The Promise of Mobility
A Bank in Every Pocket
Introduction

Mobile banking is growing faster than any other channel. Surprised? Look around, everyone has a smartphone. If they don’t, they will likely be getting one. Four years from now over a billion consumers worldwide will own a smartphone or tablet. Indeed, for banks times are changing faster than ever. In 2011, for the first time, consumers who opened financial products, opened more of those products through digital channels (online and mobile) than they opened in a branch. Clearly, if you don’t have a mobile strategy in place, you better get one.

Strong demand for mobility can be seen in recently published research by the US Federal Reserve showing, not only how many people already use mobile banking—but how many actually have changed financials so they can use mobile banking. The number of customers already using mobile banking at their financial is 20% in the US according to the Fed. Another 13-20% said they will be using it by the end of 2012 and a substantial, 60% of new customers said that being able to use mobile banking influenced their decision to switch. Today, in Europe, 18% of online customers use any type of mobile banking compared with only 13% a year earlier, according to Forrester Research. Still not convinced? Forrester has also come up with a concrete ROI for mobile banking. It’s 15.7%. The number is based on the projected savings that a bank with 500,000 customers could achieve, as well as the number of customers retained, and the expected cross-selling opportunities that would present from implementing mobile.

In this white paper, besides giving you the information to support a mobile banking strategy, we’ll show you the key trends, along with some mobile banking best practices. We’ll also tell you how to address the biggest challenges when it comes to development (hybrid!) and multi-channel integration (one platform to rule them all).
A Short History

Part of the reason some banks have overlooked the need for a mobile strategy is the slow moving journey it has required to get here. The earliest mobile banking services were offered over SMS. Telecom charges for SMS and the limited nature of the technology held back widespread usage. With the introduction of the first smartphones, some with WAP support that enabled the use of the mobile web in 1999, the first European banks started offering mobile browser-based banking.

Until recently, these two ways (SMS and Browser) have continued to dominate mobile banking. It is Apple’s initial success with the iPhone and the rapid growth of phones based on Google’s Android that have finally resulted in the explosion of successful, consumer-friendly apps, which are largely downloaded to mobile devices by customers who want them (as opposed to being forced to use them by the bank). The apps, along with better connectivity and more sophisticated mobile devices have opened up a world of new mobile banking possibilities (self-service, personalization, contextual offerings, upsell- and cross-selling, etc.). Knowing how to capitalize on them will continue to be crucial to a bank’s survival.

“As mobile adoption increases, e-business professionals are challenged to determine how these devices integrate with their existing sales and service channels.”
- Forrester Mobile Channel Strategy Report, P. Wannemacher, Carrie Johnson
Defining Mobile Banking

Mobile devices are increasingly being used as banking tools for everything from alerts and payments to budgeting and shopping. The key change that has occurred over the last few years: Customers now have a basic expectation that they can bank on their mobile devices.

Typically the mobile portion of the customer journey would involve applications that are time sensitive and can be done with the utmost ease on a smaller screen, activities like checking balances, transferring funds and viewing recent transactions. For a variety of reasons mobile banking has moved way beyond simple balance inquiries to include money transfers; both domestic and international, peer-to-peer payments and even commercial payment processing. Banks are also using mobile for loyalty-related offers, which sometimes involve Location-Based Services, bar code scanning, etc. This is why understanding the complexity of the entire customer journey (which we discuss in more detail later) is so important.

Other Services Provided with Mobile Banking might Include:

- Access to loan statements
- Blocking of lost or stolen credit cards
- Mutual fund/ equity statements
- Status of requests for credit, mortgage approval, and insurance coverage
- ATM locator
- And more
Trends in Mobile Banking

Fastest Growing Channel
As we already mentioned, mobile is the fastest growing banking channel. In fact, the numbers set it up to displace online banking in the near future. This phenomenon has been driven largely by smartphone apps, which are finally able to meet the needs required for mobile lifestyles. Tasks can be completed wherever and whenever the customer wants to do them. The evolution of mobile devices has also made them more user-friendly. Their unique features provide the opportunity to offer services that aren’t possible on a PC, such as: multi-touch input from a whole spectrum of movements; Location-Based Services with GPS; and integrated audio, video and photo capabilities. These help with the important contextual usage needs that users have. For example, to upload an accident photo to the insurance company right after a crash occurs, or the option to submit a video of a non-functioning ATM to the bank for better customer service.

Mobile Banking No Longer an Afterthought
Mobile used to be seen as an afterthought. The creativity was taking place on the desktop and those designs and priorities were shoehorned into a mobile screen size. Today, mobile has become the real center of creativity as a larger shift in engagement occurs. Context and personalization are now central to design, and mobility’s star has risen as users embrace smartphones and tablets. Another key factor for growth in mobile banking is the proliferation of new companies who are catering to customers’ financial needs—such as Square, Simple and Movenbank—just to name a few. These initiatives have led to more use of mobile devices for financial transactions and a more ‘mobile financial mentality’ by consumers.

What Makes a Successful Mobile Banking Strategy?
The first step is for banks to take an outside-in approach to the strategy; to think like a customer and not just a bank. Then they need to prioritize. Mobile devices require you to focus on only the most important data and actions in an application. There simply isn’t room on a smartphone screen for extraneous, unnecessary elements. If you design for mobile first, you can create agreement immediately about what matters most. You can then apply the same rationale to the desktop version of your web product. It’s also important to remember that when you design for mobile first, you open up new ways of thinking about the experience you can deliver to your users. If you started in the limited environment of the desktop web, this kind of thinking is much more difficult. Next, you need to develop ways to provide more self-service for customers. Self-service creates more satisfaction, in part, because of time savings and control the customer is given. It also can cut costs for the bank. Lastly, the e-business professionals at the bank must investigate which ways they can best leverage each channel to reach their customers.

"Not every transaction can be mobilized, and it is crucial that the mobile channel is not abused, which will do the opposite of what you want—repel users rather than attract them." - Jouk Pleiter, Backbase CEO
Technology

Challenge: Device Support
Answer: A Hybrid Approach: HTML5 + widgets + native app wrapper

Best of Both Worlds

There's been a consistent debate about which content delivery model will dominate on mobile platforms: native app or browser? The question is critical for banks, and in fact any business trying to engage customers with mobile devices.

If you're a bank's e-business executive, of course you want the ability to offer a native app experience with the ease of development that a browser-based approach would allow. Meanwhile, from the customer's standpoint, a native app is much faster and more user friendly. Additionally, from the marketing perspective, the visibility of an application in app stores is imperative. So, how can all of these expectations be met? The answer doesn’t have to be either/or, it can be a hybrid approach. For example, an HTML-based widget is wrapped within a native mobile application runtime (native wrapper), that gives the widget deep integration with the underlying mobile OS capabilities such as GPS, sound, vibration, camera, etc. The wrapper, including your fully-branded and mobile-optimized web apps, can then also be distributed via the App Store and Marketplaces. This is how Backbase does it and with the Backbase Portal, mobile widgets are created once and run on multiple mobile devices and operating systems. This has the advantage of radically reducing development costs, time-to-market and ongoing maintenance.

Challenge: Managing the Multi-Channel Customer Journey
Answer: Multi-Device Management and Create ‘One Solution to Rule Them All’

Devices are nice, but today everything depends on the customer journey. Making this the focus will be key to a successful mobile strategy. Most banks now have apps for smartphones, tablets and desktops. They continue to maintain branch offices. And, each one of these points is a part of a customer’s journey. Understanding and plotting the different kinds of journeys that take place is the most important next step, and in order to make it possible from a technology standpoint, a requirement is a platform that can manage all of the channels simultaneously. A context-aware portal will allow your users access with their mobile devices. Based on the user preferences and which device is used, the portal should then be able to present the right widgets, optimized per device.
The Multi-Channel Banking Challenge

By Jelmer de Jong
Global Head of Marketing,
Backbase, 26 Jul 2012

Banks seem to have never fully “gotten” the Internet. Only after intense consumer pressure did they even start building Internet banking capabilities and they did this by pushing their existing applications, screens, processes and tools to the Web, simply by adding a new interface. We call this approach “inside-out”—thinking from the banks’ perspective instead of from the customer’s perspective. This mistake, which was made over ten years ago, is still the main reason most banks lack a great online user experience. Only in the past few years have some banks started to rebuild their Internet banking platforms from scratch and are finally incorporating user feedback and focusing on user experience and design. Banks are just beginning to build with the outside-in, customer-first approach that is essential for succeeding online.

Yet even now, in a time when banking is starting to move more and more towards the mobile channel, the same mistakes are being made. Banks think they can copy what they did before and apply the same strategy to their multi-channel banking projects—not realizing that computers, tablets, and mobile devices are all completely different channels that deserve separate and optimized approaches, and above all an outside-in approach to thinking from the end-user’s perspective. In a successful multi-channel banking experience, it is not only about mobile phones, tablets, and different computers; a successful multi-channel banking experience also incorporates the call center and, yes, even the branch offices.

Creating for Attitude and Behavior Instead of Devices

The biggest mistake most banks make when they talk and think about their multi-channel strategy is focusing on creating identical apps and websites for different devices, which is the same inside-out mistake they made when building for the Web. If you take a outside-in, end-customer’s perspective on the multi-channel challenge, you will see it is not about different devices, per se, but about the different attitudes, behaviors and situations of the consumers using those different devices.

— read more on the next page —
Multi-Channel Banking: Preferences Per Channel

Step one in a successful multi-channel banking experience is to make sure that different apps and websites are optimized for different attitudes: the quick, the casual, the focused and the physical (for example, if your customers like to drink coffee with their banker). We can then relate the attitudes to specific devices: quick to smartphones, casual to tablets, focused to laptops and desktops and physical to branches. However, when building these apps, stop thinking about them as, for example, a “smartphone-optimized version of our regular Internet banking platform.” Instead, think about building an app that helps people do simple things, quickly and easily, in a setting where they are most likely in a hurry or on the road. Again, it is not about the device—it’s about the attitude and the behavior preferences of the customer most likely using that device.

Linking the Channels: The Cross-Channel Journeys

The second step is to link the different apps together, making a cross-channel journey possible. Because a real customer uses different channels at different times, it is likely that they will start one task on one device (e.g., check out mortgage rates on their smartphone) and will take the process further on a different device (e.g., applying on their laptop) or channel (e.g., asking for advice via the call center). It is not enough to have different apps for different channels. Apps have to be linked and integrated in one platform to deliver one seamless cross-channel journey.

Multi-Channel Banking: Cross Channel Journeys

In the loan application example above you see exactly this. Different actions can be completed using different channels (called “user touchpoints”). No (potentially new) customer wants to have to restart the process and fill in the information and details previously provided again, nor explain the situation from the beginning if calling the call center or visiting the branch.

The way forward for banks that want to become successful across multiple channels is to have a strategy where they build specific apps for specific attitudes: quick, casual, focused and physical. But the real game changers are linking those apps in one journey, bringing “service design-like thinking” to the banking sector. Exchanging information, processes and data between different applications and making the switch between channels becomes seamless and intuitive, increasing the likelihood of completing an application or sale significantly and making the multi-channel banking experience a great one.
Romancing the Underbanked

The underbanked, those who don't have a checking account or a primary relationship with a bank, are getting lots of press lately. There are several reasons for banks to find ways to romance this group, which, although largely young and lower income, will not stay that way forever. According to research by Javelin Strategy and Research, the market for underbanked consumers is currently 15% of the adult population. The group is usually between 18 to 24 years old and less likely to have desktop computers or broadband, but do usually have access to mobile phones. Surprisingly, the average income of all those underbanked surveyed by Javelin was a hefty $73,000.

The biggest reason for banks to be interested in the underbanked, however, is their attachment to mobile devices. Research by the Federal Reserve Board shows that the underbanked actually have more mobile phones and smartphones than the general population.

Alternatives such as international money transfers, money orders, check cashing, payday lending and prepaid cards (all key services for the underbanked) are expected to result in revenues of $520 billion by 2015 according to Mercator Advisory Group. This seems like an incentive enough to start wooing them. Judging by these users’ mobile love, finding ways to incorporate such services into mobile ones could be the best way for banks to finally win the business of the underbanked.

‘In fact, 91% of those identified as underbanked have mobile phones and 57% have smartphones’
- The US Federal Reserve Board

Illustration from Zootblog:
What are Underbanked Customers looking for?
Peter Lindeen, July 17, 2012
Conclusion

Power to the People

The Engagement Banking era has brought a shift: The power is now in the hands of the user and not the institution. What does the user want? Mobility, certainly, but also attention to the context of that mobility; the where, when and how of it. For some banks this pace of change might be discouraging. The reality is that the opportunities presented to financials by mobility are unprecedented. However, in order to succeed, they must make the mobile channel a priority. With that, they will need to look forward and truly empower their e-business professionals to understand and control the whole spectrum of customer journeys.

Applications are, and will continue to be, important to winning and keeping customers happy. Specifically, simple, useful applications will be central to a successful mobile strategy. Remember not to jump on the bandwagon. Be confident enough to do your own thing and take a chance that you know your customers better than anyone else. What’s most essential is to not treat mobile as a separate app. There’s no need to continue developing. With a hybrid approach (HTML 5 and widgets) it’s entirely possible to have the best of both worlds: the browser and the app experience.

Finally, don’t forget that with all the information customers give to their bank, it’s expected that in return their experiences will be, above all, personal and relevant.

Now is the time to put a bank in every customer’s pocket.