

April 2013

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Mobile banking: how to drive usage and sales

Executive summary

The aim of this article is to summarize the state of mobile banking and show how sales can be stimulated. What follows draws on both discussions with banks as well as customer research that Efma and McKinsey undertook in collaboration. The findings in summary are:

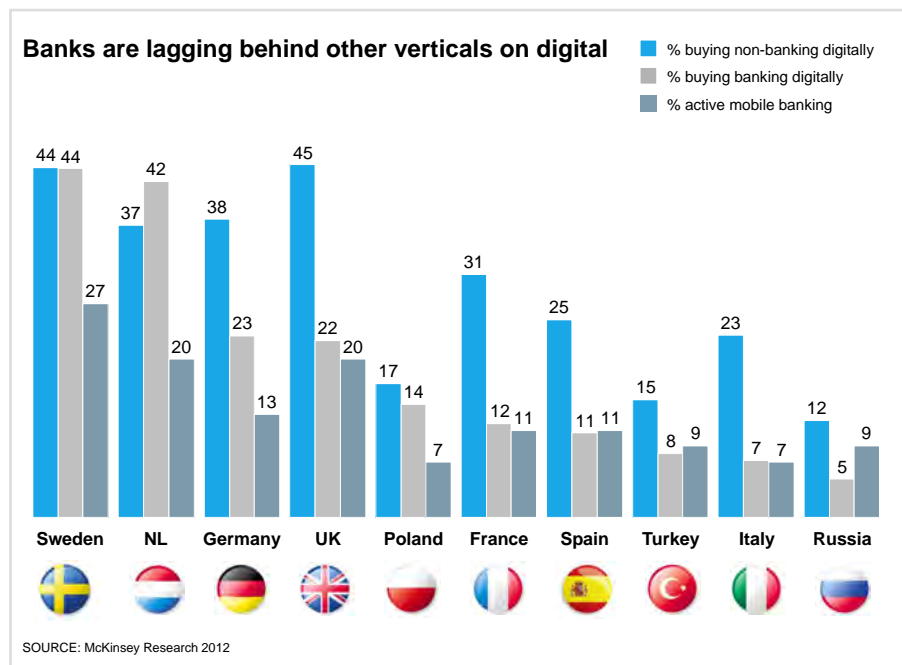
- Banking through the mobile handset is lagging behind other types of on-line sales. However, it can become the preferred channel if banks address the security concerns of customers.
- We see four opportunities to accelerate mobile banking sales:
 1. Claim the evolving mobile payment space
 2. Innovate the product and service offering
 3. Capture the value of data to which banks have best access
 4. Become the preferred gateway in banking and related services.
- Capturing the sales opportunity in mobile requires banks to bring many of their current skills to a higher level, while at the same learning a completely new set of skills.

As we embark on a year that is sure to be full of digital developments, we hope you find these reflections and forecasts helpful.

Mobile can become the most used channel in banking

To estimate the potential for mobile banking sales, it is worthwhile to look at how online sales in non-banking products have developed. When comparing several countries, we see more or less the same pattern: 25 to 50 percent of the population is active in buying non-banking products, but mobile banking usage and sales are typically only half as large.

EXHIBIT 1



That said, the leading nations in terms of mobile usage show that a shift may be imminent and can happen rapidly. The Netherlands, for example, shows mobile banking overtaking the more traditional form of online banking with a doubling of transactions in just the past year. The primary drivers are 24/7 access and convenience whereas the main concerns are the speed of service and security. We believe the factors driving increasing transactions will continue to gain ground while user concerns will diminish, laying the ground for a further increase in uptake.

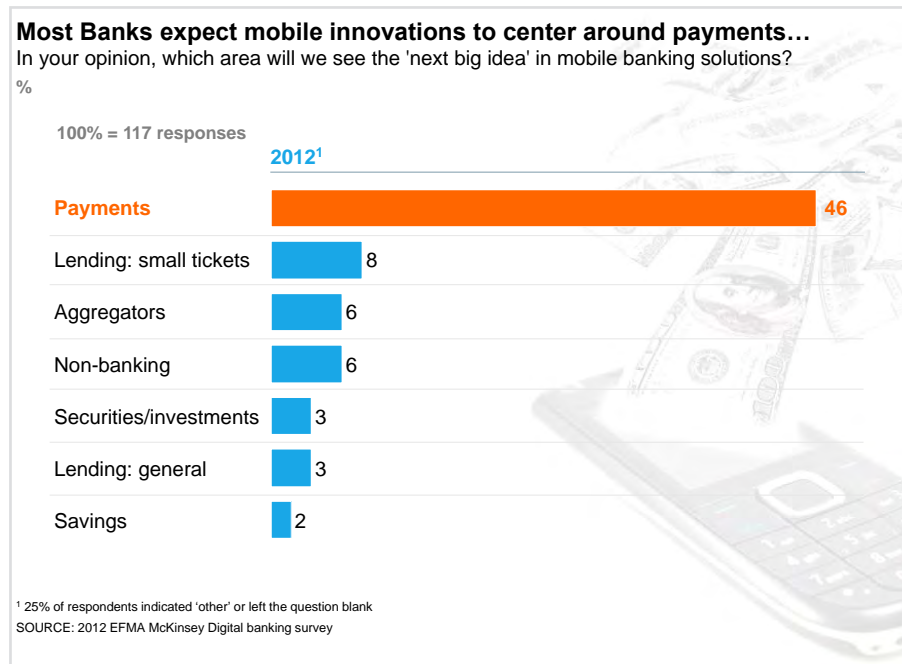
Four opportunities to accelerate mobile banking

What continues to be hotly debated is how to stimulate banking and sales transactions through mobile devices. We believe that banks need to pursue at least four concrete opportunities:

1. Claim the evolving mobile payment space

The undisputed “next big idea” in mobile banking is payments according to nearly half of the banks we surveyed.

EXHIBIT 2



Emerging payments standards continue to see rapid innovation. Online leaders like Facebook are experimenting as are retailers such as Starbucks and the online payment giant PayPal. Innovation in payments is coming from many other sources, too, including VCs, telcos and card operators.

These players are often expanding on earlier digital payment models in many cases. For instance, applications and other forms of mobile content are already bought by up to 40 to 50 percent of users, according to one recent survey. The shift is occurring very rapidly with double-digit percentage growth happening year-on-year.

2. Innovate in offering products and services

Until now, most mobile banking services have been digital versions of already existing banking services. That is slowly changing: banks are becoming increasingly innovative in what products and services they offer.

We see banks innovating with *enhanced banking*, namely, providing access to new services not offered to their customers in the traditional channels; and *financial products* such as insurance. These are natural extensions of today's banking experience.

In addition, we see banks leveraging their buying power to help with the everyday expenses of their customers' utility bills and travel since banks can act as natural hubs for customers with similar financial needs.

We also see banks offering "money-can't-buy" kind of access to premieres and sporting events, as well as different types of *time savers* for their customers. Not all of these ventures will prove successful or have a valid business case – the point is that there are opportunities with future product and service revenue streams still up for grabs.

3. Capture the value of data

Banks hold a unique position in today's world of data – they know the credit-worthiness of customers and their spending patterns. Banks and JV partners can design new products and expand the bank's business base. In addition, the efficiencies of big data can boost the success rate in customer take-up

The value of data is proving to be very high. Our propensity models show hit rates up tenfold in campaigns focusing on, for example, savings and lending. Although many banks are already working in this space, we see enormous potential to further monetize the treasure trove of data that banks retain.

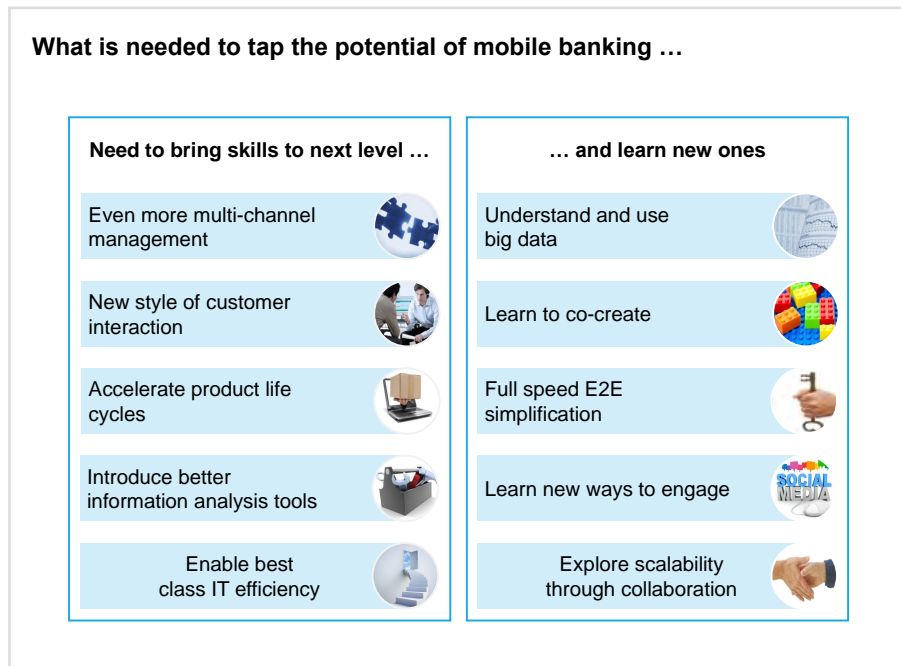
4. Become the preferred gateway in banking and related services

From our research in mobile payments, we know that customers do online product research, make price comparisons and make purchase decisions based on other customers' ratings.

Some banks have moved to capture this opportunity. Rakuten bank provides an example of combining banking with a suite of portal services, including travel and online security. This ecosystem of services is supported by a loyalty scheme to provide further incentives. This is an area of rapid innovation where we are doing considerable additional research.

Capture mobile banking with old and new skills

EXHIBIT 3



We believe that capturing the potential of mobile banking will require the evolution of a new type of bank. But the bank of tomorrow will require both new skills and some familiar existing ones. In terms of *old skills*, the stress on multichannel coordination will increase, and customers will demand new forms of interaction. Clearly, cost-efficient use of IT will remain as important as it has ever been.

Among the *new skills*, banks will require the ability to venture into novel areas such as co-creation while engaging in much faster end-to-end product development and increasing collaboration with outside parties. Banks that make progress in these areas will be stronger, become larger and be more profitable than competitors, both in 2013 and in the years ahead.



As a global not-for-profit organisation, Efma brings together more than 3,300 retail financial services companies from over 130 countries. With a membership base consisting of almost a third of all large retail banks worldwide, Efma has proven to be a valuable resource for the global industry, offering members exclusive access to a multitude of resources, databases, studies, articles, news feeds and publications. Efma also provides numerous networking opportunities through working groups, online communities and international meetings.

For more information: www.efma.com