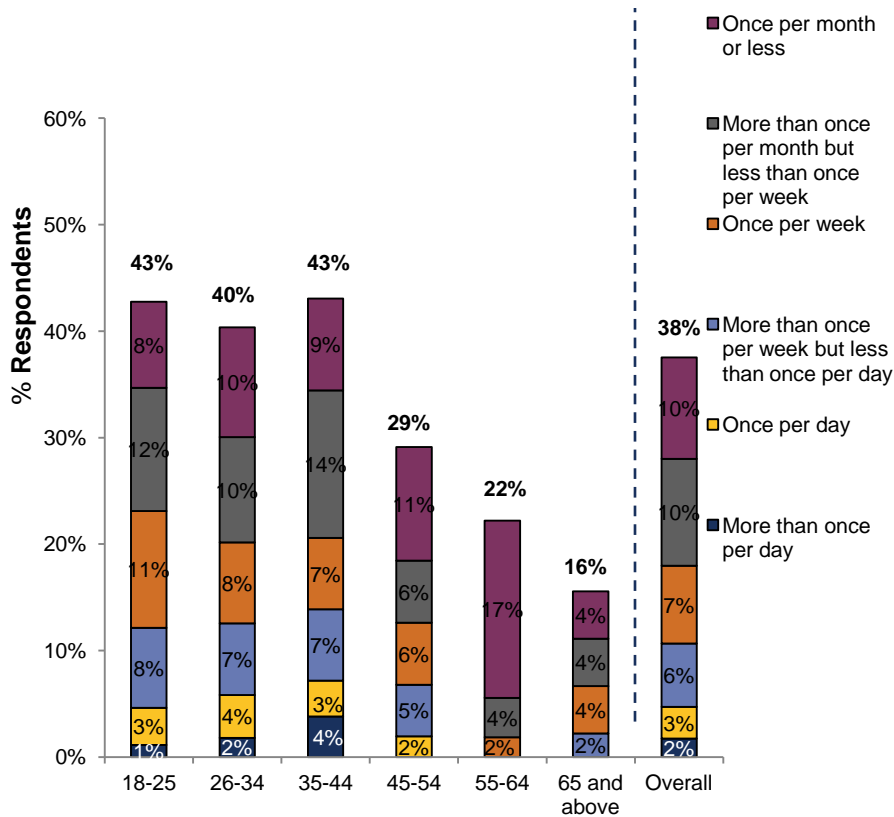
Usage of Mobile Shopping Features: Price Checking and Research Among Smartphone Owners, Q4 2011



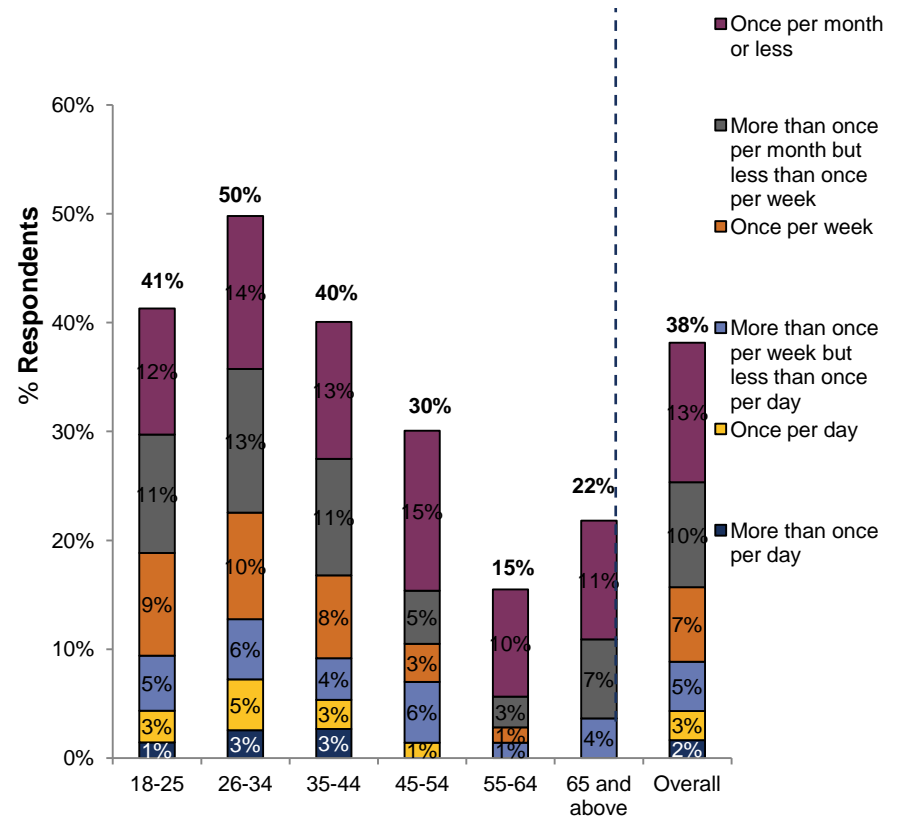
Question: What best describes the frequency with which you use the following shopping-related mobile device features?
Source: AlixPartners Mobile Financial Services Tracking Study Q4 2011 (N=980), Q2 2011 (N=2,304)

Younger Consumers' Use of In-Store Mobile Shopping Apps Is Significant

In-Store Shopping Mobile App Use Smartphone Users By Age, Q2 2011



In-Store Shopping Mobile App Use Smartphone Users By Age, Q4 2011

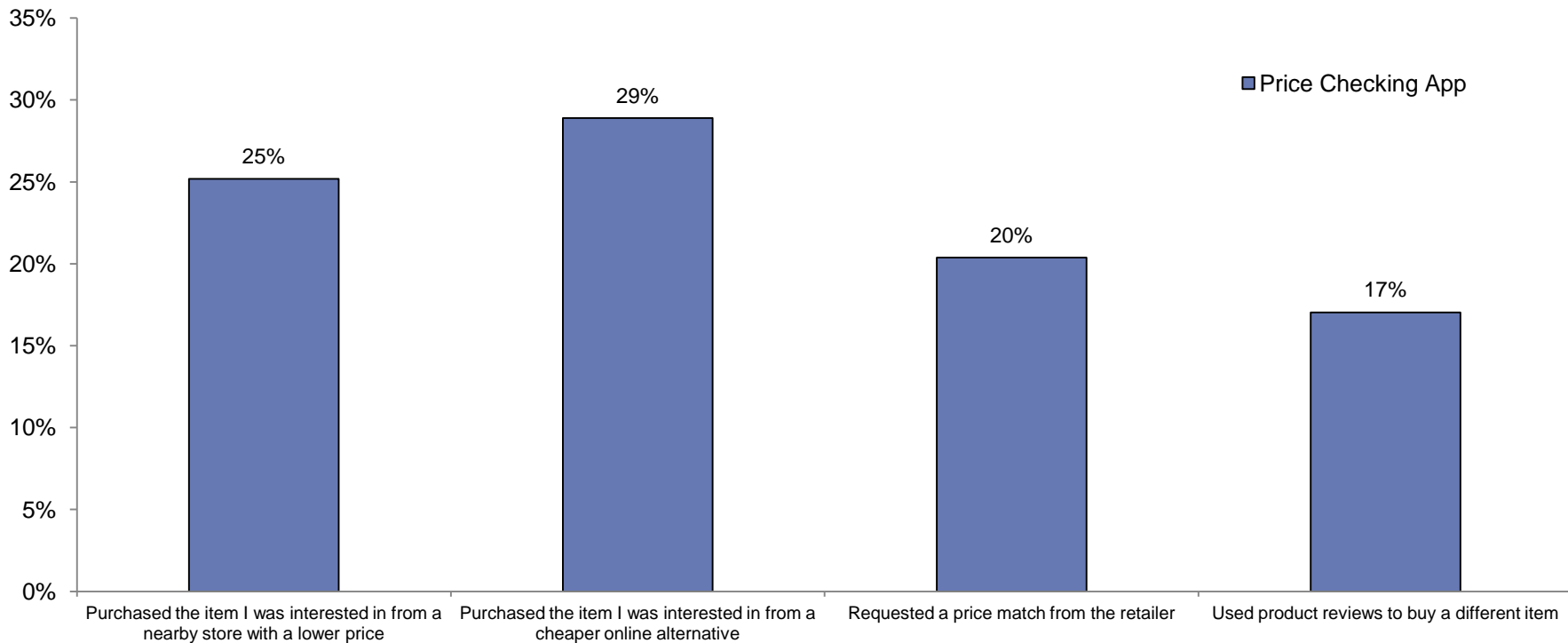


Question: What best describes the frequency with which you use the following shopping-related mobile device features? [Feature: Use an app (such as Red Laser) to find the lowest price on an item while in a store shopping]

Source: AlixPartners Mobile Financial Services Tracking Study Q2 2011 (N=807), Q4 2011 (N=904)

Mobile Price Shopping Apps Are Impacting Consumer Decision Making, and Making the Mobile Device Integral to the Purchase Process

Shopping Impact of Price Checking Apps Smartphone Users, Q4 2011



Question 1: Which of the following mobile shopping apps have you used in the past month? Check all that apply.

Question 2: Based on your use of the shopping-related mobile features that you described in the previous question, how did they impact your shopping decisions? Please select all that apply.

Note: Excludes respondents that reported that they did not use any shopping-related mobile features when asked about shopping impact.

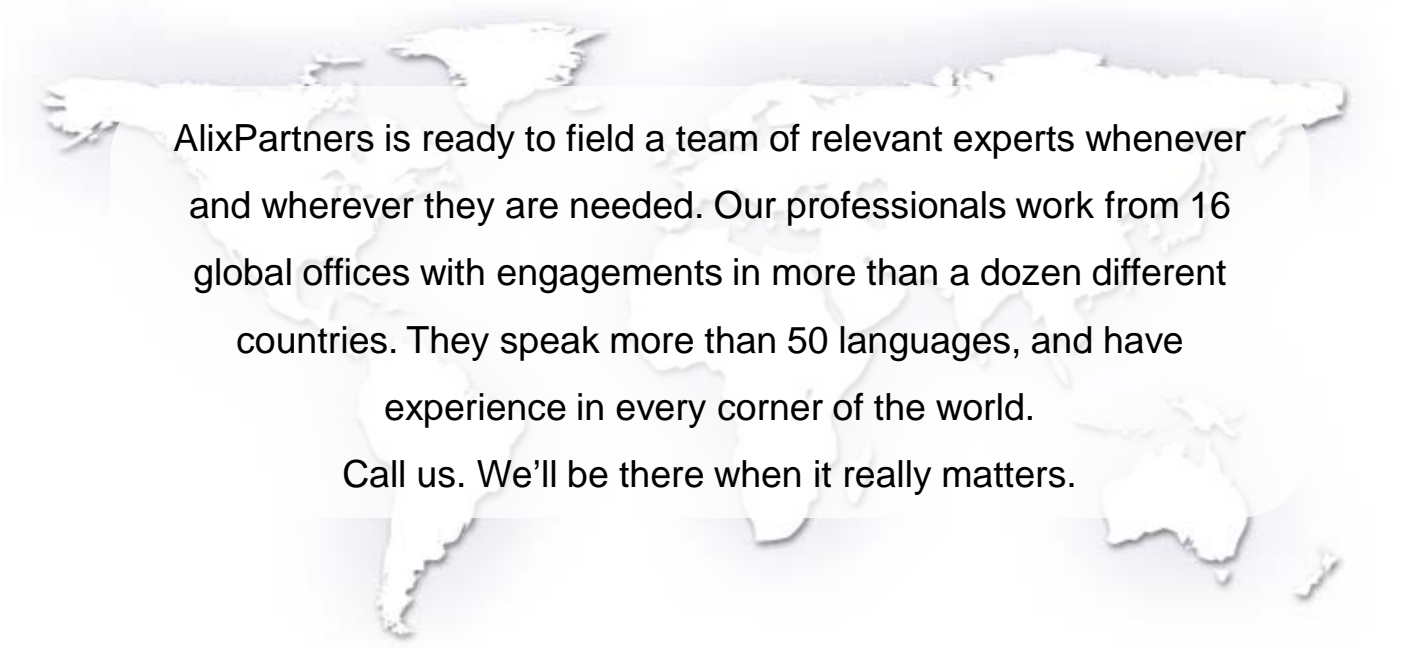
Source: AlixPartners Mobile Financial Services Tracking Study Q4 2011 (Price Checking N=(270), Coupons (N=254))

Consumer Engagement with Mobile Shopping Is Driving Changes in Purchase Behavior, Leading to New Opportunities for Banks

- With smartphone adoption as the underlying driver, mobile banking and payments adoption continues to grow
- Consumers are embracing mobile shopping apps, demonstrated by strong adoption and high usage frequency
- “Price checking” apps in particular are having a significant impact on consumer purchase behavior
- The high engagement and value delivered by mobile shopping apps spotlights the power of the mobile device to both consumers and financial services providers
- The high degree of engagement around mobile shopping apps supports the growth and opportunity of “smart shopper” digital wallets

For retail banks, leveraging mobile to support and enhance the shopping and purchasing experience represents a significant opportunity to add value and differentiate from the competition.

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