MOBILE BANKING SERVICES IN NEW ENGLAND
Results of Federal Reserve Bank of Boston – NEACH Survey
Payments Strategy Services Forum
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Breffni McGuire and Marianne Crowe
Agenda

- Survey Background
- Products & Services
- Business Drivers & Strategy
- Technology & Providers
- Key Findings
SURVEY BACKGROUND
Q28: What is your FI’s asset size?  
N = 314
Geographic Regions of Respondent Locations  
(Headquarters in Blue)

Q30. Where to you operate?  N = 314
Most Respondents Have Yet to Offer Mobile Banking

Q3: When did you start offering mobile banking to your customers?

- **Do not plan to offer**: 144 (46%)
- **Do not offer, but plan to in next 2-3 years**: 80 (25%)
- **Do not offer mobile banking, but plan to offer within the next year**: 55 (17%)
- **More than a year ago**: 28 (9%)
- **Within last 6 months**: 7 (2%)
- **Within last 6 to 12 months**: 2 (1%)

- **Offer**: 37 Respondent FIs offer today
- **Plan**: 135 FIs plan to offer in 12–36 months
- **No plan**: 144 FIs have no current plans to offer

N = 316
Why Some FIs Have No Plans to Offer

- Unclear business case
- Security concerns
- Lack of customer demand
- Poor or no connectivity to support services
- Lack of resources
- Low priority relative to core business
- No fit with FI business model
PRODUCTS and SERVICES
Q2: How does your Financial Institution define mobile banking?

N = 286

- Laptop computer & wireless connection (Wifi) to access online banking site: 88 (29%)
- Mobile device connects to FI for customer self-service financial business: 248 (82%)
- RFID or NFC for contactless payments: 45 (15%)
- Other: 19 (6%)
Q6: What mobile banking technology methods do you use or plan to use in the future?  

New England FI Results

- WAP/Browser: 139 (89%)
- SMS: 71 (45%)
- Downloadable Application: 39 (25%)

Javelin Results

- WAP/Browser: 16 (59%)
- SMS: 6 (26%)
- Downloadable Application: 5 (22%)

Q4: Which mobile banking products & services do you offer or plan to offer in next 3 years?  
N = 159
Multilingual Mobile Banking Service is a “Nice to Have,” But – Most Banks Don’t Plan to Offer

Only 33 FIs offer or plan to offer language other than English

FIs currently offering:
- MA – 9%
- CT – 3%
- NH – 3%

FIs planning to offer:
- MA – 48%
- CT – 24%
- ME – 9%
- RI – 3%

Q5: Do you or will you offer multilingual mobile banking services? N = 164
Writing on the Wall – Another Free Service

Q20: Do you or will you charge a fee for mobile banking services? N = 150

116 - NO (77%)
34 - YES (23%)

Pricing is mix of fees & transaction charges for the 23% that (plan to) charge for services

18 (55%)
11 (33%)
4 (12%)

Q. 21 If you answered yes to question 21, how do you charge? N = 33
Q23: Are you offering or do you plan to offer mobile payment services to your customers?  

N = 161

71% plan to offer mobile payments at some point
43% plan to charge for mobile payments services, while just 23% charge for mobile banking services
Most Planned Mobile Payment Services Are Bill-Pay Related

Q. 24 If you offer mobile payment services, please select all features that your FI is considering?  N = 150

- Bills through our online banking system
- Alerts for upcoming bills and other payments
- Payments for POS transactions
- Online purchases via Internet banking service
- On-us person to person payments
- Bill payments through biller direct website
- Interbank P2P payments
- Online payments billed to mobile phone number
- Not Applicable
- Other
- Mobile lockbox payment (e.g. via Wausau)

Bar chart showing the number of services planned to be offered, with the highest being Alerts for upcoming bills and other payments at 110 (85%).
Q17: What percentage of your current customers have signed up for or are using your mobile banking?  N = 160
FIs Are Seeing Few Service Complaints

Q13: What are the most common customer problems and/or complaints about your mobile banking services?  N = 157

- No complaints: 7
- FI2FI capabilities: 1
- Password issues: 2

Bar graph showing:
- Use of text messaging: 3 (2%)
- Size of screen: 5 (3%)
- Difficult to use: 6 (4%)
- Speed of application: 8 (5%)
- Other: 10 (7%)
- Connectivity Issues: 14 (10%)
- Not Applicable: 111 (76%)
BUSINESS DRIVERS and STRATEGIES
Key Drivers for Offering Mobile Banking Services

- Attract new customers, 61 (37%)
- Retain existing customers, 34 (21%)
- Be market leader with technology, 19 (12%)
- Keep up with competition, 46 (28%)
- Decrease operations costs related to Call center and IVR call volume, 2 (1%)
- Other, 2 (1%)

Q14: What is your primary business reason for offering mobile banking? N = 164
Evaluation of Customer Preferences is Generally an Informal Process

Q15: How do you collect and evaluate customer preferences or demand for mobile banking services?  
N = 162
Q19: What was your initial roll-out strategy?  N = 155
Supported by a Mix of Marketing Tactics

Q16: How do you (plan to) market your mobile banking products and services?  N = 158

- Statement stuffers: 125 (77%)
- Radio, TV, Print ads: 71 (44%)
- Post on bank website: 152 (93%)
- Other: 5 (3%)
- Information on Internet banking site: 124 (76%)
- Email or phone existing customers: 46 (28%)
- Direct Mail: 66 (40%)
- Advertise at branch(es): 134 (82%)
Q11: What do you perceive to be the top three barriers to banks implementing mobile banking? N = 164

- FSI security concerns: 92 (56%)
- Customer perception of security concerns: 76 (46%)
- Cost to deploy technology: 71 (43%)
- Lack of customer demand/interest: 69 (42%)
- Regulatory Concerns: 59 (36%)
- ROI: 52 (32%)
- Poor mobile network coverage: 26 (16%)
- Being locked-in to particular technology/vendor: 22 (13%)
- Interoperability/lack of standards: 15 (9%)
- Other: 5 (3%)
- Revenue sharing issues with mobile carriers: 2 (1%)
Q12: What are your top two security concerns related to mobile banking?  N = 162

Source: Javelin Strategy & Research. US Mobile Banking Benchmark study  
  n = 2,230
TECHNOLOGY/VENDORS
Primary Factors Influencing Mobile Technology Decision

Q7: What are the primary factors that influence your decision about which mobile technology method to use?  

Customer Preference: 89 (54%)
Vendor Product offering: 79 (48%)
Ease of implementation: 67 (41%)
Vendor or consultant recommendations: 37 (22%)
Familiarity with the technology: 25 (15%)
In-house expertise/research: 20 (12%)
Time to market: 20 (12%)
Other: 12 (7%)

N = 165
Due Diligence Indicates FIs Looking at 3–4 Providers

Q9: How many vendors/providers did you (will you) consider?  N = 161;
Q10: How do you (plan to) manage your m.b. system (in/out)?  N = 101

- 23% FIs (plan to) process in-house
- 77% FIs (to) outsource to 3rd party
Key Application Vendors and Providers

- Clear difference by FI size / type
- A wide range of providers are considered
- Outsourced provider is generally core provider or offered via core provider

Q8: Who is your mobile banking application vendor or service provider?  N = 85;
Q10: Current or planned outsourcing partner.  N = 78
FINDINGS and CONCLUSIONS
Key Findings

- Only 37 FIs (12%) have started or fully implemented a mobile banking solution
- Almost half of respondents have no current plans to implement mobile services
- ... but the pace of adoption is accelerating over the next 12 months
- Most FIs are rolling out services in stages
- ... and most have not done a formal market analysis of customer needs
- Competitive forces (+) and cost (−) are key part of the decision process
Key Findings

- Phase 1 services are information/alert related, with larger FIs offering more sooner
- Payment services will be built around bill payment
- FIs use a wide range of vendors based on type and asset size
- Survey respondents often use a combination of technology platforms
- Security is a leading concern for both FIs and their customers
Recommendations

- Build your business case around your customers and their needs
  - Different customer segments desire different services
  - Consider age, risk tolerance, income, business size
- Consider a “soft launch” starting with your staff
  - Assess what works and what doesn’t work in a controlled environment
- Implement technology and product/service capabilities in phases
Four Steps to Determine your Financial Institution’s Mobile Banking Strategy

Step 1: Identify your customer base
- Demographics
- Desired mobile banking functions
- Preferred mobile access platforms

Step 2: Define your mobile strategy
- Budgeting
  - Implementation
  - Infrastructure
  - Support
- Mobile Banking
  - In-House vs vendor
  - Long-term vs short-term investment

Step 3: Choose an access solution
- SMS
- WAP
- Downloadable/Embedded Application

Step 4: Select a vendor
- Different packages
- Implementation costs
- Vendors target your specific type of FI
- Vendors aligned with your mobile banking strategy

Next Steps – What You Requested

- Regulatory Information
- Best Practice Seminars
- Status Updates
- Tutorials (Webinars)

Open Discussion

Q:26: Please share your ideas on what role(s) the Federal Reserve Bank of Boston can play in helping to increase your knowledge of mobile banking and/or that NEACH can play in increasing your understanding of mobile payments

N = 45