White Paper

Mobile Banking Is a Marathon: Financial Institutions Must Be Fit to Win

fiserv.

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The mobile channel is here to stay, and enabling compelling mobile financial services requires discipline, planning, preparation and a sustained investment of both time and energy, much like training for a marathon. For financial institutions to win mobile banking customers and profitability takes more than short-term, tactical thinking. There are many mobile banking competitors striving to finish the race better, stronger and faster than the rest of the field–because there is so much at stake. The victors will be those who have a long-term strategy and the ability to adapt as the course changes often and quickly.

Mobile banking is a distinct channel that, over time, has the potential to overtake every other banking channel. Just as occasional jogging is insufficient for preparing racers for the rigors and duration of a marathon, short-term, tactical decisions about mobile platforms will not be enough to help financial institutions keep pace with the ongoing demands of mobile banking consumers. Around the world, mobile adoption and usage is exceeding growth expectations, and users expect mobile banking experiences to leverage all the attributes of the channel and not just replicate the online banking experience on a smaller screen. In fact, financial institutions that are interested in competing in the mobile marathon and winning the hearts of adoring fans must make sure they are prepared for a long and constantly evolving race.

Forecasts Call for Huge Crowds Along the Course

According to a recent study by Value Partners, consumer adoption and usage of mobile banking has increased dramatically over the past few years. In some countries, consumer usage more than doubled in a two-year span (2010-2011): from 10 to 20 percent in the United Kingdom; eight to 20 percent in Sweden; and 11 to 22 percent in the United States. By 2017, Javelin Strategy & Research predicts that 55 percent of U.S. adults with mobile phones (116 million consumers) will use mobile banking. The rise of the smartphone and the increased availability of mobile banking solutions are key drivers sustaining this growth.

Long perceived as an extension of online banking, mobile banking has been a short-term investment priority for many banks. The considerable growth in mobile banking is forcing financial institutions to accept mobile as a distinct channel, one deserving of greater attention and investment. Banks can take their cue from other industries that view mobile as an investment priority (for example, Facebook's acquisition of Instagram, the mobile app for image uploads) and start developing a long-term strategy to keep pace with the increasing consumer demand for mobile.

Consumers Have Their Own Races in Mind

The ability to use a mobile device to transact anytime, anywhere is transforming the financial services landscape and consumers have developed very specific preferences and expectations for the mobile experience. Recent primary consumer research conducted by Fiserv and shared in the paper, "Digital Banking Personas and Insights: Fashioning a Tailored Experience," revealed that consumers expect tailored banking experiences for each digital channel – online, mobile and tablet – and that the expectations and uses for each channel vary based on the attributes and the context in which the specific device is most likely used. For example, consumers expect to be able to use a smartphone for quick and easy tasks while on the go (such as checking account balances) while also leveraging the unique attributes of a smartphone like the camera (for remote deposit capture of checks or bills). In contrast, the computer's larger screen and more formal posture makes it a better choice for data input and other structured work, including such things as entering data into a budgeting spreadsheet.

While both the device and the context of its use impact a consumer's digital banking expectations and behavior, different consumer segments also bring their mindsets, attitudes and perspectives to the experience. The traditional ways that financial institutions have segmented customers – such as by age, gender and income – no longer tell the full story. Instead, consumer segmentation is best defined by a combination of financial sophistication, financial management style and debt-to-wealth ratios.

Each of these factors influence consumers' financial behavior and their use of the various digital channels, including mobile. By understanding the different goals, attitudes and needs that different segments have for the mobile channel, financial institutions can develop a distinct strategy to tailor the mobile experience and ensure delivery of a relevant, compelling experience that leads to increased adoption and engagement. For example, indebted individuals will be more attracted to features that reduce the impact of their debt, such as low balance alerts, instant balances that enable seeing balances without need to log in, and just-in-time bill payments.

More and More Consumers Are Becoming Mobile-Only

Financial institutions also need to consider the rapidly growing population of mobile-only banking customers. The population of customers who only use the mobile channel in addition to their ATM use is already over 10 percent in some banks. This number will continue to grow as Gen Y / Millennials (those with birth dates from the early 1980s to the early 2000s) join the banking population. The majority of individuals from this generation have grown up in a world where mobile is all they know, and as technology matures along with them, they will expect to conquer the world using their smartphone, tablet or "yet to be discovered" mobile devices.

Getting Fit: Preparing to Compete

Most people wouldn't even consider running a marathon if they weren't fit. For a marathon runner, being fit means having talent; proper training, the guidance of a coach; good nutrition; and a clear understanding of how to use their strengths and overcome their limitations.

The strategy for a financial institution looking to build a successful, sustainable mobile platform is not much different.

The mobile banking "Fit to Win" framework (see Figure 1) for financial institutions involves:

- Talent–focused and dedicated mobile banking professionals, including partners and non-bankers
- Proper training–the financial institution must take the steps required to explore and learn about mobile options and remain up-to-date on mobile trends
- Coaching–to be successful, development of the mobile channel needs to have executive endorsement and support that guides the enterprise
- Good nutrition–the financial institution's culture must nourish an environment where mobile is understood and prioritised by everyone
- Understanding strengths and weaknesses–identify assets and gaps in infrastructure that impact mobile offerings and implement a plan to leverage or overcome them

Winning Means Achieving a Personal Best

The competition in the mobile marathon will be fierce and the course will be long with many twists and turns along the way. Not all marathon runners set out to win, but virtually all strive to achieve a "personal best." This is the recommendation for financial institutions entering the mobile marathon–define what winning means for their organizations, decide what a "personal best" looks like and pick the course that is most likely to help them reach their goal. Here are some things financial institutions should consider when mapping the mobile banking route:

Figure 1: Fit to Win Framework

Source: Fiserv, Inc.

Mobile Needs Its Own Road

It is critical for banks to have infrastructure in place that can deliver tailored mobile channel experiences for mobile-only and mobile-specific use cases rather than simply layering mobile on top of the online banking platform or middleware. The mobile device has made possible a variety of capabilities, and as Forrester Research states, "mobile banking experiences must take advantage of the new opportunities that these devices afford, such as device-specific shortcuts, click-to-call, motion detection, voice control, address book integration, push notifications and, most of all, location."

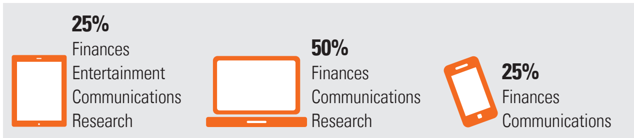
Banks can no longer merely provide access to the online banking platform for the mobile device; they must have the infrastructure to support mobile-specific functionality and the opportunities it offers. To optimise mobile banking experiences, Forrester Research says financial institutions need to "think outside the 'PC box' through a deep understanding of the hardware and software capabilities of the platforms for which they are designing."

Targeted Strategies Will Help Increase Adoption

By focusing on the consumer segments who are most interested in mobile banking and/or who have the greatest need for mobile banking, financial institutions can increase adoption. As mentioned above, Fiserv identified distinct consumer personas with different goals, attitudes and needs that affect not only their financial behaviors, but also their use of digital banking channels and their expectations for the experience. Different personas split their use of technology differently among PCs, tablets and cell phones (see Figure 3). As shown in Figure 2, 'The Financial Optimiser' (characterised by strong financial literacy, low debt and their desire to control finances) spends half of their technology time on a computer to track finances and the other half of their technology time split between a tablet (to browse financial websites) and smartphone (to record transactions in real time).

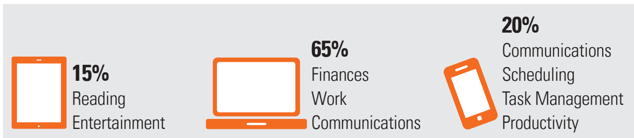
On the other hand, 'The Committed Rebuilder' (characterised by a financial setback, increased debt and a desire to get back on track) tends to spend the bulk of their technology time on a computer for work and finances even though they are highly engaged with mobile technology for several tasks like scheduling, emailing and task management. Banks and credit unions can use this information to focus their mobile banking investments on the segments that will benefit the most from mobile banking. Similarly, messaging used in promotional and adoption marketing campaigns

Figure 2: Financial Optimizer Channel Use



Source: Fiserv, Inc.

Figure 3: Committed Rebuilder Channel Use



Source: Fiserv, Inc.

should articulate how mobile can meet the needs of specific segments in terms of provide financial insights as well as facilitating the financial management of credit and deposit accounts.

Use Frontline Staff to Attract Consumers

Fiserv research has shown that financial institutions have a significant opportunity to boost mobile banking adoption rates well above the average range of 15 to 20 percent by leveraging the referral power of the consumer-facing/frontline staff in branches and at the call centers. Banking customers view frontline staff as professional experts. Leveraging their trusted relationships with customers can create a source of competitive differentiation for banks to effectively promote mobile banking and actively drive adoption, usage and satisfaction among customers. Higher mobile banking adoption equates to higher value and increased ROI for financial institutions, providing the motivation banks need to capitalise on the advantage frontline staff provide.

Investigate the Strategies of the Leading Pack

Whether running a marathon or developing a mobile banking strategy, it makes sense to learn (and borrow) from the best. The leaders in mobile financial services have some compelling stories. Here are a few examples:

JPMorgan Chase Bank (U.S.)–Chase was awarded Javelin Strategy and Research's best-in-class in 2011 and 2012 for its ability to bring together broad banking, payment and alerting functionality into a single, integrated experience. This is a core strategy of all mobile financial services leaders.

ANZ goMoney™ (Australia)–ANZ's highly acclaimed goMoney service combined a world-class user experience with mobile-specific person-to-person (P2P) capabilities. By focusing on a mobile-centric user experience for its design and functionality, ANZ has seen its mobile traffic rapidly increase in recent years.

USAA (U.S.)–in 2011, USAA released a native mobile banking tablet app offering a distinct set of functionalities from the smartphone apps. Designed to take advantage of the tablet's extra features, in particular its video capabilities, and to match different tablet-specific usage patterns, the tablet app provided more detailed content such as statements and the viewing of complex insurance documents. Another attribute of leaders is to distinguish the digital channels–online, tablet and mobile–through a tailored experience.

La Caixa (Spain)–one of the leading mobile banking providers worldwide, La Caixa offers more than 50 apps covering an extremely broad range of banking, investment and mobile payment functions to cater to the differing needs of the students, pensioners, investors and migrant workers in their customer base. Their success has hinged on low-cost, rapid and discrete innovations that align with the needs of distinct customer segments.

Standard Chartered (Singapore)–Standard Chartered's Breeze mobile banking service has facilitated financial management in a mobile-centric way, including the integration of a calendar view, payment reminders and savings goals on top of traditional mobile banking and payments functions.

Kiwibank (New Zealand)–this mobile banking leader focused its mobile investments on enabling personalised chat and customer care through its mobile banking application. Consumers can contact a named bank representative at any time for assistance on any matter. While still enabling self-service, Kiwibank's customers can reach a live customer representative using their mobile device.

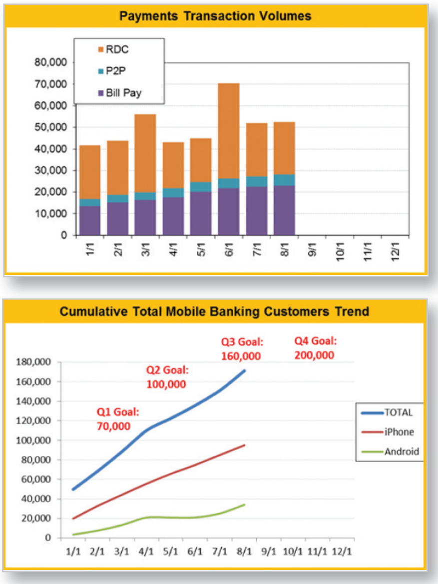
Emerging markets also provide plenty of interesting and compelling examples of effective strategies, especially around how to impact hard-to-reach consumer segments. For example, in Cambodia, ACLEDA Bank Plc. provides mobile banking and payments to consumers without existing banking relationships via ACLEDA Unity, which allows consumers to conduct a wide range of transactions (including ATM cardless cash withdrawal) through the mobile phone without ever going into a branch. There are many ways of winning. The point is to run your own race.

Running the Race: Speed, Agility and Endurance Are Essential for Success

When race day arrives, the course is set, the plan should already be in place and the preparations already made. All that is left to do is run–hard, fast and ready to change speeds at a moment's notice. When running the mobile marathon, financial institutions need to:

- Run fast and plan for change–technology changes at an alarming rate, particularly within mobile. Apple® releases a new mobile operating system every year, and financial institutions should expect to deliver significant functional releases every quarter or six months.

Figure 4: Mobile Dashboards



Source: Fiserv 2012

- Keep up with the pack – the pace of mobile banking is not going to slow, and ongoing investment in the channel is critical to success. Successful mobile banking providers allocate capital budgets to mobile every year, rather than looking to mobile developments as one-off investments.

- Delight fans with a better experience – the mobile banking experience needs to be effective, simple and reliable. For example, Bank of the West delights its customers by enabling login without needing a password.

- Monitor performance by using dashboard and other reporting tools (see Figure 4) to track to track against objectives for mobile and digital channel progress. Financial institutions should not overlook that customer feedback is important in this context.

- Watch the competition without looking back at the financial institutions following behind; instead look ahead to Google, Amazon, Facebook and others that are setting the pace for mobile experiences, and adopt their practices where it makes sense for financial services.

Ready? Set? Go! And Go … And Go

The mobile channel and the opportunities it provides have altered banking forever and further transformative change is inevitable. Just when financial institutions think that the finish line is in sight, it moves. As such, financial institutions should adopt a marathon view of mobile banking that requires the entire enterprise to get fit, plot the right course and run like the wind. To attract and retain the respect and admiration of consumers, financial institutions must make mobile financial services an enterprise priority and consider mobile a central part of any product or strategy decision.

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