

# *Customer on the Move*

## Strategic Implications of Mobile Banking for Banks and Financial Enterprises

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# Agenda

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- Introduction
- Definition & Scope
- Empirical Results: Banks' perception of MFS
- Strategic Assessment & Outlook

# Ongoing International Developments

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- **South Korea:**

  - ∅ 287.000 mobile transactions a day,  
1.9 million registered users, doubled between 2004 and 2005

- **France:** (*Société Générale* )

  - 1.5 million MFS customers (2004: 200% growth; 2005: 33%)  
675.000 subscribers of SMS-service *Messalia*  
(growth 2004: 11% ; 2005: 7%)

- **Germany:**

  - Nearly 92% survey participants showed interest in MFS  
74% willing to pay

- **Others:**

  - substantial, new offers in other parts of the world  
including in China and India.

(Sources: Bank of Korea, Société Générale, own research)

# Growing Role of Mobile Services

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Value-added for the customer (e.g. ubiquitous consumption of services; access to location-based services)

- Economic developments (globalization is leading to more mobility)
- Higher density of mobile devices
- Powerful devices, faster data transfer
- Younger generations are mobile-friendly



The need and wish for mobility has increased.

# Business Implications

## Challenges

**Cater to customer needs/wishes:** Customers demanding/utilizing Mobile Financial Services (MFS) often belong to affluent sections of the society and are thus not to be ignored easily...

## Opportunities

**Strengthening business advantage:**

- Additional sources of revenue
- New distribution channel
- Image gains
- Customer relationship management (CRM)

# Agenda

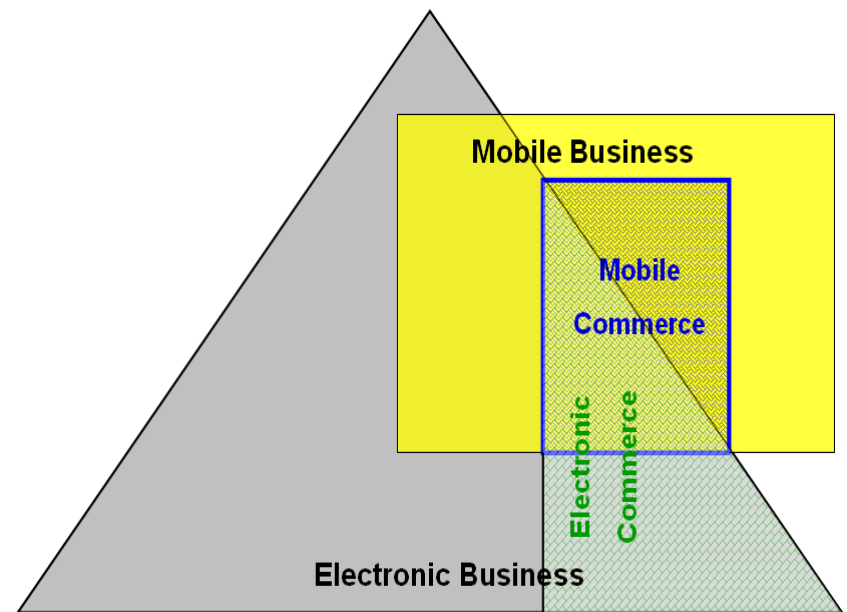
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# Characterizing Mobile Commerce

“Mobile Commerce is any transaction, involving the transfer of ownership or rights to use goods and services, which is initiated and/or completed by using mobile access to computer-mediated networks with the help of an electronic device.”

Mobile Commerce:  
A holistic perspective



Source: Tiwari/Buse, 2006

# Utility of Mobile Services

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- **Ubiquity**: the “anywhere” feature
- **Immediacy**: the “anytime” feature
- **Location-based Services (LBS)**: search for an ATM or bank branch
- **Instant Connectivity**: the “always-on” Feature – no dial-up/boot process
- **Pro-active Functionality**: “Pull” vs. “Push” services
- **Simple Authentication**: Registered *Subscriber Identity Module* (SIM) in combination with an individual *Personal Identification Number* (PIN)



# Characterizing Mobile Banking (i)

- **Definition:** “Mobile Banking refers to provision and availment of banking and financial services with the help of mobile telecommunication devices such as cell phones or PDAs.” [Source: Tiwari/Buse, 2006]
- **Scope:** Conduct bank & stock market transactions  
Administer accounts  
Access customized information.

i) Bank Transactions = “Mobile Accounting”	
Money remittances & transfers	Standing orders for bill payments
Subscribing standard insurance policies (e.g. travel insurance)	Card management (e.g. blocking lost cards)
Access administration	-

# Characterizing Mobile Banking (ii)

## ii) Stock Market Transaction = “Mobile Brokerage”

Selling & purchasing financial instruments (e.g. securities)	Access administration
	Order book administration

## iii) Mobile Financial Information Services

Balance inquiries / Transaction details	Stock market quotes and reports
Threshold alerts	Information on the completion status
Branches and ATM locations	Credit card information
Foreign exchange and interest rates	Product information & offers

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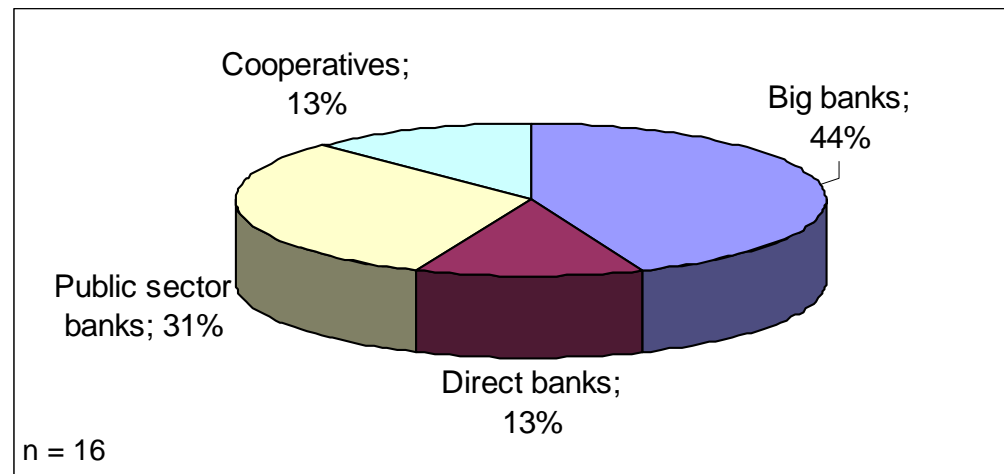
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# Sample Description

## Sample Description

- Conducted in Aug./Sept. 2005 as a follow up to a separate survey of customer acceptance
- 16 leading banks from Germany & Switzerland
- 9 telephone interviews, 7 written responses
- All respondents at senior management level



# Status quo of Mobile Banking Offers

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- 12 banks (75%) offered MFS
- Scope of offered services varied
- 1 “alibi” offer (only for enquiring customers)
- 3 “negative” reports (stopped offering MFS)
- Number of MFS users at present less than 1% of all retail customers
- Most offers as yet free-of-charge, fees planned

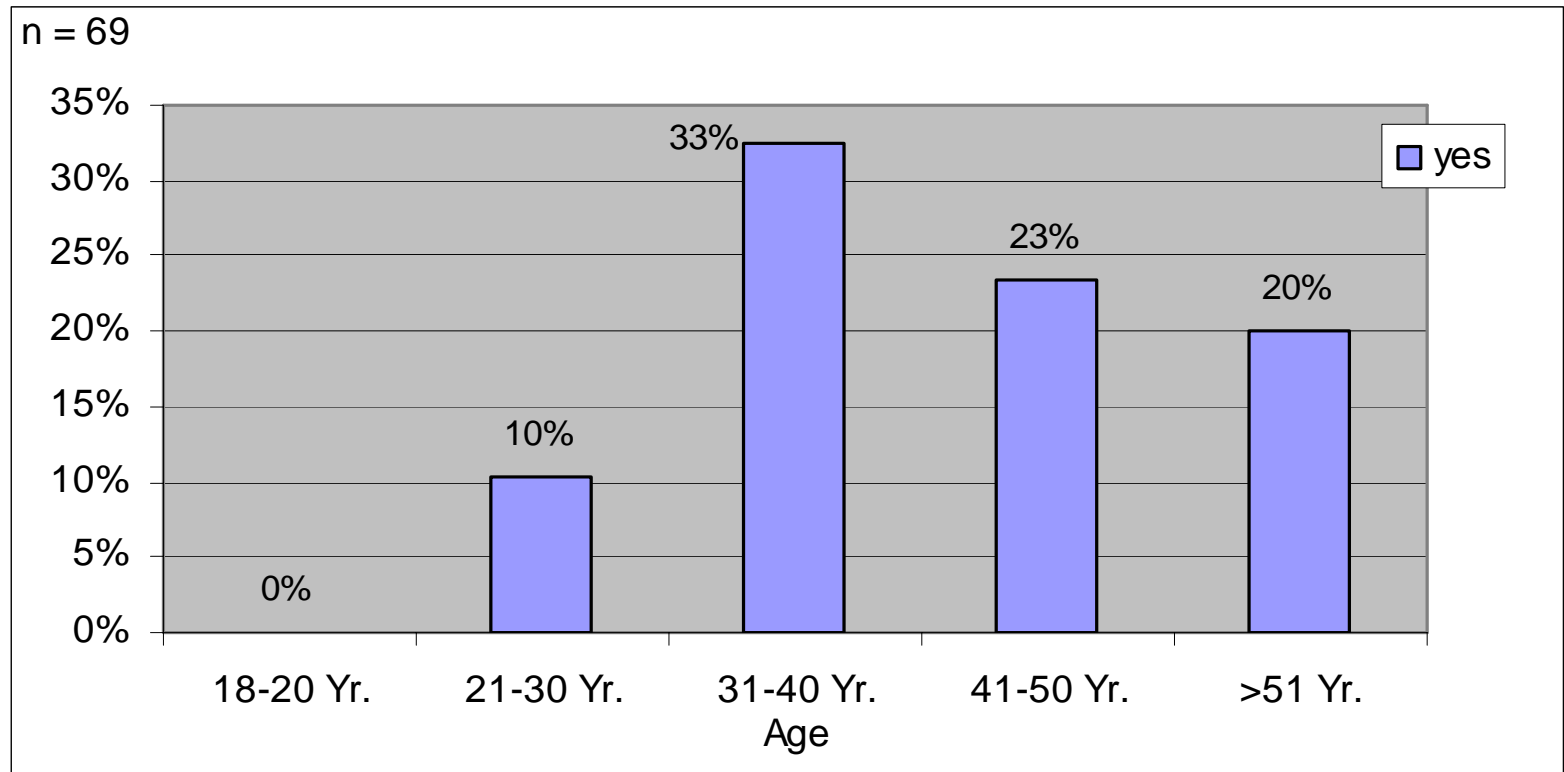
# Banks' Motives for Offering MFS

No.	Motive (Ranking-Scale: 1 = "very high influence", 6 = "no influence at all")	Ø Ranking
1	Fostering an innovative image	1.67
2	Better customer relationship management	1.92
3	Differentiation vis-à-vis rivals	2.75
4	Attracting new customers	3.17
5	Increase in the turn-over	3.58
6	Increased workflow-efficiency	3.83
7	Cost reduction	4.00
8	Higher flexibility in business processes	4.00
9	Increased motivation of the workforce	4.33

Note: The rankings are based on the response by those banks which, at the time of this survey, either offered or were planning to offer MFS.

# Excursion: Results of the Customer Survey

Missing mobile services: a reason to change the bank?

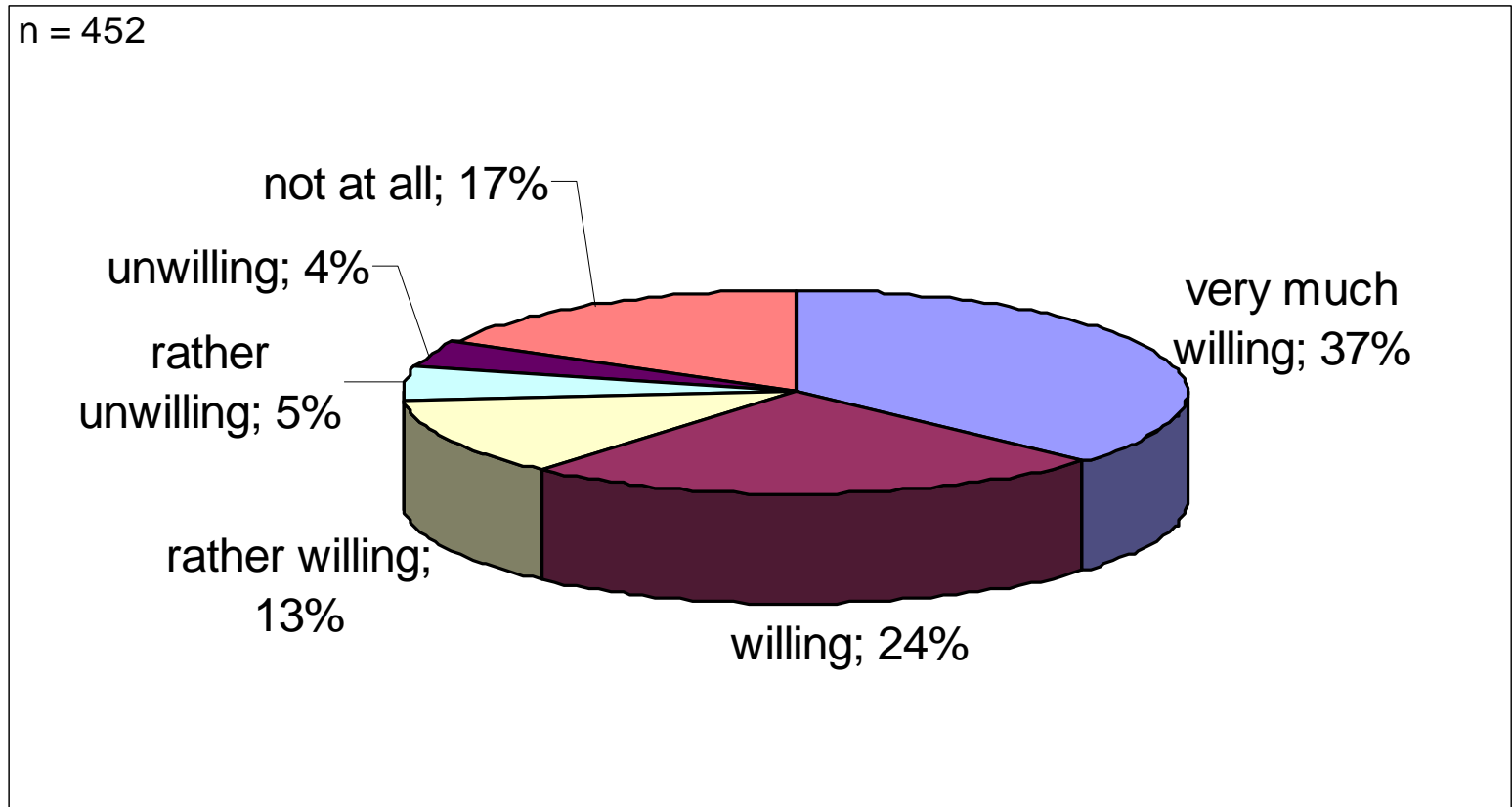


Note: The values displayed are relative to each group.

Similar tendencies have been reported by *Forrester Research* in England.

# Excursion: Results of the Customer Survey

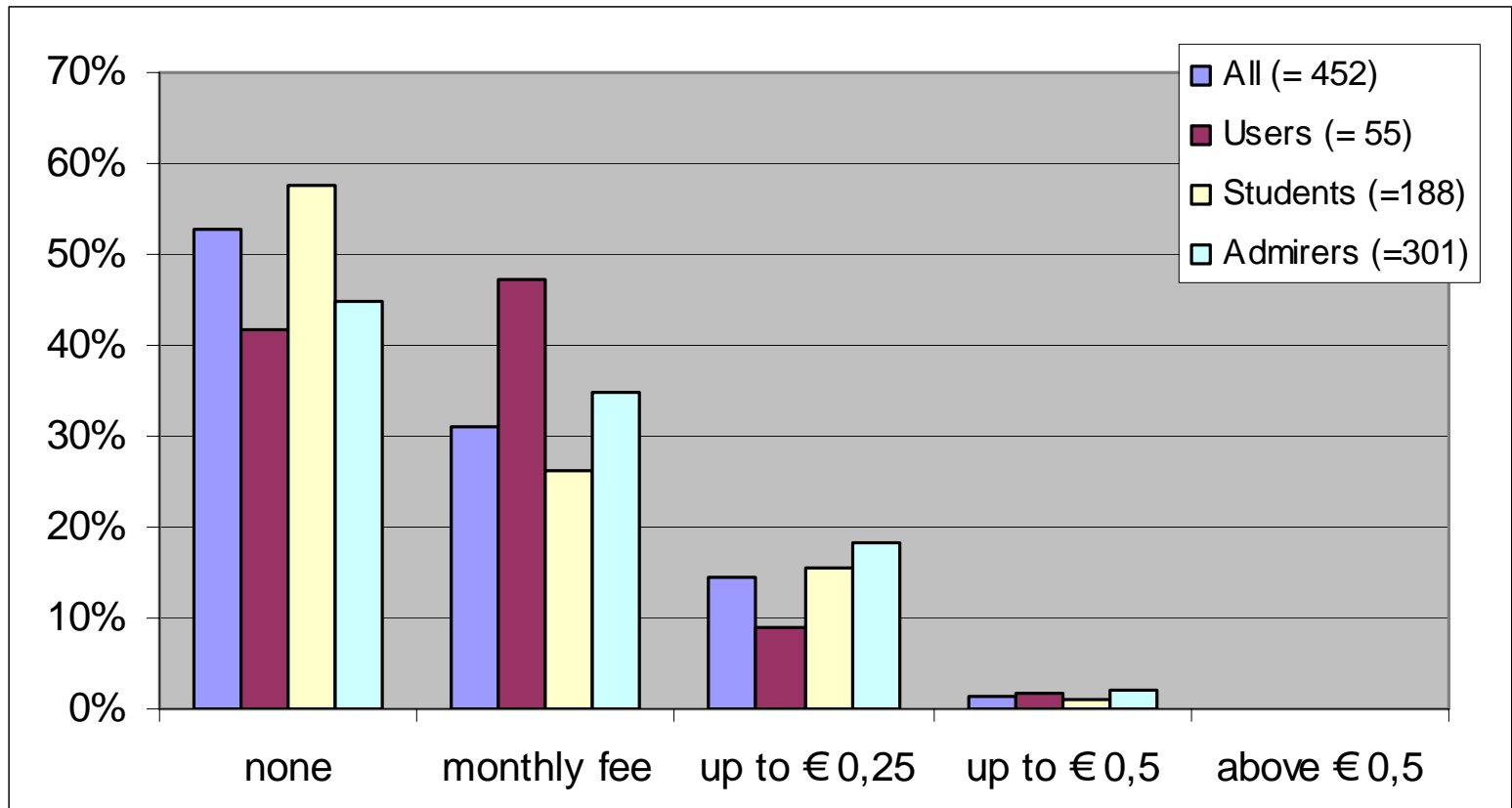
Are you willing to use mobile remittance facilities?





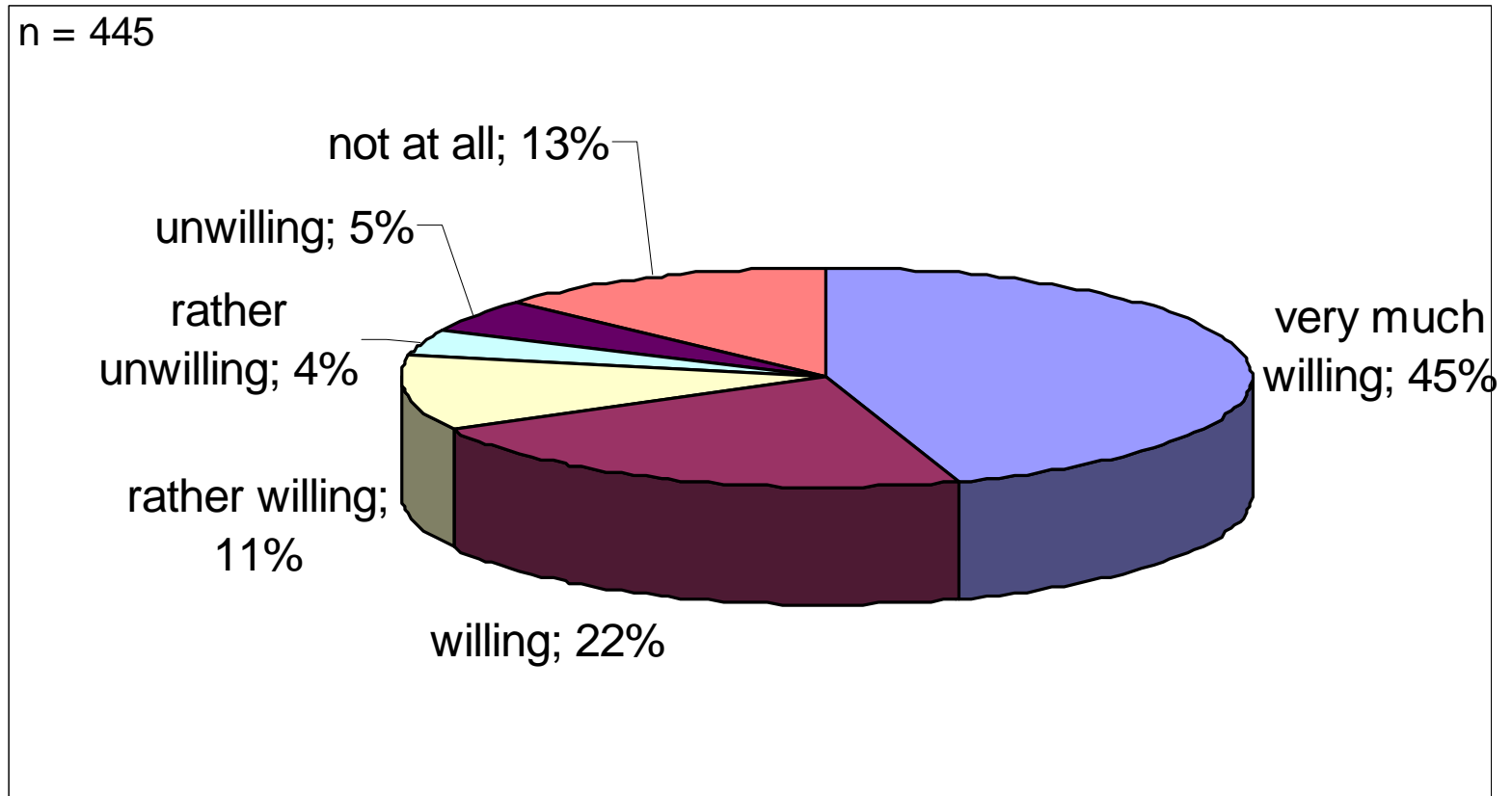
# Excursion: Results of the Customer Survey

What amount would you be willing to pay for using Mobile Remittance?



# Excursion: Results of the Customer Survey

Are you willing to use mobile account inquiries?



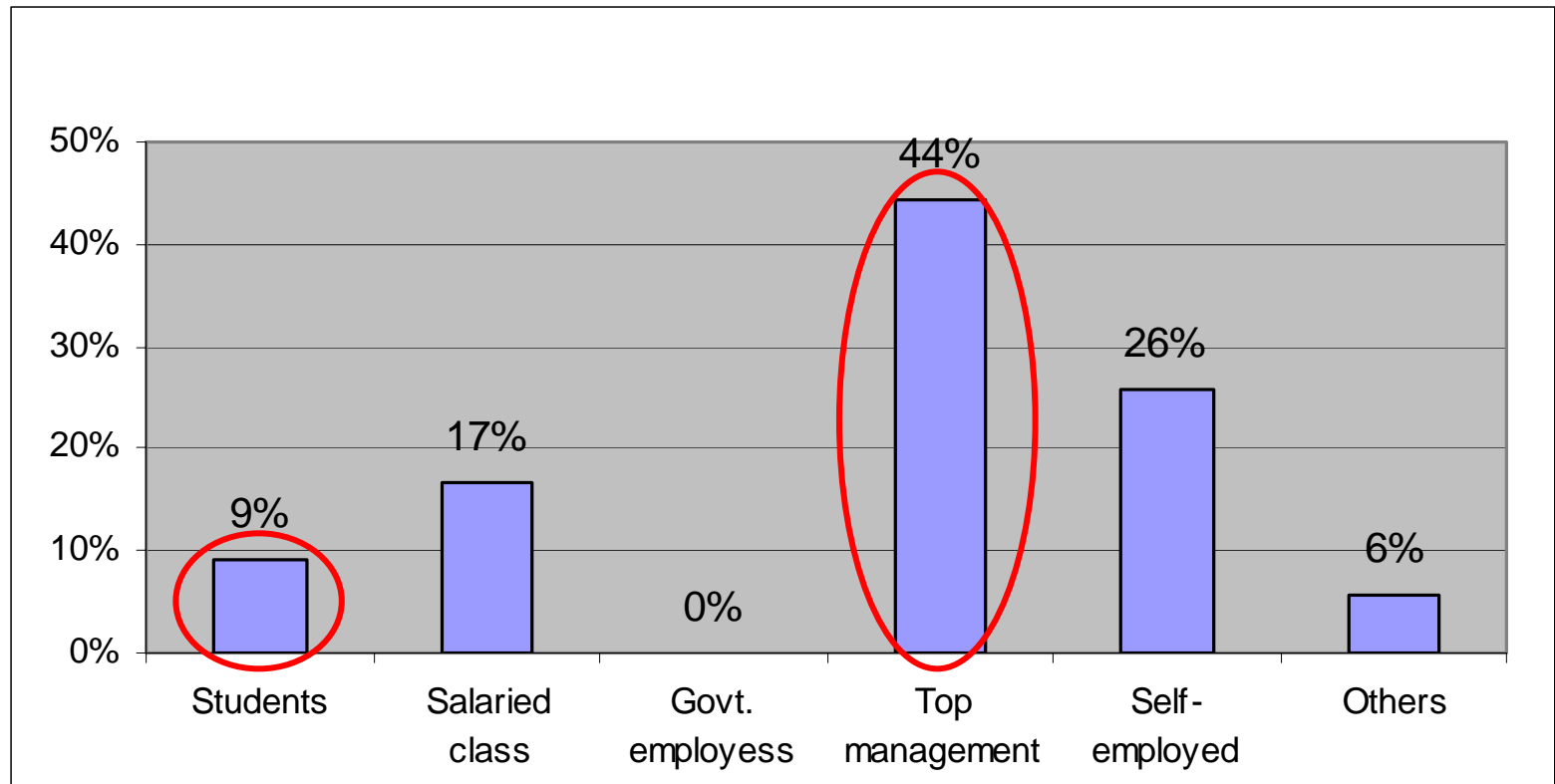
# Target Customer Groups of MFS

## Views of the surveyed banks

- People with high technological affinity (75% of banks)
- Students (42%)
- Business executives (42%)
- Salaried class (25%)

# Target Customer Groups of MFS

The reality: results of the customer survey



Note: The values displayed are relative to each group. Total users: 12% of all respondents (N = 452)

# Arguments Against Mobile Banking

No.	Possible Hindrance (Ranking-Scale: 1 = “very significant hindrance influence”, 6 = “no hindrance at all”)	Ø Ranking
1	General lack of customer demand	1.50
2	Insignificant for “our” customers	2.75
3	Prohibitive costs of operation	3.00
4	Bank products are not suitable for mobile mediums	3.50
5	Compatibility problems with existing IT infrastructure	3.75
6	Security concerns	5.25
7	Lack of internal expertise	5.25
8	Disinterest of top management	5.75
9	Collision with other distribution channels	5.75

Note: The rankings are based on the response by those banks which, at the time of this survey, neither offered nor planned to offer MFS in foreseeable future.

# Changing Reality of Customer Acceptance

## “Influence of Ignorance” and “Real Rate of Rejection”

- 113 of 452 Participants (25%) initially rejected using any MFS.
- 84 such participants (74%) changed opinion later and evaluated at least one service with a rating better than 3 (“very much willing” to “rather willing”).
- 50% were even willing to pay for the use of MFS.
  - The initial summary rejection seems to be **influenced by ignorance** of the utility possible and *misplaced* security concerns.
- **Real Rate of Rejection (RRR)**: that percentage of survey participants which evaluated all MFS with a rating of 4 or lower (“rather unwilling” to “absolutely not”) and consistently declined to make any payment for any of the 17 surveyed services.
  - 34 of 452 participants: the RRR is 8%.

# Changing Reality of Customer Acceptance

Evidence of segment-specific acceptance of MFS

	All (rat. = 4.40) (n = 452)	Users (rat. = 3.26) (n = 54)	Admirers (rat. = 2.70) (n = 93)
Monthly fee	<b>30%</b>	<b>41%</b>	<b>48%</b>
Up to €0.25 per transaction	10%	17%	13%
Up to €0.50 per transaction	4%	13%	8%
Between €0.50 and €1.00 per transaction	3%	6%	5%
No fee / free of charge	<b>53%</b>	<b>24%</b>	<b>26%</b>

**Advantages of Differentiation**

# Changing Reality of Customer Acceptance

Growth in customer acceptance since 2001

Service	Average Rating		Willingness to pay	
	2001	2005	2001	2005
Card Management	2,78	2,44 (↑)	43%	52% (↑)
Balance & Account Enquiries	3,81	2,42 (↑)	27%	45% (↑)
Mobile Remittance	4,07	2,67 (↑)	36%	47% (↑)
Stock Price Enquiries	4,33	4,14 (↑)	30%	43% (↑)
Mobile Brokerage Transactions	4,93	4,40 (↑)	32%	47% (↑)



# Theses about Mobile Banking

No.	Thesis: Mobile Banking ... (Ranking-Scale: 1 = "I agree completely", 6 = "I disagree completely")	Ø Ranking
1	provides additional value vis-à-vis Online Banking!	2.67
2	helps banks to differentiate vis-à-vis rivals!	2.67
3	is just a new distribution channel!	2.73
4	requires firms to forge alliances and cooperate!	3.00
5	activities of rivals force banks to develop own strategies in this field!	3.20
6	will increase the degree of rivalry amongst banks!	3.40
7	will increase the threat of entry by external players!	3.60
8	will adversely affect the no. of branches/employees!	4.80
9	is nothing but a short-term fashion!	5.27

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# Strategic Assessment & Outlook

## Challenges

✓ **Cater to customer needs/wishes:** Customers demanding/utilizing MFS often belong to affluent sections of the society and are thus not to be ignored easily...

## Opportunities

✓ **Strengthening business advantage:**

- Additional sources of revenue
- New distribution channel
- Image gains
- CRM

# Strategic Assessment & Outlook

Need for a clear business focus

**Business-oriented offers:** MFS are no longer a mere technology-driven product. The services need to be oriented on the *needs & wishes* and financial situation of relevant customer groups as well as on competitive environment within the industry.

Concentration on “right” customer groups

**Segment-specific differentiation:** Many MFS enjoy great demand in certain customer segments. Such *fits in services/segments* should be identified and concentrated upon. Focusing on “technology fans” alone does not seem to produce viable success.

# Strategic Assessment & Outlook

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- Most interesting target customer groups for Mobile Banking seem to be those:
  - financially well-settled
  - often on the move
  - technologically well-versed
- A missing MFS offer may drive away “demanding” customers to the competitors.
- Mobile services may lead to an innovative image, help set technology standards and a positive differentiation vis-à-vis rivals.



It's not “*whether*”, but rather “*whom & how*”  
when deciding to offer Mobile Banking.

# The End!

*Thank you for your attention!*

For further information...

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