

# Going Mobile

After a slow start, mobile payment usage is growing in the United States. In 2019, an estimated 64 million Americans (about 29% of smartphone users) made a point-of-sale proximity payment with their mobile phones at least once in the previous six months. Mobile peer-to-peer applications, which allow transactions between individuals, have been even more widely adopted, with 69.2 million users in 2019.<sup>1</sup>

Younger people have been the fastest to adopt these new technologies, but mobile payment apps offer features that could be helpful for consumers of any age.

## Proximity Payments

A proximity payment involves using your mobile phone to pay at a point-of-sale terminal, typically by scanning a barcode generated on your phone or tapping the phone on the terminal (or holding it close) using near-field communication technology. This allows you to use a mobile phone instead of a credit card or debit card. The mobile payment application is connected to your bank account, a credit card, or a balance within the app.

Proximity payments were originally dominated by proprietary applications controlled by mobile phone manufacturers, but apps offered by specific merchants are now competing with the more general apps. Banks and credit-card companies are also entering the sector as they face competition from new technologies.

## Peer-to-Peer Payments

Whereas proximity payments perform a similar function to a credit card or debit card, peer-to-peer payments can replace cash or a personal check.

For example, one member of a group might pay the bill at a restaurant or one roommate might pay the rent, and others can transfer their shares of the payment to the payer through a peer-to-peer application. Such applications are also useful for transferring funds to college students. The payment app is typically connected to the bank accounts of both parties.

## Security Concerns

More than half of consumers across all age groups express concerns about the security of personal information when using mobile payment technology.<sup>2</sup> With proper precautions, however, paying with your phone could be more secure than paying with plastic.

Most mobile payment apps generate random numbers or tokens, so the merchant does not receive your underlying financial information. (Linking to a credit card offers greater protection from fraud than a debit card or bank account.) Strong passwords and fingerprint access or facial recognition on mobile phones add another layer of protection. However, it's important to be vigilant against phishing or malware attacks, just as you would with your computer.

1–2) eMarketer, 2019

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