

ASSESSING THE CURRENT AND FUTURE VALUE OF MOBILE BANKING

FINALTA VIEWPOINT, JUNE 2011

Over half of European banks have in place mobile internet banking services. For most, the aim is to improve customer service and reach out to younger customers. However, concerns over the economics of this new channel are holding some banks back, and limiting the levels of investment. To ensure long-term success, banks must look beyond the current hype and understand how mobile banking connects with other channels, such as social media, and the bank's broader multichannel strategy, to create additional value for customers.

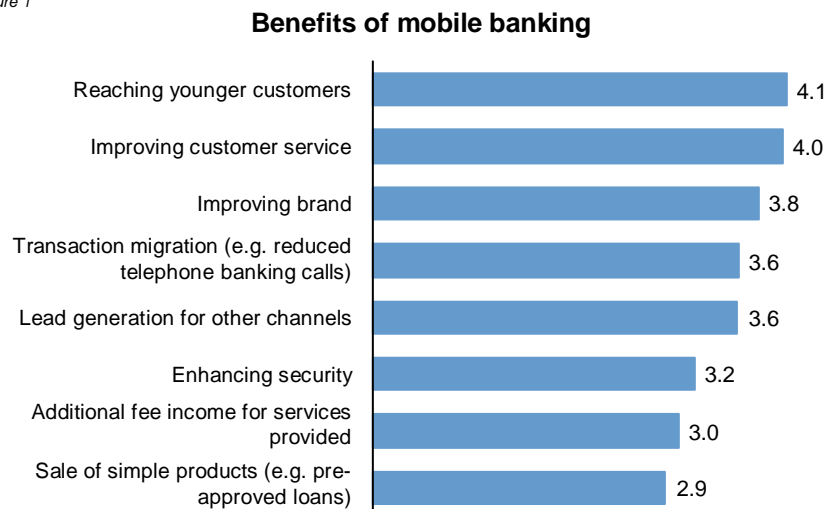
Introduction

In H2 2010 Finalta conducted a joint survey with EFMA, investigating European banks' strategic priorities for 2011. Over 90 banks participated in this Survey and were asked to state which multichannel improvements their bank was most likely to make. "Enhancing mobile banking services" was a top three priority but with some important regional variances, closely linked to mobile internet adoption:

- In Northern Europe and Scandinavia, it was a top priority for 40% of banks;
- This decreases to 20% of banks in Central Europe; and
- For banks in SEE, it decreases to just 11%.

In order to understand the drivers of this interest, Finalta asked banks to rate eight potential benefits of mobile banking, on a scale of 1 to 5 where 1 is 'very low' and 5 is 'very high' (Figure 1).

Figure 1



Question: "From your bank's perspective, what do you believe is the major value / potential value of mobile banking?"
Please rate each benefit on a 1 to 5 scale where 1 = "very low value" and 5 = "very high value".
Source: Finalta

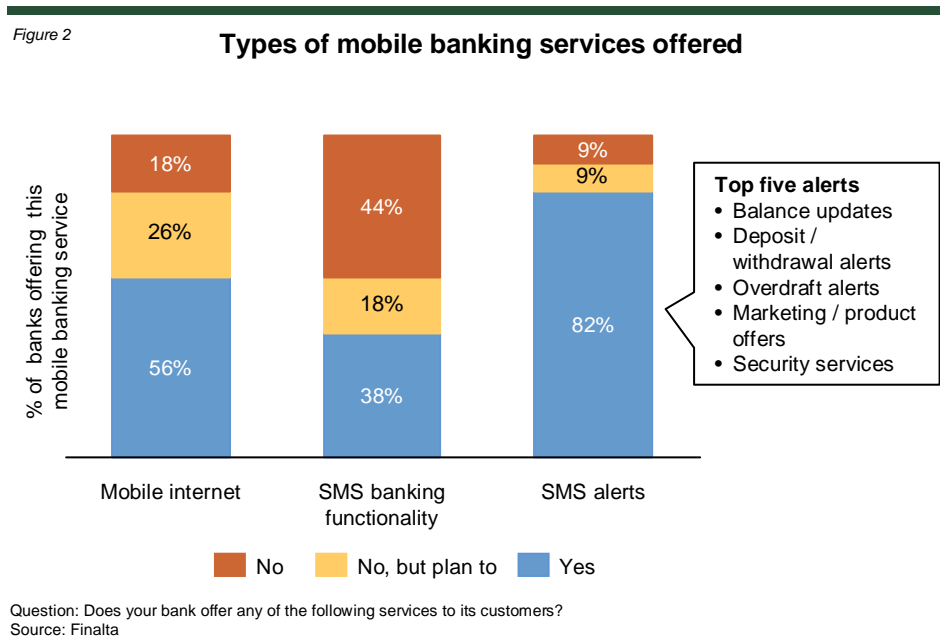
Reaching younger customers was the highest rated priority overall. The fear of losing contact with the future generation of banking customers is therefore the major driving force behind banks' interest. Improving customer service is the second priority with accessibility and greater reach being the main drivers. General brand improvement is the third priority. This is evidenced by a number of high profile, above the line, marketing campaigns launched by banks in conjunction with their mobile internet services.

Given the expected benefits and the level of interest across European banks, the purpose of this Viewpoint is to provide an overview on the state of mobile banking adoption, barriers to further implementation and Finalta's view on the channel's future.

Mobile banking: a current view

Functionalities offered

Figure 2 summarises the main functionalities banks currently offer to help them connect with their younger customers and improve customer service. Data are provided for the three main types of mobile banking: mobile internet, SMS banking and SMS alerts.



SMS alerts are the most common form of mobile banking, and are offered by 82% of banks. This is not surprising given the relative ease of deploying the technology, In some countries such as Norway, they can also generate income as customers pay a fee to receive SMS alerts. The five most common alerts provided by banks are: balance updates, deposit / withdrawal alerts, overdraft limits, marketing products and security services.

The next most frequently offered service is

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We would be happy to provide this initial material at no cost, in return for the opportunity to explain how over 850 retail banking executives across Europe benefit from our Retail Banking Excellence Programme.