M-banking and the necessity of ensuring a consumer focus

The potential of mobile banking, for the realisation of 'anywhere, at any time' transactions, is well documented. However, interest is starting to develop regarding a more consumer-orientated vision of what mobile banking and payments can offer. Jaqueline Chilton, of Glenbrook Partners, examines in what ways mobile banking can develop to increase the value for customers.

Mobile banking began as an extension of online banking platforms. We have reached a tipping point in the US and UK markets as banks realize the opportunity to develop new phone products and services that attract and retain younger customers, the unbanked or the underserved. At the International CTIA Wireless 2010 event in Las Vegas, it was clear that the banks' perspective on mobile payments had changed. The shift in mindset from cost center to customer opportunity was apparent.

The mobile opportunity can be divided into different payments domains. This article focuses on the delivery of traditional retail bank services via the phone in developed markets. It will not discuss point of sale payments or developing market mobile payments.

Developed markets are learning to use the mobile channel to do more than deliver services to their customers. Studies show enormous growth in mobile banking[1]. The UK's mobile banking market is growing at over 30% a year and a survey of 1,000 adults revealed 5.6% used their mobile phone to access their bank accounts and manage their finances[2]. To put this in perspective, about a quarter of UK account holders use the internet to access their accounts. Mobile banking is expected to eventually surpass online banking numbers. The growth in mobile banking supports a dramatic change in how customers interact with their bank. Estimates are that only 30% of traditional banking transactions are taking place now inside the branch while 70% are taking place elsewhere[3]. The move away from the branch enables a reduction in employee and branch costs. However, the branches are not going away - they remain ideal for more complex banking transactions or as a primary sales venue.

Customers with phones prefer to use mobile banking to access their bank above other channels. A survey by mBlox found that 25% of US mobile phone users and 37% of UK mobile phone users have adopted mobile banking services[4]. When asked which banking method users preferred, respondents found mobile banking more convenient and easier to use than telephone banking (voice and touchtone).

Convenience features like checking account balances and alerts dominate current usage of mobile banking. In the US and UK, the mBlox survey respondents rated daily balance notifications, suspicious activity notifications, fraud alert notifications and low balance, overdraft, and credit limit notifications as the most useful services. Customers value the self-serve aspects of answering their basic banking questions on their phone.

The offering from Chase demonstrates a typically robust set of mobile banking services that extend from their online banking capabilities and target the informational capabilities of the phone. Chase allows customers to schedule bill payments from their phone if they are enrolled in Chase Online Bill Pay and have existing payees. Customers can transfer funds between eligible Chase accounts, or send wire transfers to or from non-Chase accounts in the US. They can text or use the mobile browser to see balance information and view the last five transactions made on an account. They also have an ATM/branch finder and customer service contact information[5].

Who uses mobile banking? Not surprisingly, the demographics of mobile bank users skew significantly to younger customers aged 18 to 25 years of age - US Bank reports an average age of 33. Young users are traditionally not the most profitable bank customers. However, they represent an opportunity to attract incremental customers, create loyalty and grow them into profitable customers over time.

To take off as a part of the retail-banking arsenal, the mobile channel needs to have associated revenue benefits to the bank to offset the investment. A recent study from SunTrust[6] on the profitability of their mobile customers found that mobile banking customers are 32% more profitable than online banking customers with less attrition. According to SunTrust, mobile banking reduces attrition by 40% offering a huge benefits to banks. Banks like SunTrust are starting to realize they can service online customers better and target offline customers who have never used online banking.

US Bank has also measured the value of its mobile customers. Mobile banking customers have more accounts than the average, are heavy ATM users and the value of the relationship is measured at 10% higher than the average bank customer value. If the phone is to become the preferred method of interaction for the bank, it needs to become more than a delivery channel and administrative tool for alerts. Mobile banking needs to drive its own unique services and attract new customers.

To develop mobile services beyond online banking requires a focus on activities that make sense on the phone. Banks have turned from adapting online banking to the phone to delivering mobile banking services. Fiserv[7] has identified seven key areas of retail banking services in which the phone provides an advantage. These include: expediting bill pay, authorizations and alerts, location-based offers, payments for small or door-to-door businesses, sending remittances (international money transfer), person-to-person payments and remote deposit capture - using the camera on the phone to deposit a check.

Expedited payments are an obvious win. The challenge with traditional bill payments has been the bill presentment piece. Bill payment is easier while looking at a copy of the bill online.

When evaluating expanded mobile offerings, banks need to consider the user experience. Companies like mobile banking vendor ClairMail are supporting banks in using authentication structures, risk models, and payment 'rails' in place for online bank transactions to take on P2P payments. Surveys show customers say they prefer to use their primary bank account as opposed to creating new accounts or alternative payments for these transactions. However, only 48% of online bank users surveyed could imagine doing a P2P transaction through their bank - is it that consumers can't conceive of doing a non-cash P2P payment or that they just wouldn't rely on their bank for this function[8]? If reporting and receipt management are important with P2P payments, perhaps the mobile application should look less like a bank transfer and provide more of a receipt like a card transaction or consider redefining how the consumer tracks payment like the new US start-up Square.

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Western Union is a global payments company providing convenient ways to send and receive money around the world. In the developed world, Western Union has recognized the need to link to bank account deposits. Traditionally, these remittances were initiated in person, at one of Western Unions 420,000 agent locations worldwide and collected, in person, at a second location, often in a developing country. Today an increasing number of Western Union's money transfer transactions are originated or received via mobile phones. A bank account rather than cash funds the transfers. As banks look to generate new revenues by offering international remittances, many are using a Western Union or MoneyGram global footprint to enable the services.

The next big question is how to use the mobile phone to target the offline consumer. Can the vast number of consumers considered unbanked or underbanked, be connected to traditional retail banking services through the phone? US Bank and others are also exploring using the phone as a customer acquisition channel with one-click mobile applications for retail banking products. These companies are considering the optimal use of mobile as an alternative to, rather than complement of, online banking. What is required is accurate authentication and verification. Given that most mobile banking offerings are developed from the online banking platform, it is a key question not just in philosophy, but also in enabling the underlying technology.

As banks make the transition beyond seeing mobile banking as a mere extension of online banking platforms, new and offline customers may find compelling services from their banks. In an environment of shrinking fee revenues, government and consumer mistrust of the financial services industry, mobile solutions designed for the phone may bring an opportunity for new customers, new sources of revenues and increased satisfaction. As banks develop innovative products for phones, they need to have in mind the optimal consumer experience as opposed to the best execution of a traditional bank experience on a phone. By doing so, they have an opportunity to create better experiences for all their customers.

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1. The worldwide number of users is forecasted to grow from 55 million users in 2009 to 894 million users in 2015 (Berg Insight, 23 April 2010, smartphone.biz-news.com).
2. 'Future Foundation and Monitise UK' survey, November 2009.
3. Lee Wetherington, Director Strategic Insight ProfitStars, a division of Jack Henry & Associates Inc., at Oklahoma Bankers Association's Leadership Forum {Article}.
4. mBlox Survey Finds Mobile Banking Overtakes Telephone Banking in the US and UK (24 March 2010).
5. Source: Chase Website.
6. SunTrust Banks, Inc., Atlanta-based, total assets of $171.8 billion on 31 March 2010 - survey results reported at International CTIA Wireless 2010.
7. Tim Ruhe, speaking at International CTIA Wireless 2010 on Bank Perspectives.
8. When Payments Worlds Collide a blog post by Carol Coye Benson, Glenbrook Partners.
9. Dominic Venturo, Chief Innovation Officer for US Bank's retail payments group at SourceMedia's 4th Annual Mobile Banking and Emerging Applications Summit 6 June 2010 - 8 June 2010 Las Vegas.