

Mobile Banking in Germany

Status Quo and Current Trends

by

Rajnish Tiwari and Stephan Buse

Research Project Mobile Prospects
Institute of Technology and Innovation Management
Hamburg University of Technology (TUHH), Germany

www.mobile-prospects.com



Agenda

1. Introduction
2. Characterization of Mobile Banking
3. Selected Results of the empirical Survey
4. Summary & Outlook

Growing Role of Mobile Services

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.

Utility of Mobile Services

- **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)

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

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 and Buse, 2007]
- **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

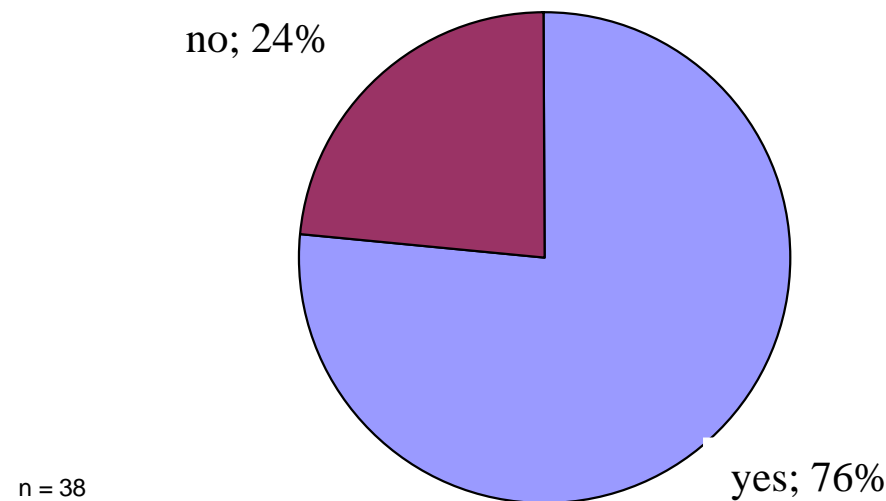
Survey Description

- 38 banks in German speaking countries
- 35 in Germany, 2 in Switzerland, 1 in Austria
- 25 banks were surveyed also in 2005 → enabled measurement of developments since then
- Banks were identified/selected in an extensive pre-study to ensure proper representation of various groups, e.g. “Big” banks, Savings banks, *Landesbanken* in retail segment, Cooperative banks
- Examination of product portfolio using publicly accessible information on respective websites

Overview: Mobile Services

- 29 banks in the Sample (76%) had “own” mobile financial services (MFS) in product portfolio
- In comparison: in 2005 only 64% of banks in a similar desk-research survey had own MFS in product portfolio
- The number and extent of services varied strongly

Mobile Banking on offer in Germany’s banks?



The growth was highest in public sector savings banks (“Sparkassen”) and cooperative banks (Volksbanken Raiffeisenbanken)

Portfolio Overview: Mobile Accounting

Service	2005	2007	Change
Remittance / money transfer	50%	76%	+ 26%
Creating remittance templates	-	48%	+ 48%
Administering standing orders	17%	14%	- 3%
Subscribing standard insurance policies (e.g. travel)	-	-	-
Access administration	50%	52%	+ 2%
Recharging pre-paid SIM	-	38%	+ 38%
Credit/debit card management	8%	10%	+ 2%
Remark: n = 29; The data are based on publicly accessible information on respective websites in October 2007.			



Portfolio Overview: Mobile Brokerage

Service	2005	2007	Change
Stock market transactions	17%	24%	+ 7%
Order book administration	8%	24%	+ 16%
Access administration	33%	21%	+ 8%

Remark: n = 29;
The data are based on publicly accessible information on respective websites in October 2007.

Portfolio Overview: Information Services

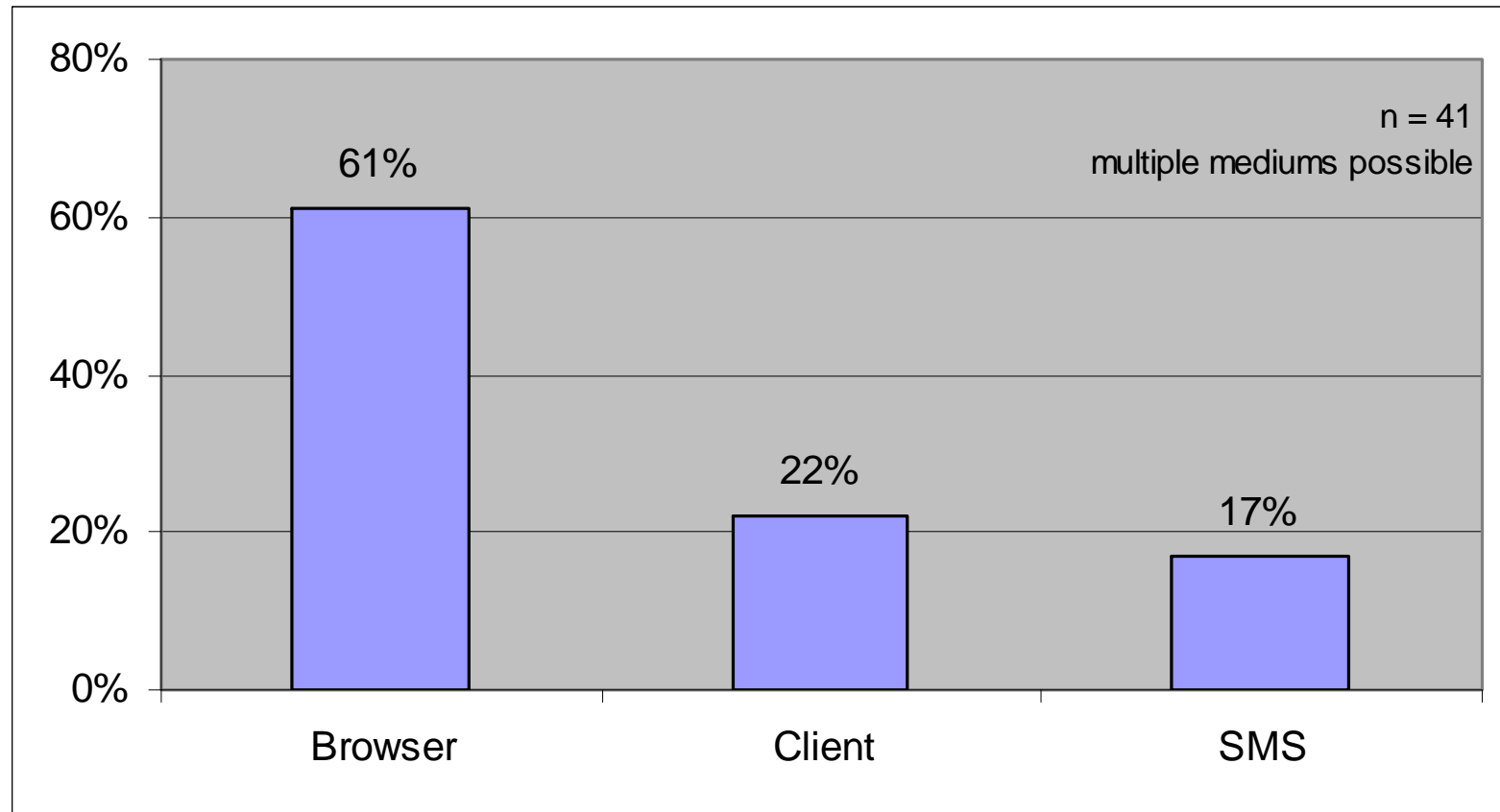
Service	2005	2007	Change
Balance and transaction queries	67%	79%	+ 12%
Threshold or other pre-defined alerts per SMS	33%	14%	- 19%
ATM locations	17%	17%	-
Status report per SMS after order execution	33%	10%	- 23%
Exchange and interest rates	33%	21%	- 8%
Stock market reports & queries	42%	28%	- 14%

Remark: n = 29;

The data are based on publicly accessible information on respective websites in October 2007.

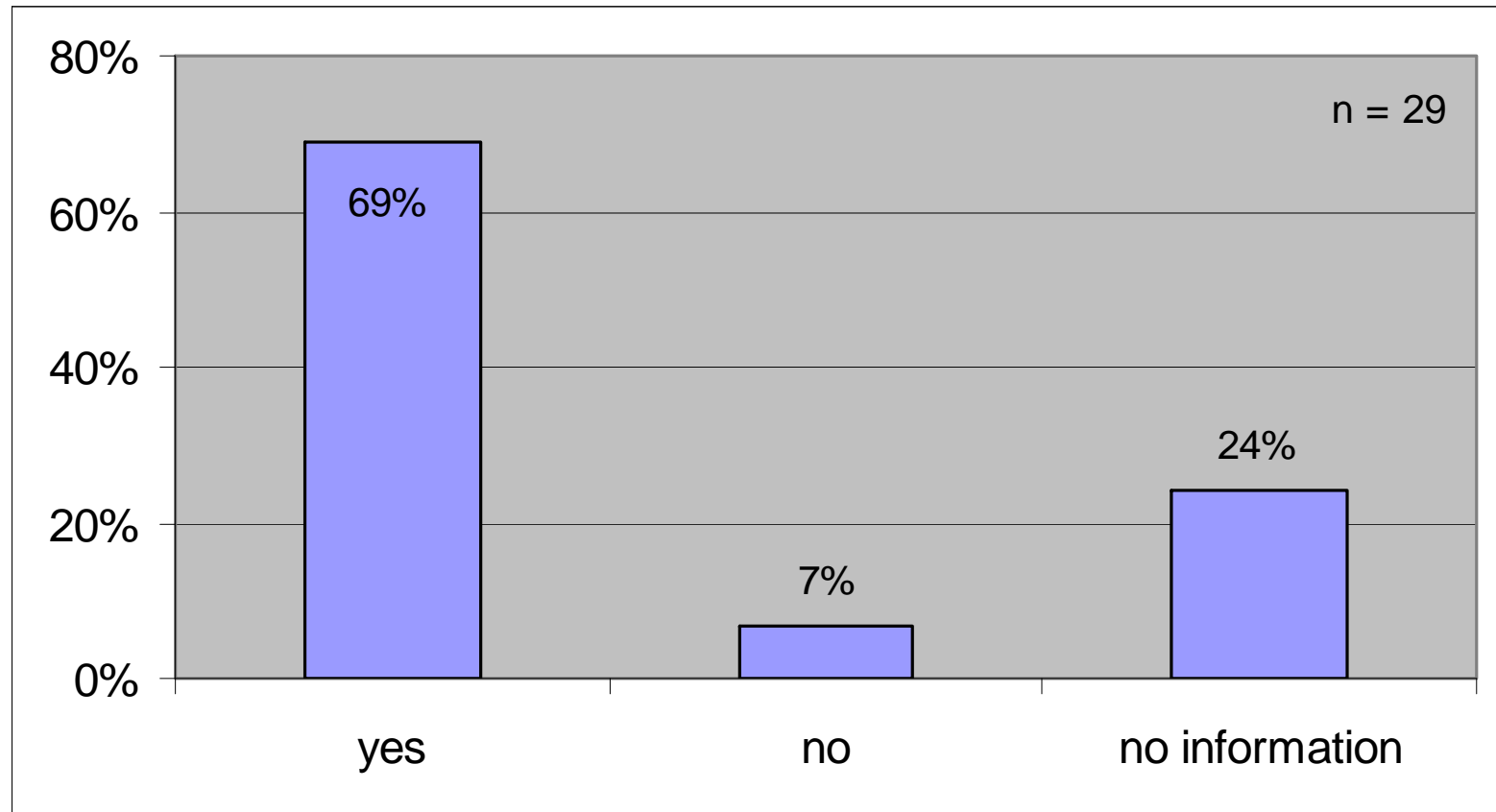
Many banks seem to be contained with offering services pertaining to balance queries and transaction (account) statements

Mediums of Mobile Banking



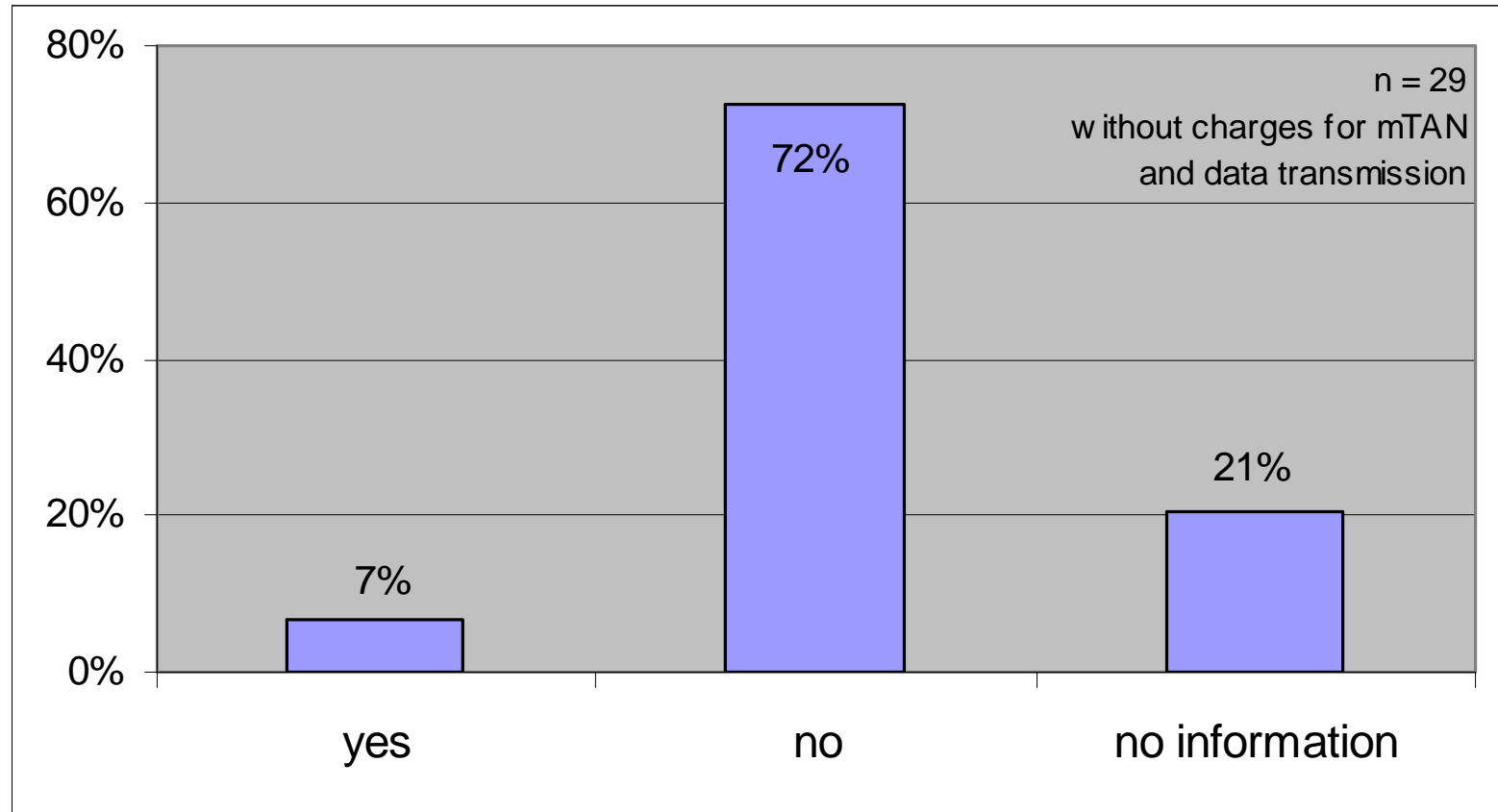
Browser-based solutions are on their way to become the dominant standard: they were used in 76% of all cases as exclusive medium; client-based solutions in only 18% cases.

Automatic Access



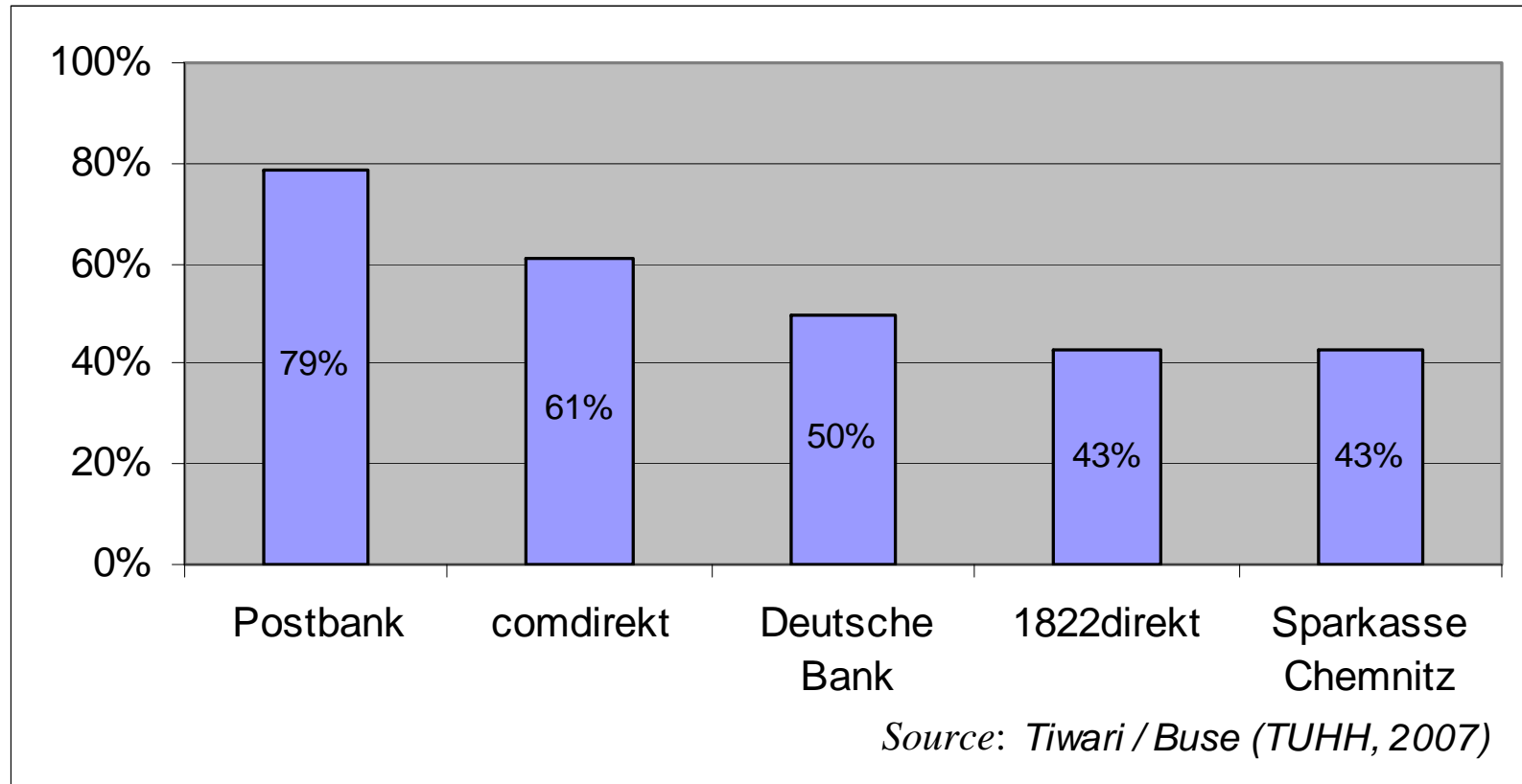
Barriers to usage of Mobile Banking are reduced by providing automatic access to MFS for all customers of online banking – no need for additional pre-registration

Fee for Using Mobile Services



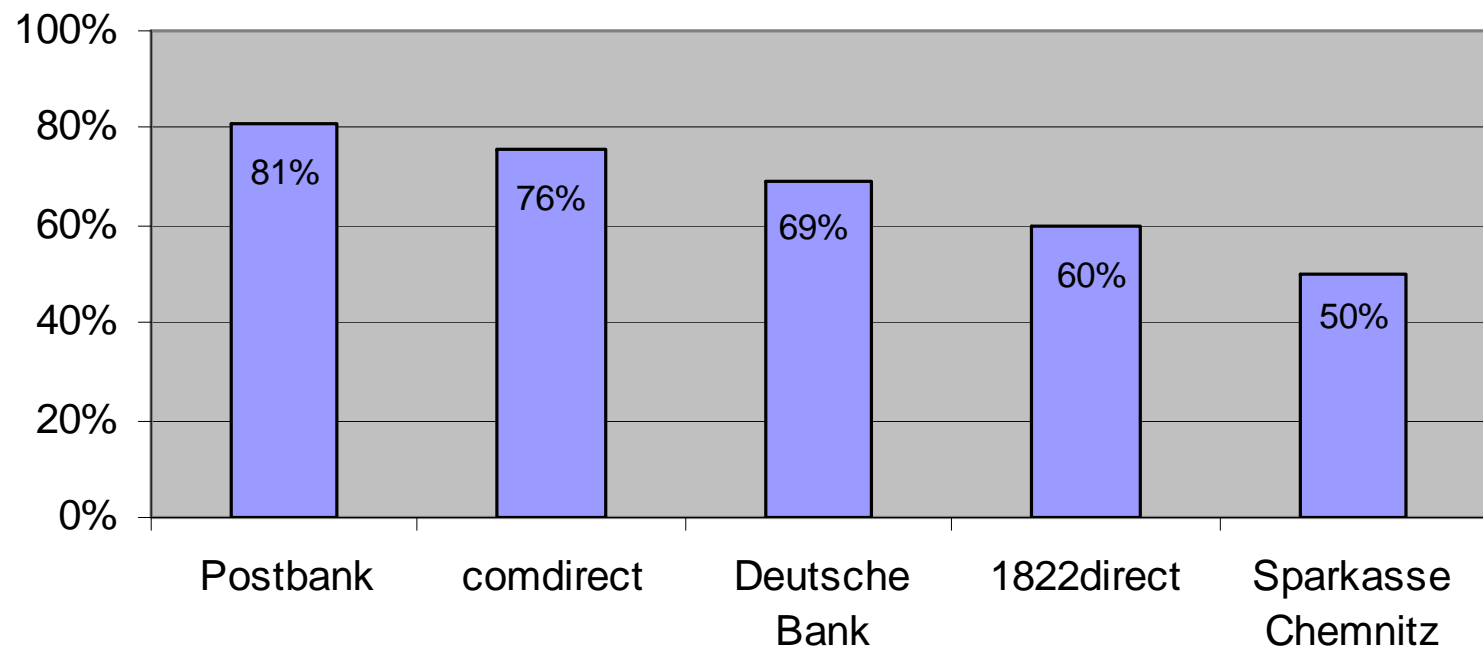
Most banks prefer to follow strategic goals by offering MFS without any extra charges for their utilization.

Leading Providers (Portfolio Breadth)



The breadth measured on the basis of the extent of services offered.
The individual offers were checked against the presence/absence of 28 possible services.

Leading Providers (Portfolio Depth)



Source: Tiwari / Buse (TUHH, 2007)

For details of portfolio depth see next slide

Test Overview: Portfolio Depth

Criterion	Weightage	Postbank	com-direct	Deutsche Bank	1822-direkt	SK Chemnitz
Accounting	0,2	0,75	0,50	0,75	0,75	0,50
Brokerage	0,2	0,67	1,00	0,67	0,67	0,67
Push-based information services	0,2	1,00	0,67	0,67	0,33	0,33
Pull-based information services	0,2	0,75	1,00	0,75	0,50	0,50
User friendliness	0,2	0,88	0,63	0,63	0,75	0,50
Weighted Score	1,0	0,81	0,76	0,69	0,60	0,50

Calculated on the basis of 15 Mobile Banking services and 8 criteria to evaluate user friendliness, for instance the offer of multiple technical mediums, presence of simulators to test/experience MFS, and automatic access (without prior registration for MFS). Individual factors within a group were given similar weightage to minimize the influence of subjective preferences.

Summary and Outlook

- Mobile Banking is advancing slowly but surely to the position of a “standard application” in banking business;
- Strategic considerations (e.g. a modern image, customer retention) play a key role in launching mobile services;
- First industry standards were seen emerging: e.g. domination of browser-based services, no extra fee, and automatic access for customers of online banking;
- The apparent decrease in offers of information services is remarkable and needs a closer examination.



Strategically motivated offers of Mobile Banking – owing primarily to socio-demographic changes – is set to grow further

The End!

Thank you for your attention!

For further information...

Rajnish Tiwari, Research Associate

Project Leader, Research Project Mobile Prospects

Institute of Technology and Innovation Management

Hamburg University of Technology (TUHH)

Tel: + 49 (0) 40 – 428 78 – 3776, Fax: +49 (0) 40 – 428 78 – 2867

E-Mail: rajnish.tiwari@tuhh.de

<http://www.mobile-prospects.com>, <http://www.tuhh.de/tim/>

