



# Mobile Banking & Payments Forum

What's taking place in New England

September 10, 2014

# Today's Agenda

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- 9:30 – 10:00    The Mobile Landscape  
*Marianne Crowe, Federal Reserve Bank of Boston*
- 10:00 – 10:15    The 2014 Mobile Banking & Payments Survey  
*Breffni McGuire, NEACH*
- 10:15 – 11:00    Findings from NE Credit Unions  
*Breffni McGuire, NEACH*
- 11:00 – 11:15    Break
- 11:15 – 12:00    Findings from NE Banks  
*Marianne Crowe, Federal Reserve Bank of Boston*



# 2014 Mobile Banking and Payments Survey

Credit Union Data

Breffni McGuire, NEACH

# Survey history

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- ▶ 2008 – Comprehensive mobile banking survey
- ▶ 2010 – “Mini survey” questionnaire – focus on service adoption
- ▶ 2011 – 2<sup>nd</sup> Mini survey
- ▶ 2012/2013 – Focus on mobile banking & payments survey
  - ▶ FRBB “bank” survey, EOY 2013
  - ▶ “NEACH “Credit Union” survey, Jan 2013
- ▶ August 2014 – Updates previous survey & adds new questions in key areas

**\* Four Federal Reserve Banks participated \***

# Methodology

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- ▶ Survey developed and distributed by
  - ▶ Federal Reserve Bank of Boston
  - ▶ NEACH
- ▶ Survey open from July 17 to August 15, 2014
- ▶ Institutions completed the survey online or sent responses for manual input by the FRBB

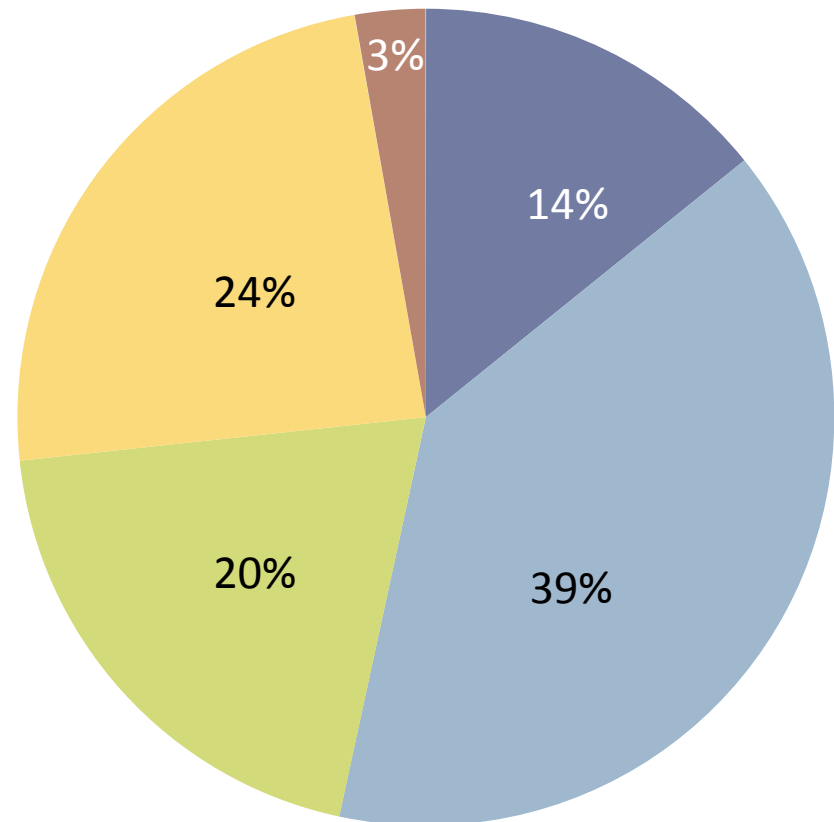


# Survey results: respondents by type

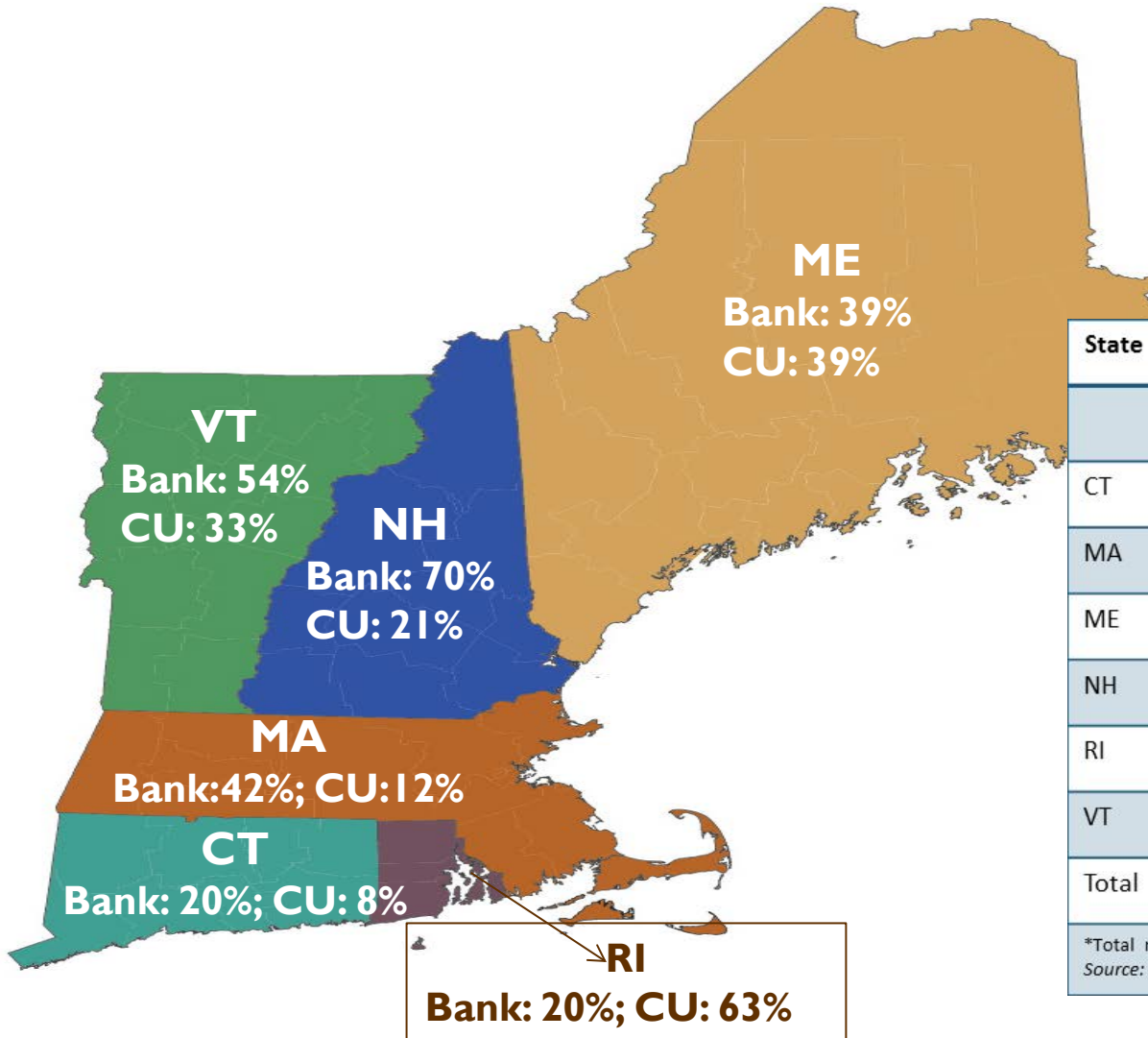
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- ▶ 176 financial institutions across New England completed the survey
  - ▶ 107 banks
  - ▶ 69 credit unions

- Commercial Bank
- Credit Union
- Savings Bank
- Cooperative or Mutual Bank
- Other



# Survey results: respondents by location

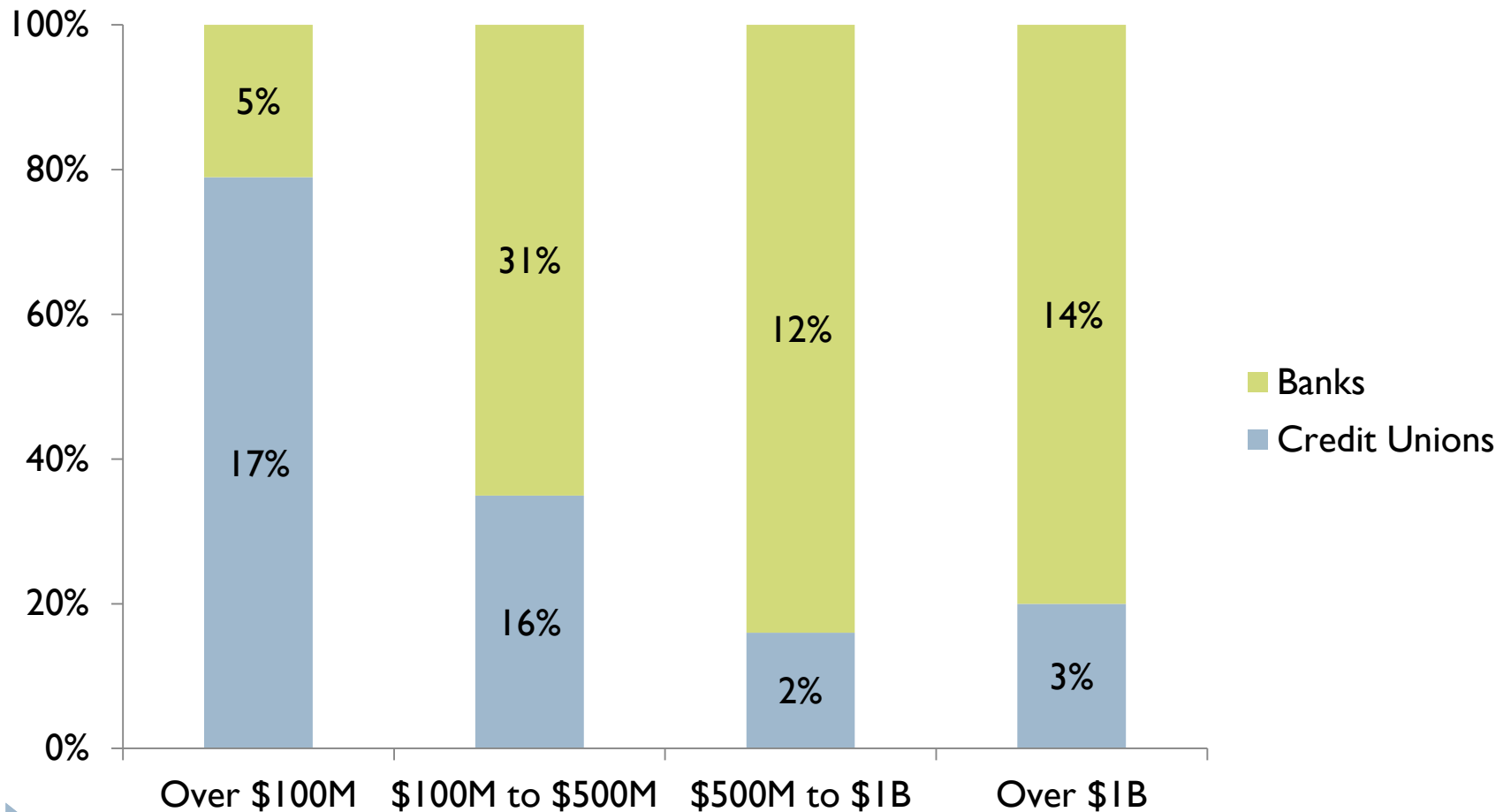


State	Banks		Credit Unions	
	# of respondents	State Total	# of respondents	State Total
CT	9	45	9	115
MA	63	149	22	189
ME	11	28	24	61
NH	14	20	4	19
RI	2	10	2	21
VT	7	13	8	24
<b>Total</b>	<b>107*</b>	<b>265</b>	<b>69</b>	<b>429</b>

\*Total number of respondents includes one bank in NJ  
 Source: State total data FDIC and NCUA, June 2014

# Survey results: respondents by asset size

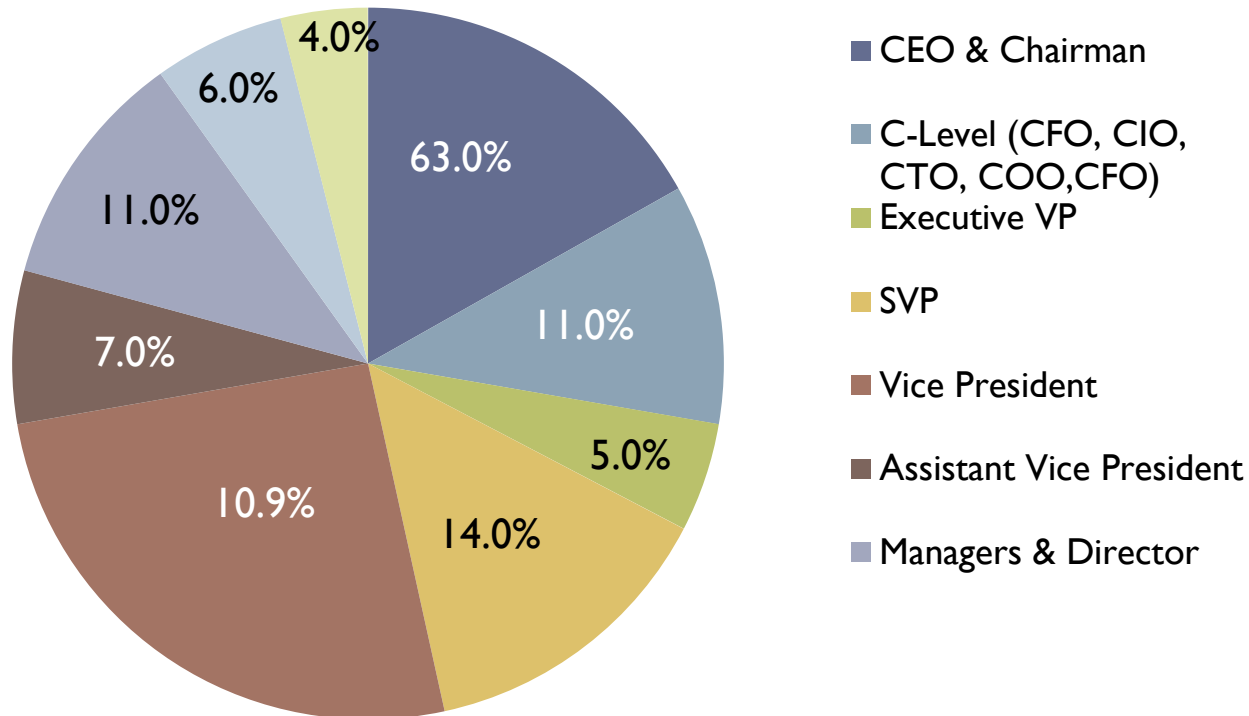
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# Survey results: 74% were CEO or C-level

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# 2014 Mobile Banking and Payments Survey

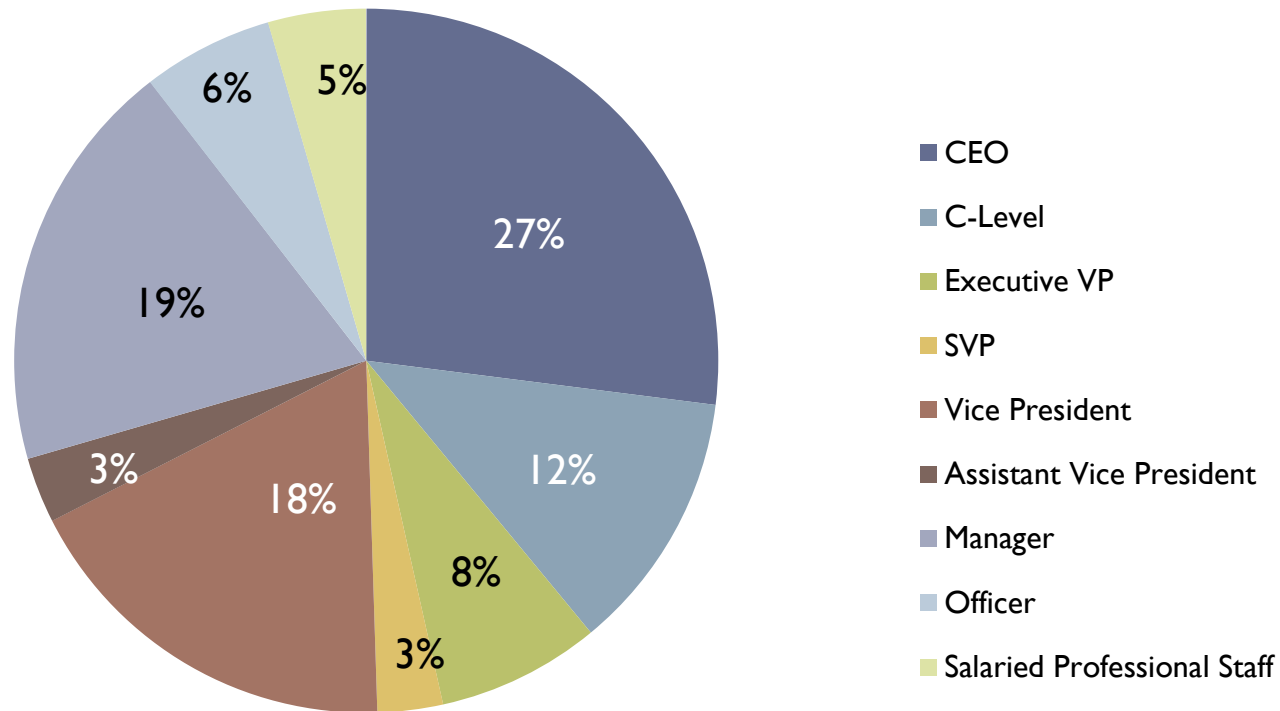
## **Credit Union Findings**

# Demographics

# 47% of respondents were EVPs or above: high response from VPs, Managers

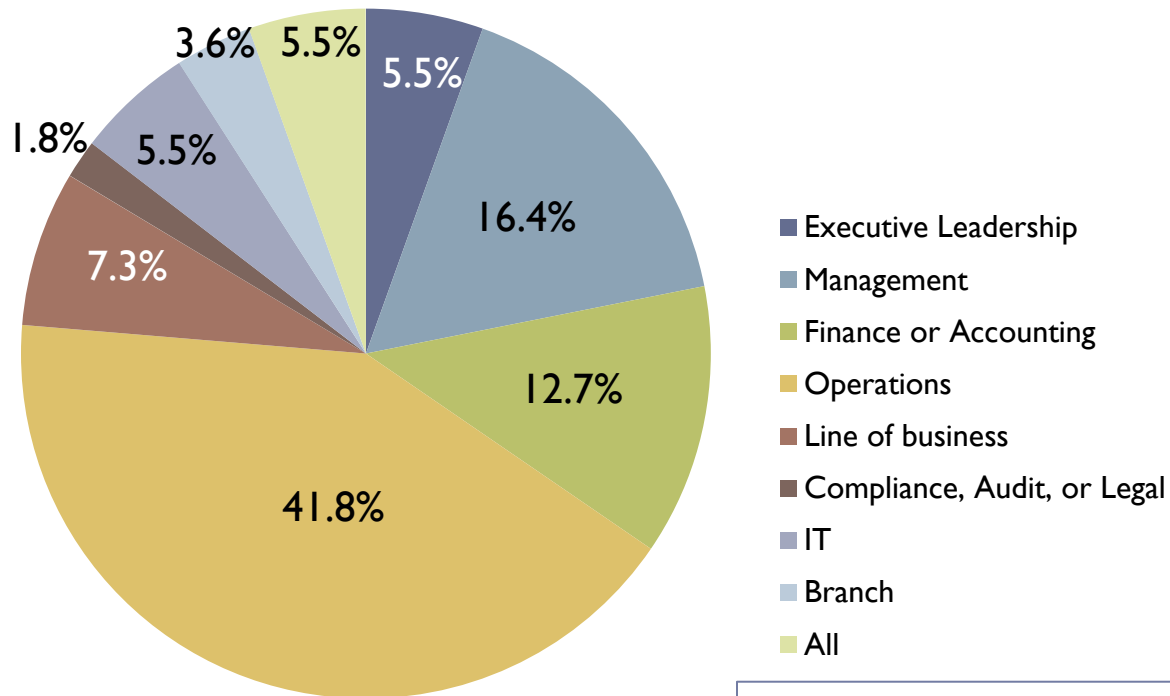
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Please select the title that closely approximates yours; N=66



# Almost 50% of respondents are in Operations area

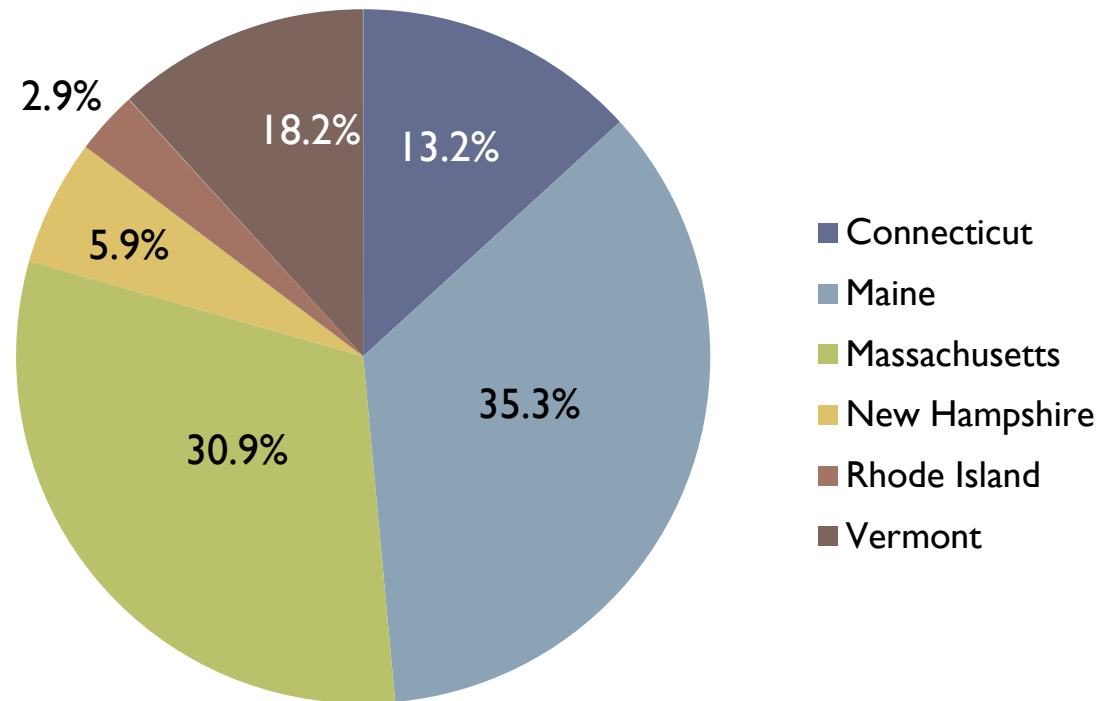
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- Operations and finance include management and staff positions
- 3 individuals selected 'all'

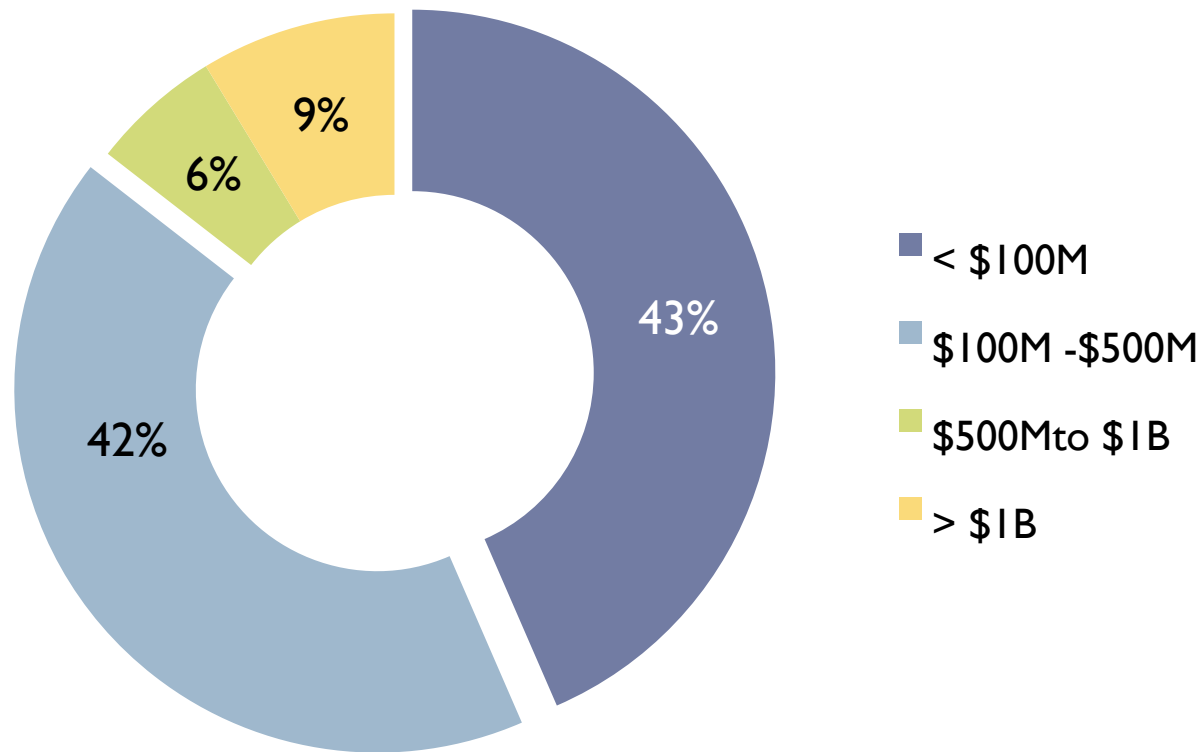
# Respondents' location doesn't correlate to number of credit unions by state

**Maine , New Hampshire, Vermont are over-represented**



# 85% of credit union respondents have fewer than \$500 million in assets

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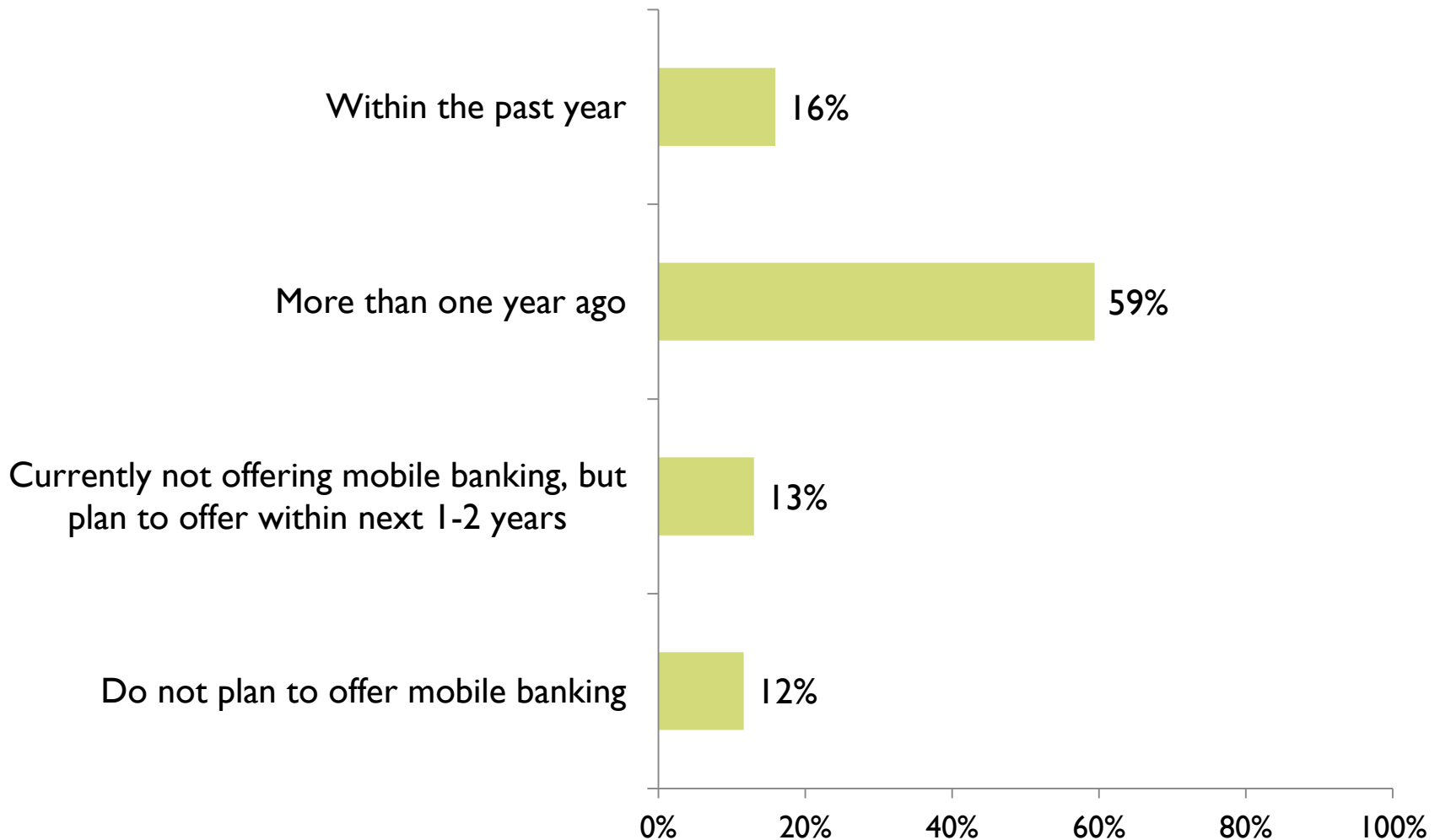
# Mobile Banking

Credit Union Results



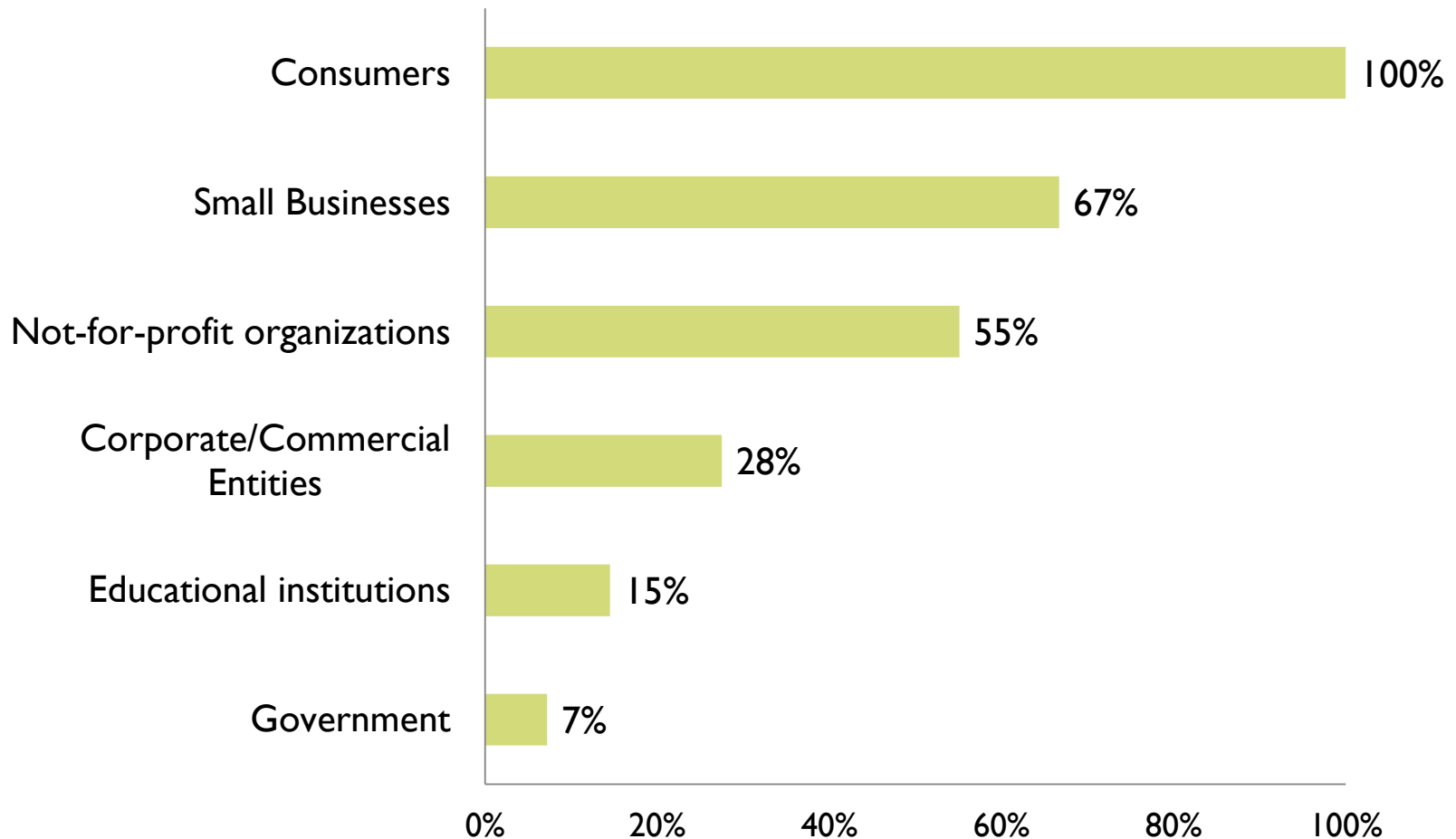
# Credit unions offering mobile banking increased from 68% to 75% in 2014

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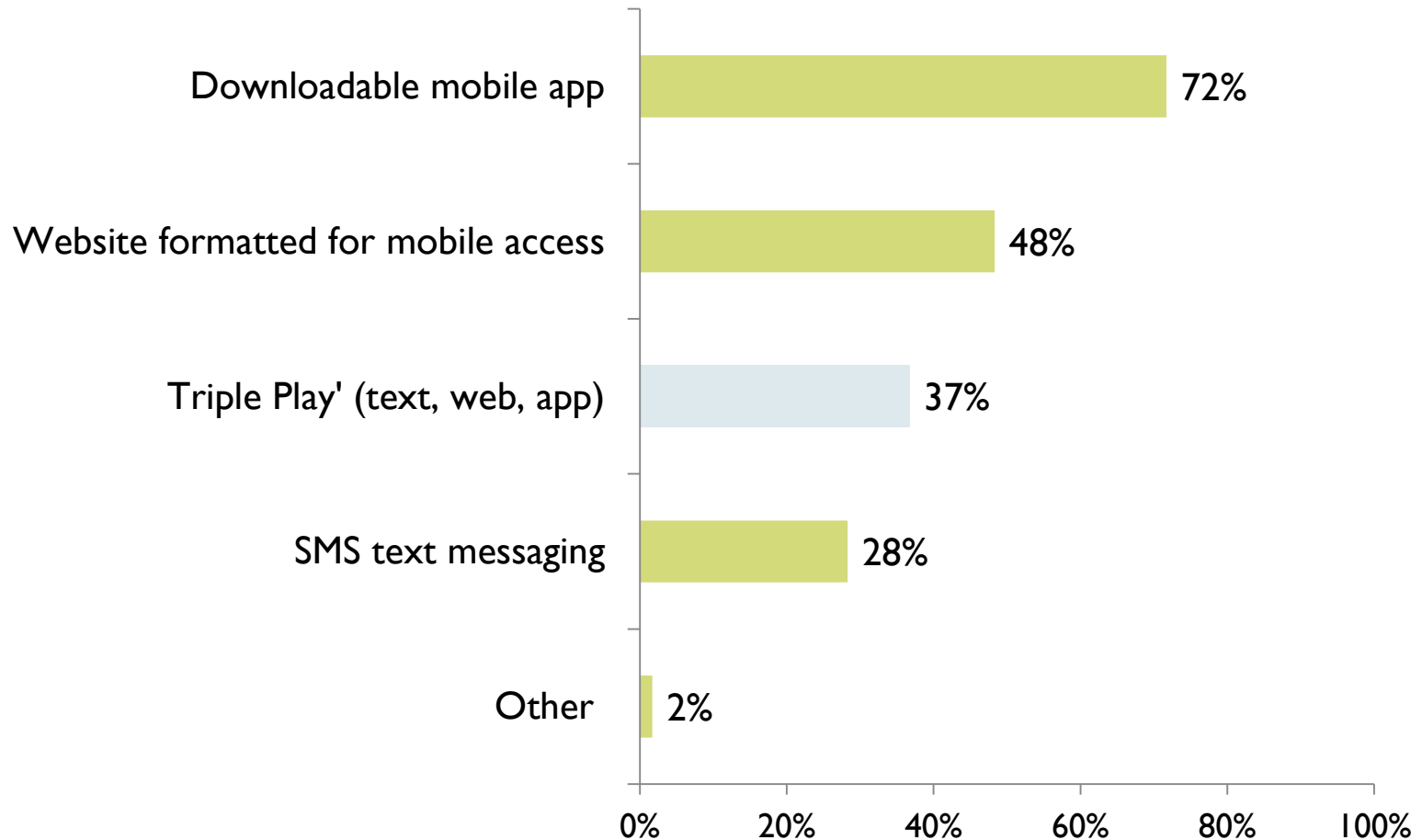
# Credit unions provide services to many different entities – business & non-profit ...

## 71% provide services to non-consumer entities



# Respondents evidence a move away from 'triple play' to mobile app & other platforms

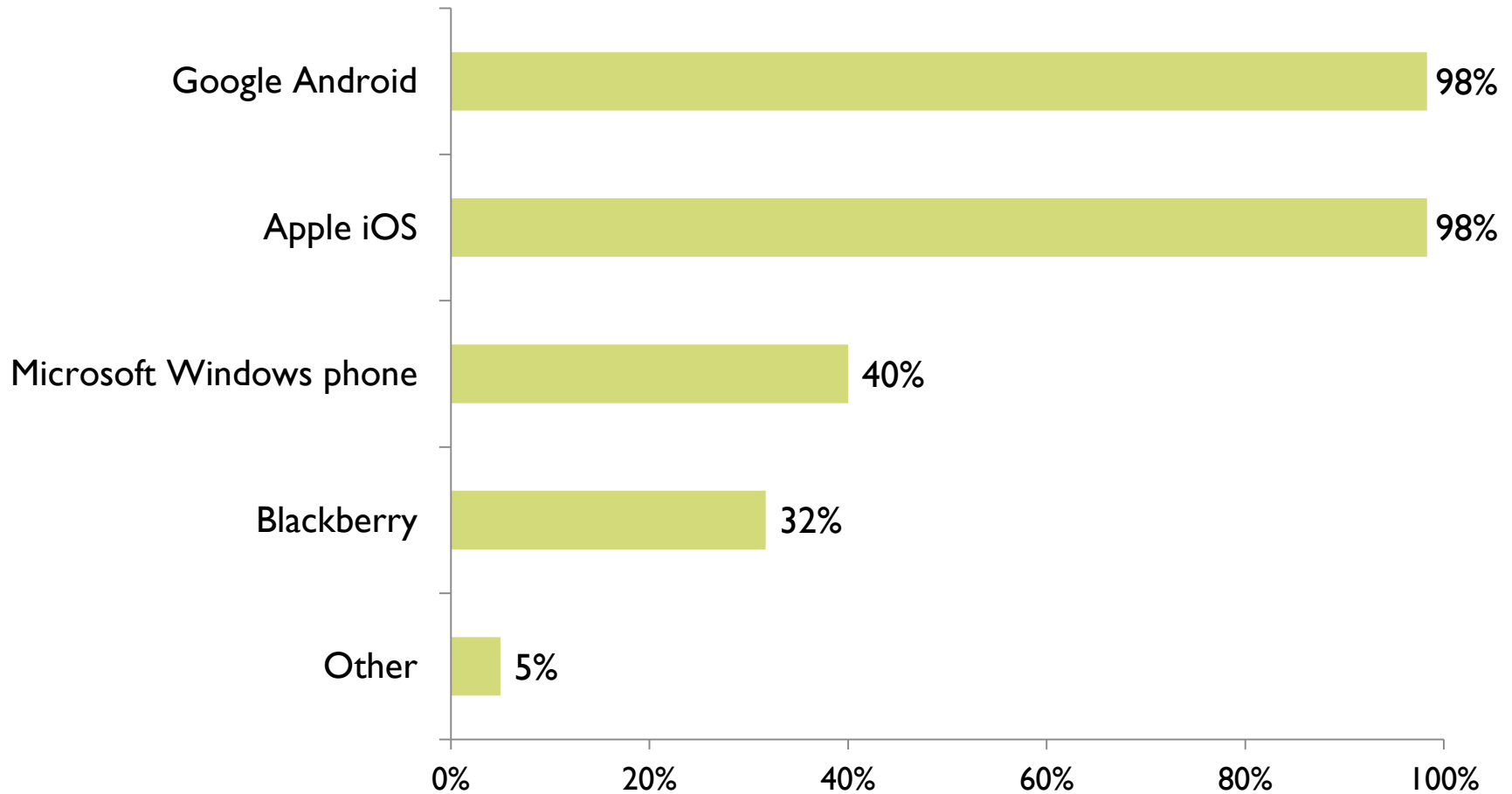
**In 2013: triple play was 62%; mobile app, 27%; mobile website, 29% & text messaging, 12.5%**



Q12. What mobile banking technology platform do you (plan to) use? (Select ALL that apply) N=60

# Google & Apple surge; Blackberry drops 10 percent from 2013 – 16% & 14%, respectively

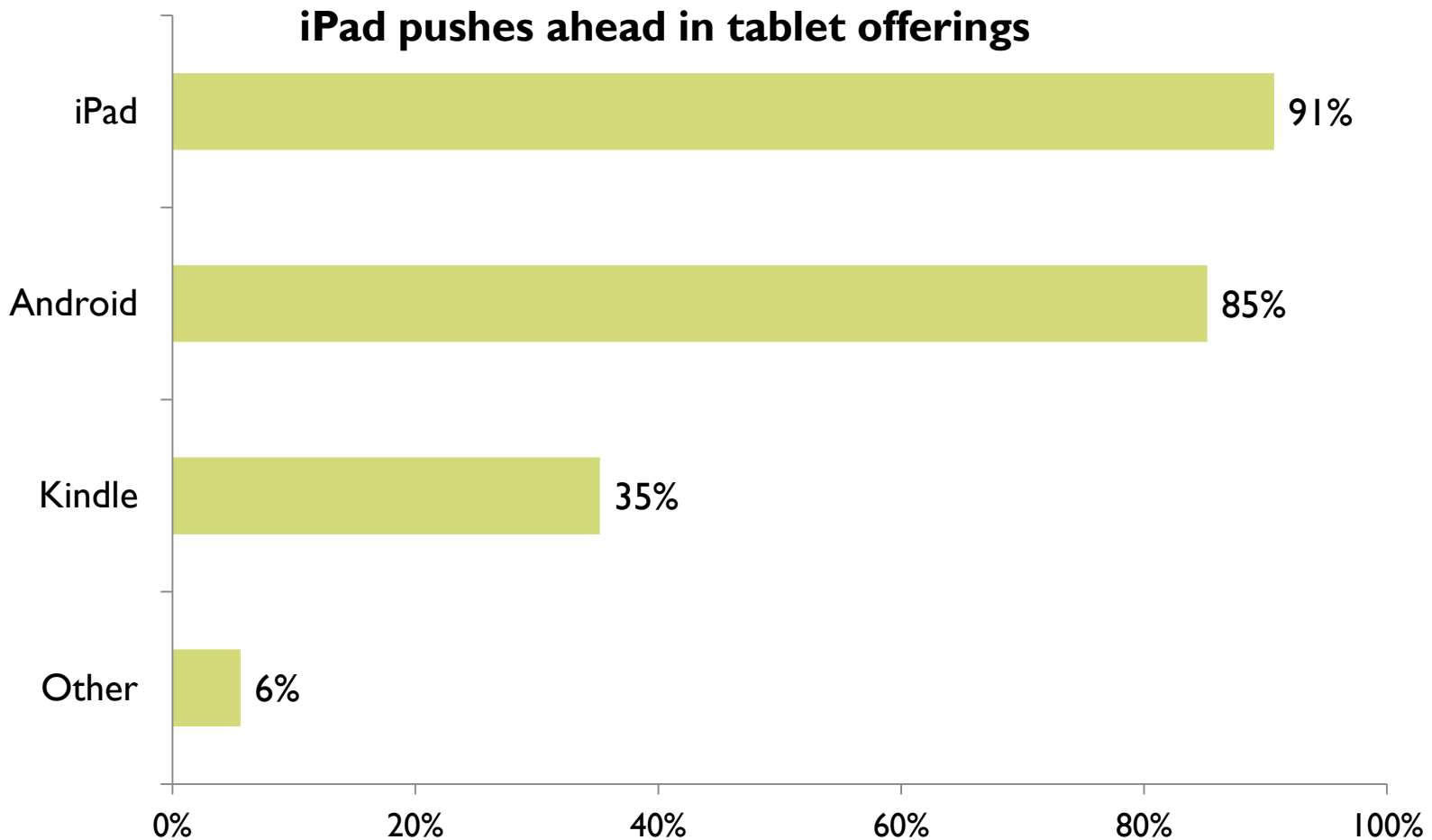
**Blackberry dropped 10%; Microsoft rose 2%**



► Q13. Which of these mobile operating systems does or will your mobile banking application support? (Select ALL that apply) N=60

**NEW**

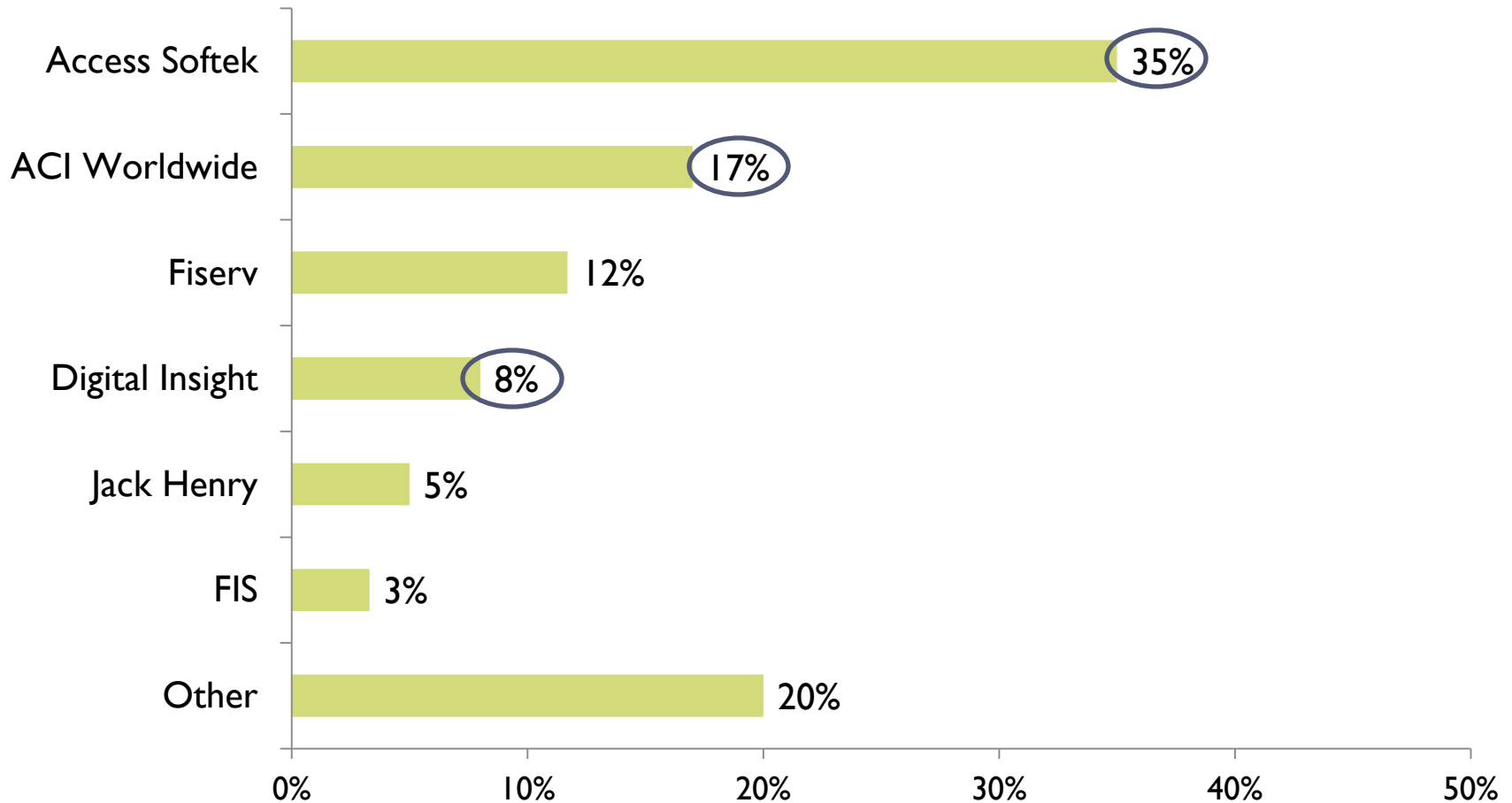
# Credit unions rapidly adopt tablets for mobile banking services



▶ Q14. Do you (plan to) offer mobile banking services via a tablet-specific application? (Check ALL that apply)  
N=54

**NEW**

# Credit unions rely on specialized vendors for mobile banking systems



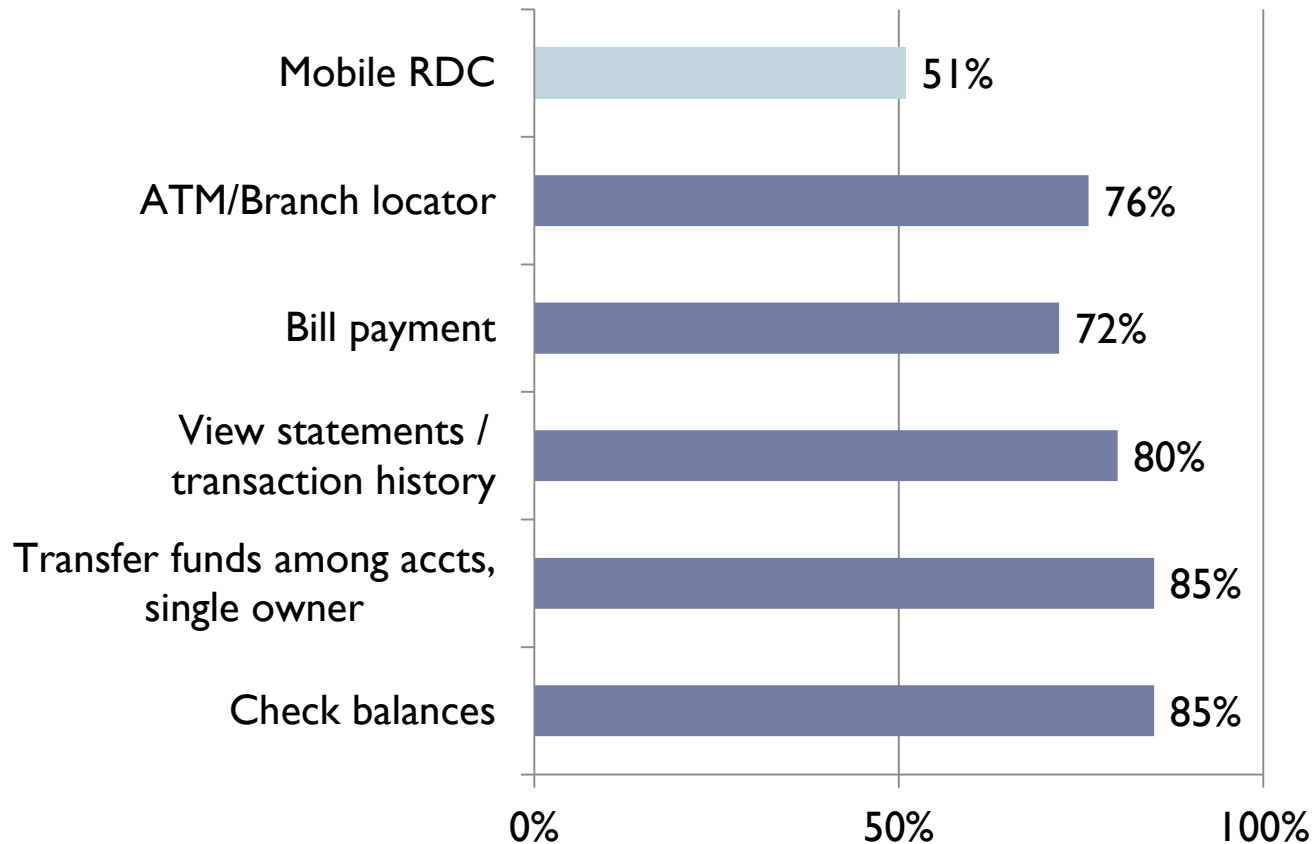
# Checklist of credit union offerings

	Currently offer	Plan to offer	No plans to offer
Check balances (DDA, Savings), N=61	52 (85%)	9 (15%)	0 (0%)
View statements and transaction history (DDA, Savings), N=59	47 (80%)	10 (17%)	2 (3%)
View credit card balances, statements and transaction history, N=55	14 (25%)	14 (25%)	27 (49%)
Check prepaid card/account balances, N=53	2 (4%)	5 (9%)	46 (87%)
View prepaid card/account transaction history, N=53	2 (4%)	5 (9%)	46 (87%)
Bill payment, N=57	41 (72%)	16 (28%)	0 (0%)
Bill presentment, N=52	13 (25%)	11 (21%)	28 (54%)
Transfer funds between same owner's accounts within same FI, N=60	51 (85%)	9 (15%)	0 (0%)
Transfer funds between same owner's accounts at different FIs, N=54	13 (24%)	22 (41%)	19 (35%)
Mobile person-to-person money transfer, N=54	10 (19%)	23 (43%)	21 (39%)
Mobile remote deposit capture, N=59	30 (51%)	24 (41%)	5 (8%)
Stop payment request, N=54	11 (20%)	10 (19%)	33 (61%)
Account address change, N=54	7 (13%)	9 (17%)	38 (70%)
Check reorder, N=54	10 (19%)	11 (20%)	33 (61%)
ATM/branch locator, N=59	45 (76%)	8 (14%)	6 (10%)
Personal financial management, N=55	12 (22%)	12 (22%)	31 (56%)
Access to brokerage services, N=53	0 (0%)	1 (2%)	52 (98%)
International remittances, N=53	0 (0%)	1 (2%)	52 (98%)

► Q16. Which of the following mobile banking services do you currently offer or plan to offer?

# Services implemented by more than 50% of credit unions – mRDC squeaks in

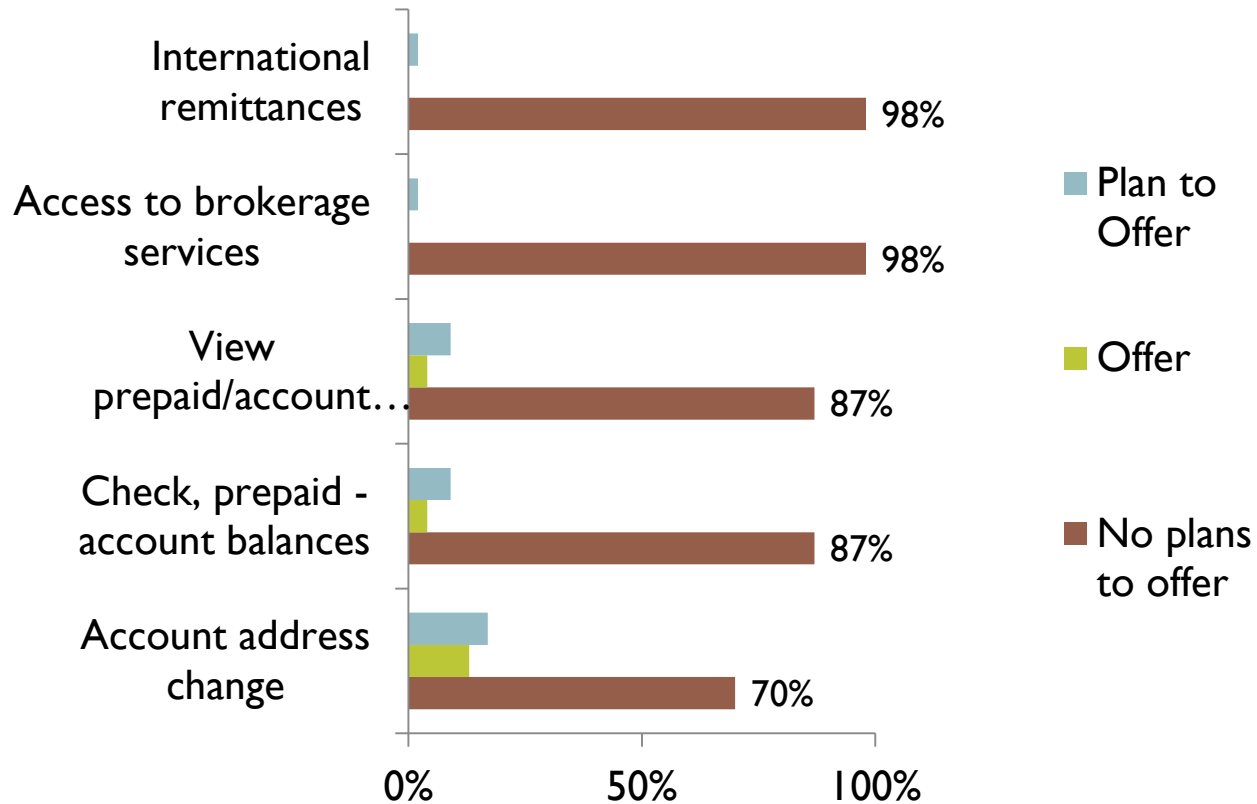
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# Credit unions say 'no' to 5 mobile services

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# Single login and mobile enrollment becoming mainstream

## Credit unions offer features unique to mobile channel

**NEW**

Single login/authentication credentials for online and mobile services

79%

Enroll for mobile banking using a mobile device (mobile enrollment)

71%

Open accounts over mobile device

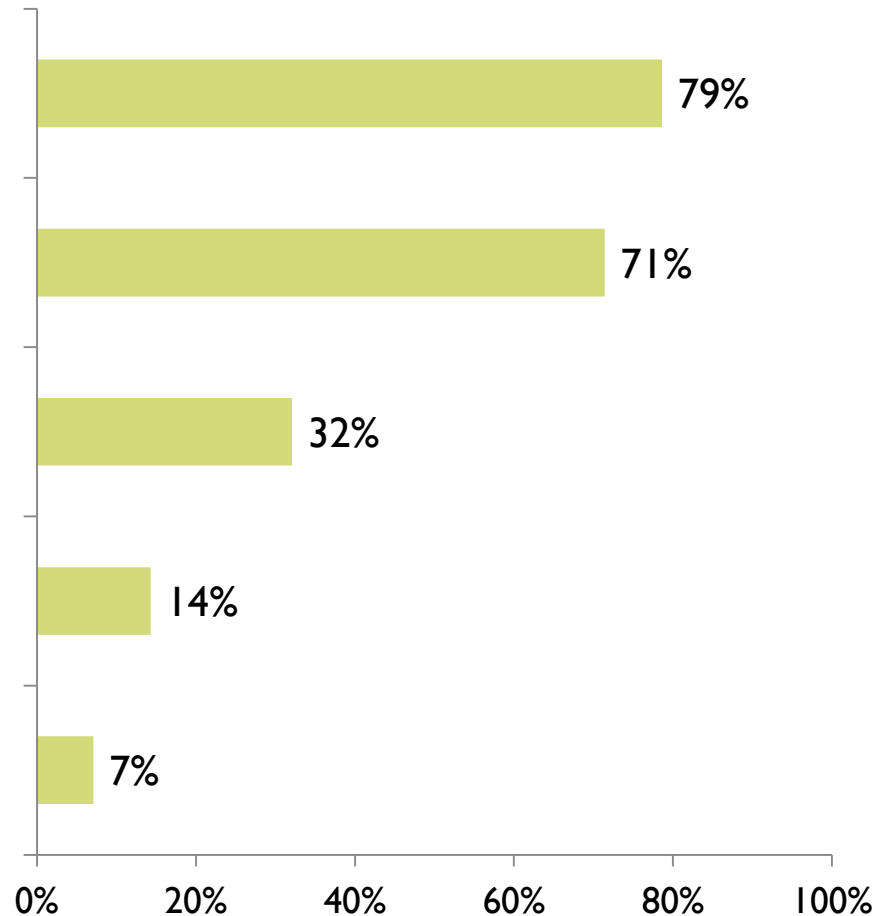
32%

Mobile banking products targeted to the underbanked

14%

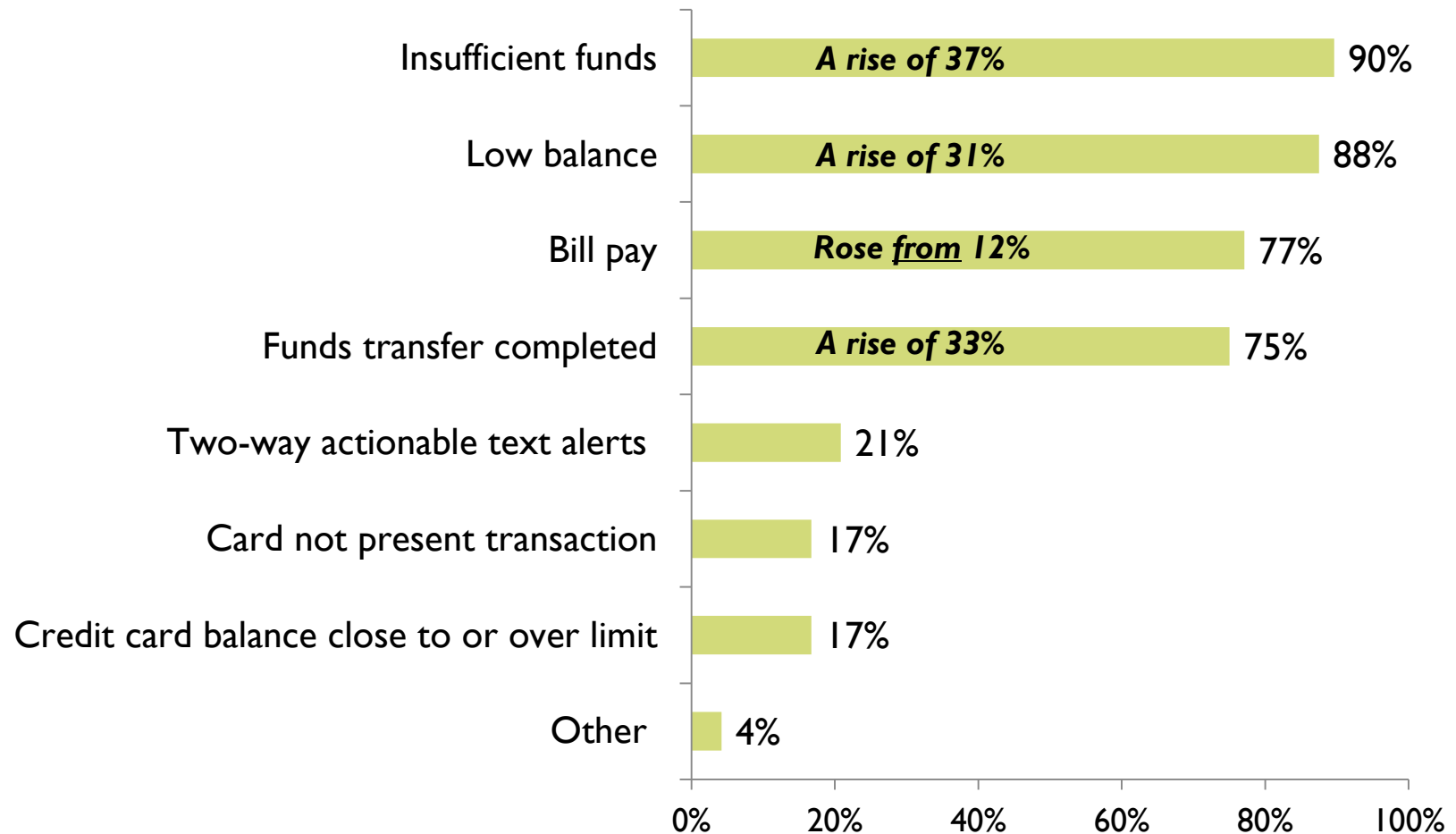
Bilingual mobile website or app

7%



# Credit unions concentrate on standard, high-impact alerts – 2 warnings, 2 advices

**A sea change in alert growth from 2013 ...**



# Customer behavior and data breaches are new major security concerns

**'Identify theft' fell 13% from 2013**

**NEW**

Inadequate customer protection behavior

Identity theft

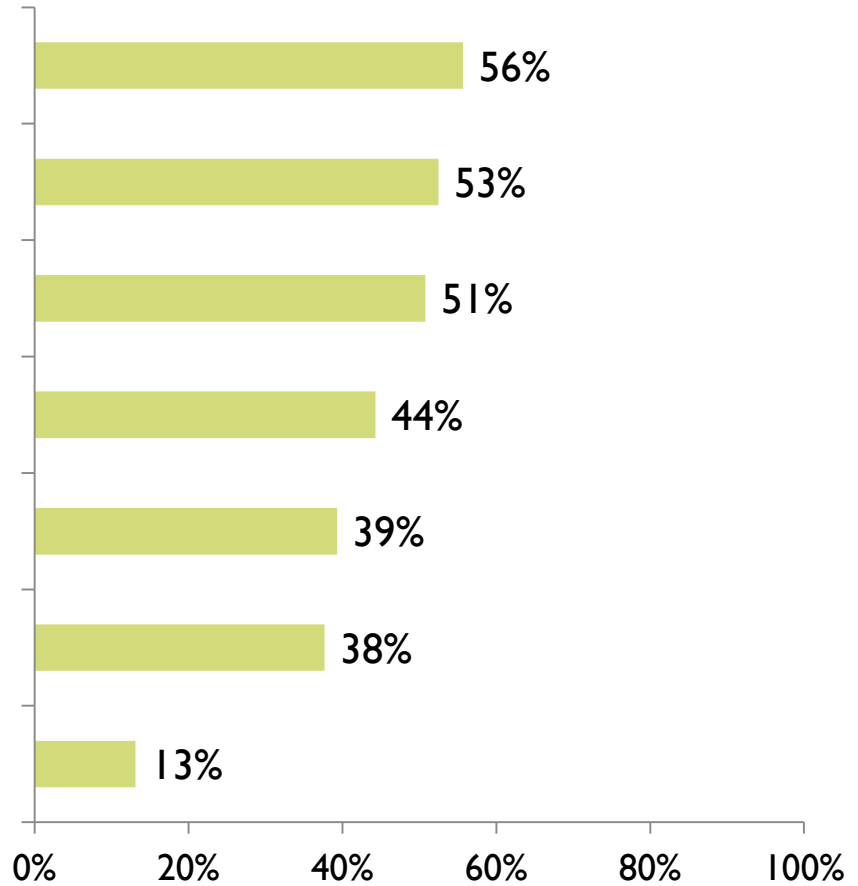
Data breach

Malware/viruses

Mobile spoofing

Use of unsecured network

Insufficient authentication

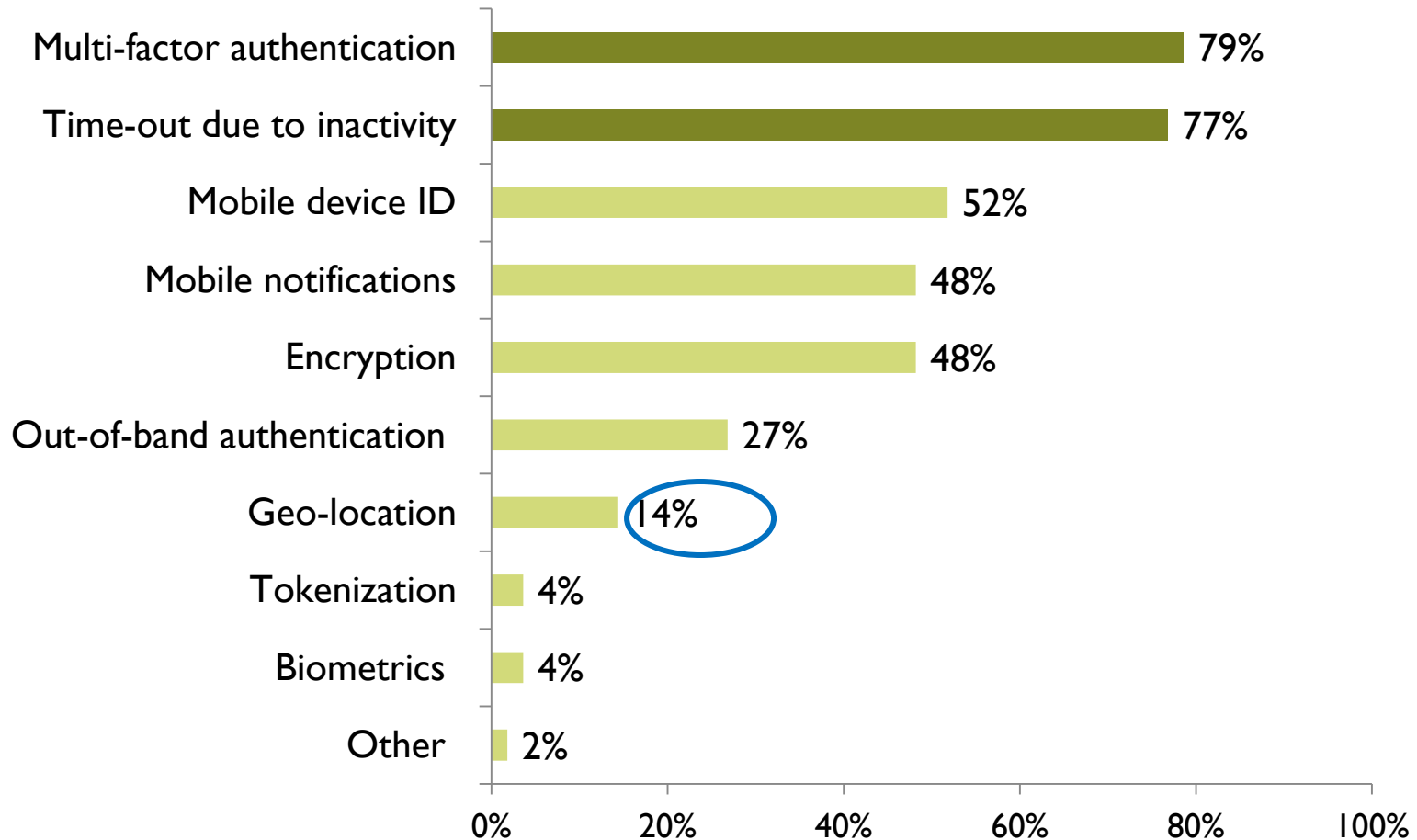


Q19. Please select your FI's TOPTHREE security related issues or concerns associated with mobile banking. (Check

▶ THREE only) N=61

**NEW**

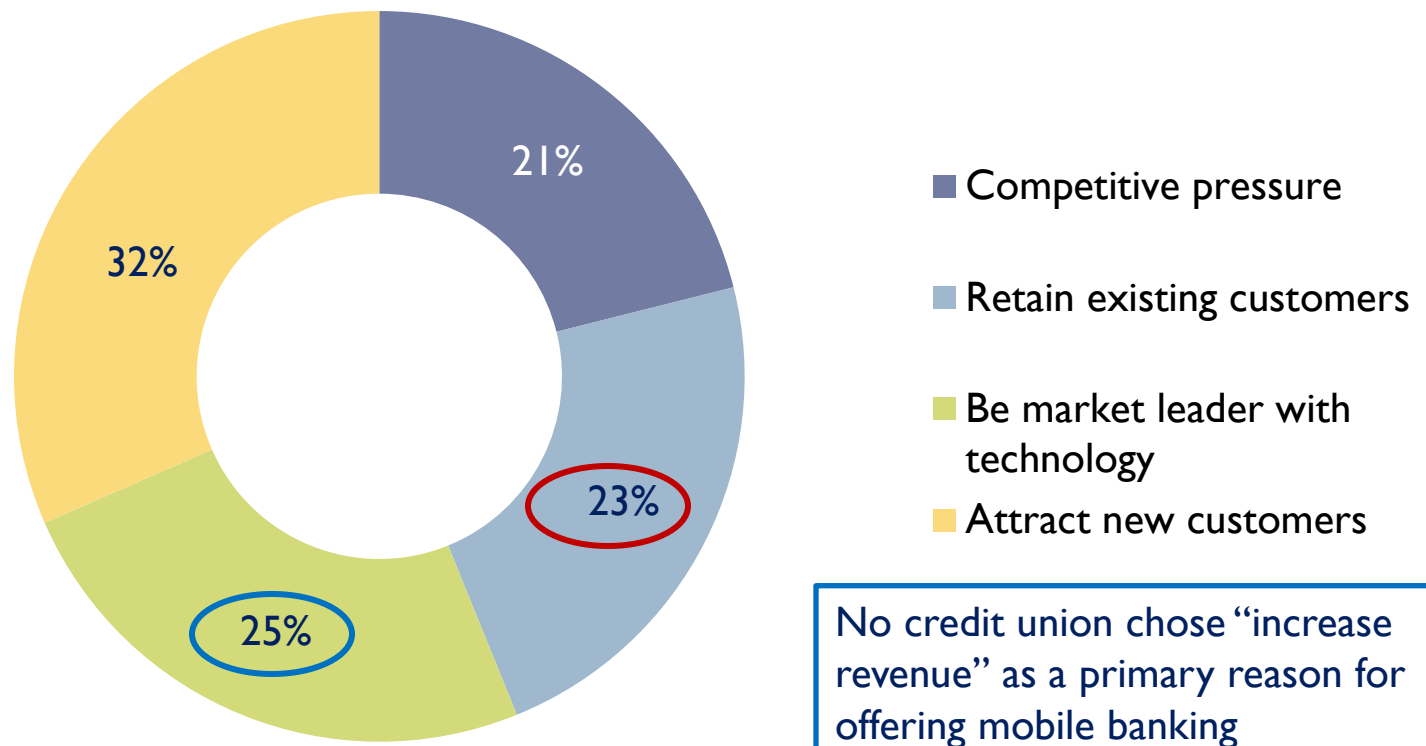
# Five tools are used broadly to increase mobile security



► Q20. Which of the following does your FI currently use or plan to use to enhance mobile security? (Check ALL that apply) N=56

# Credit unions recognize need for new members ... leading with mobile channel

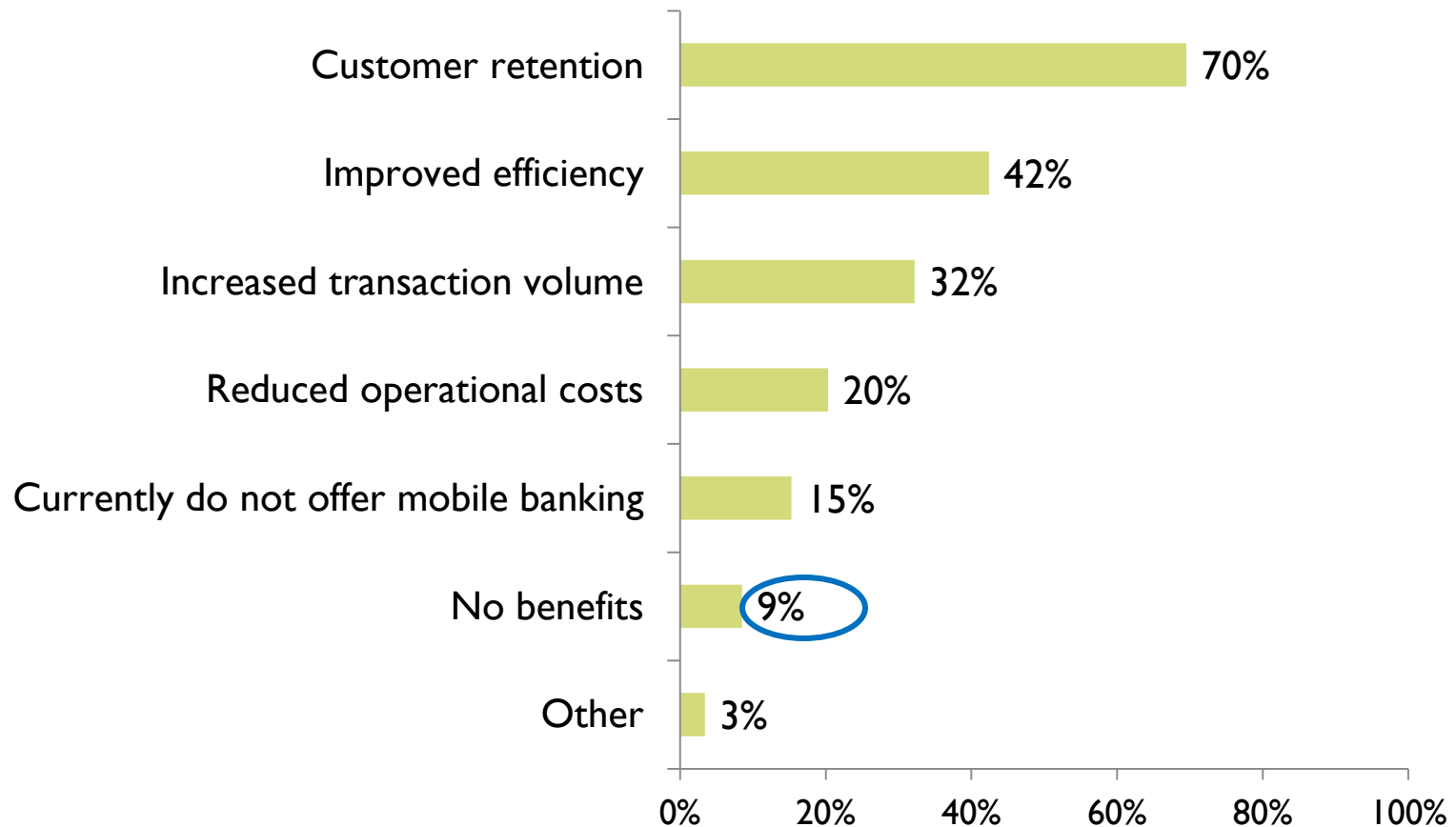
**Attracting new members and being market leader with technology each rose 10 percent from last year – Retaining members sank from 1<sup>st</sup> to 3<sup>rd</sup>!**



**NEW**

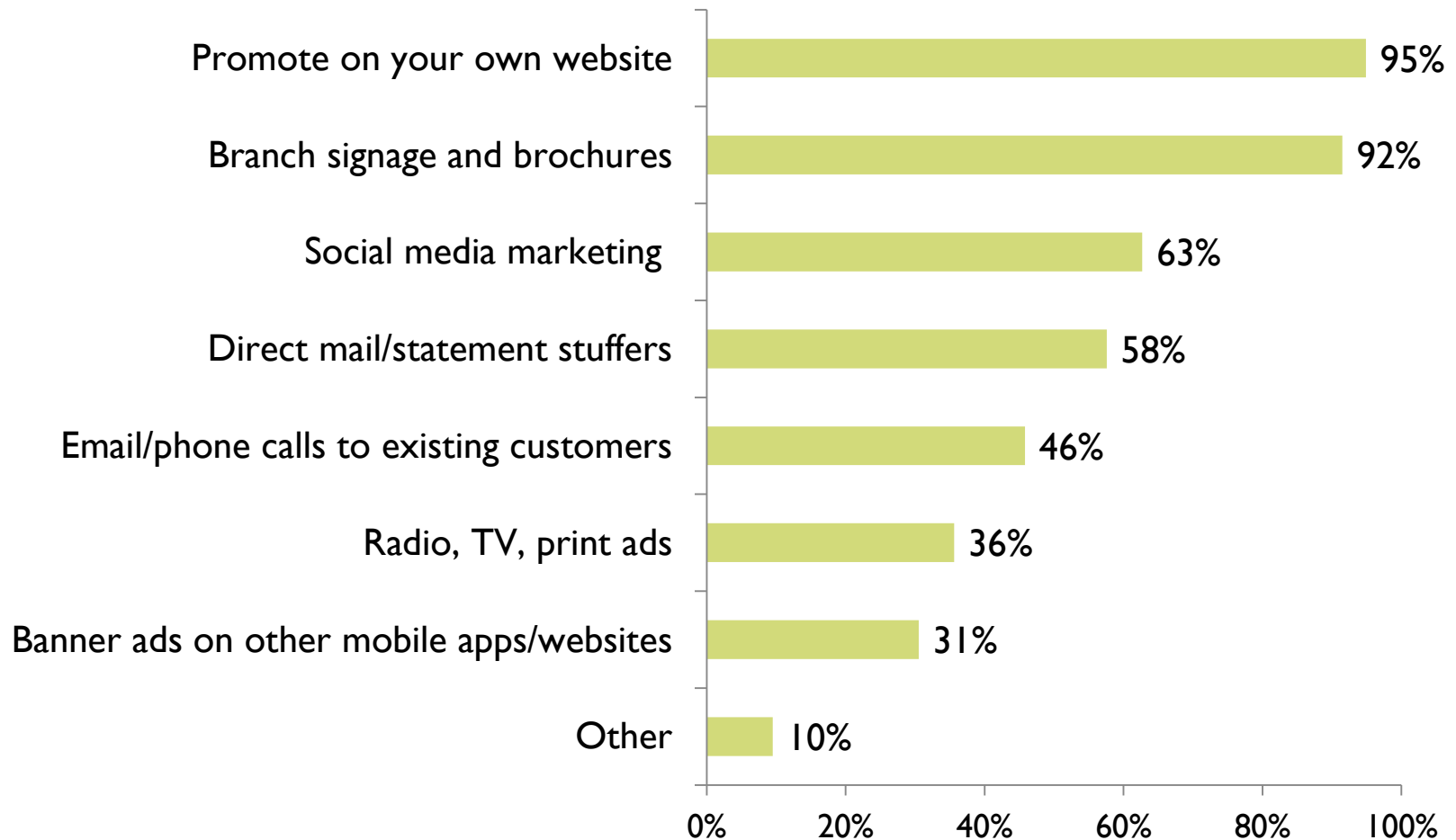
# But mobile banking is seen as key benefit in retaining members – and gaining volume

**Improved efficiency and reduced operation costs provide twin benefits**



# Credit unions use website and branches to promote mobile banking

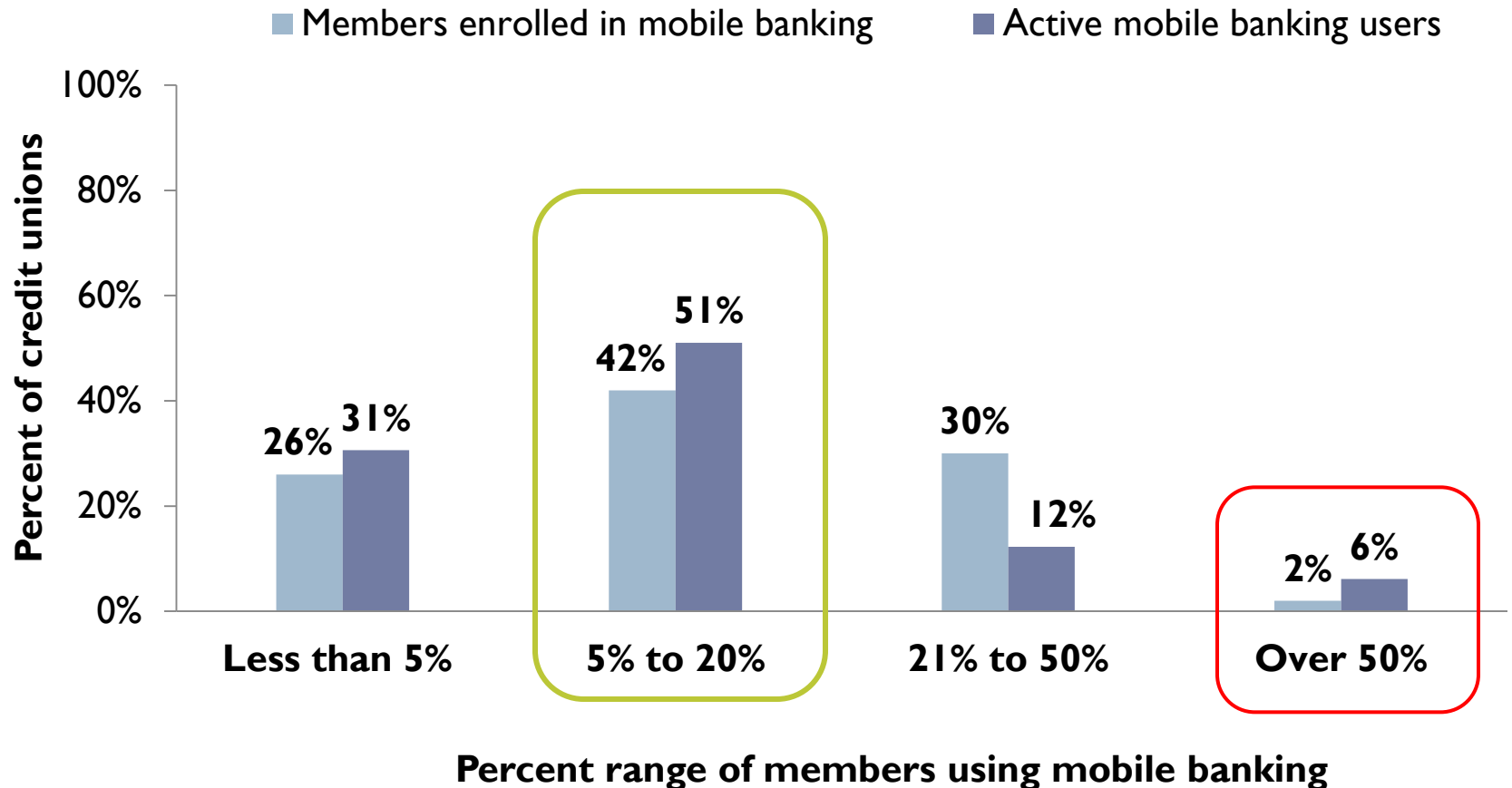
**Reliance on other apps/websites fell 20% YOY; paper falling out of favor**





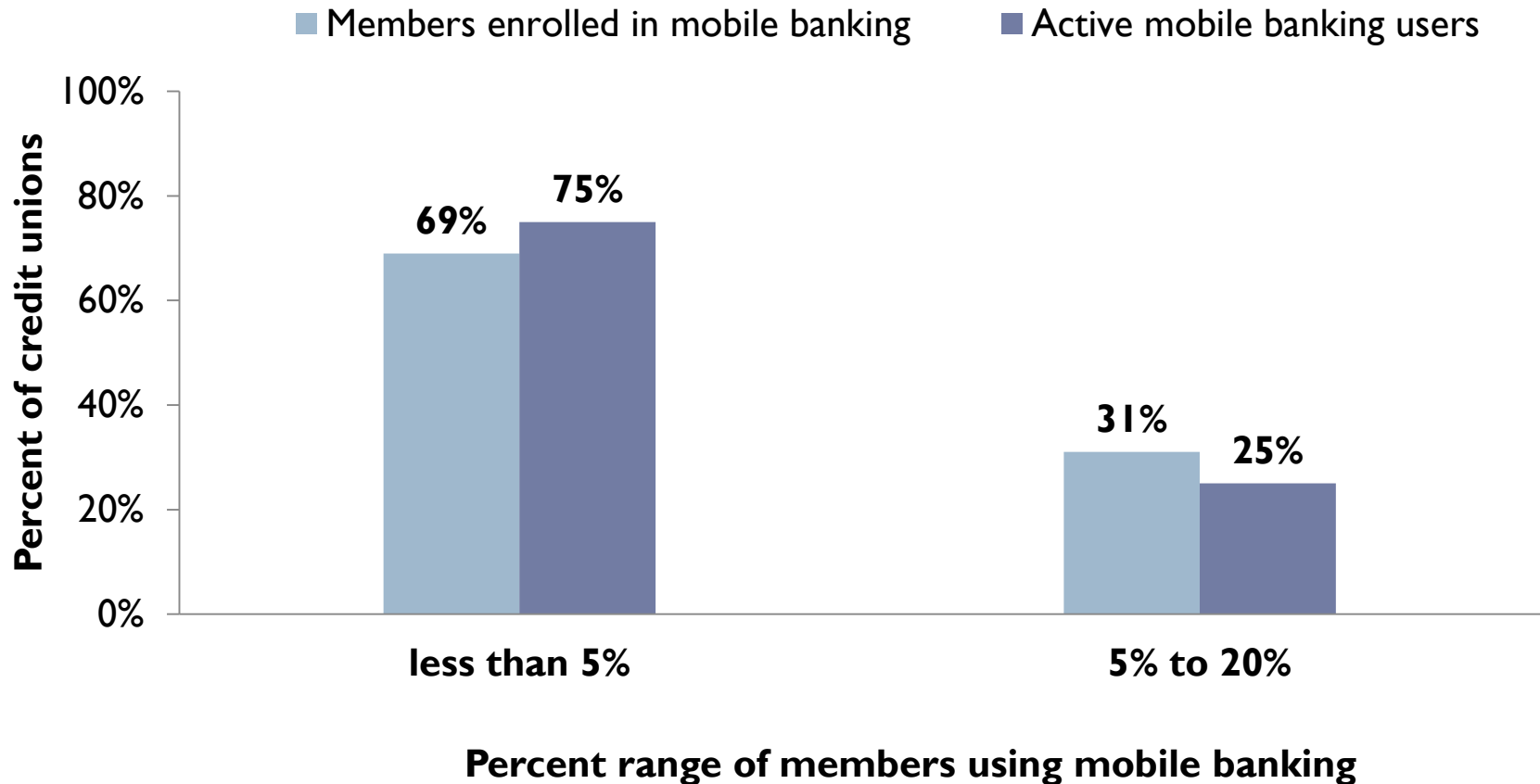
# Consumer adoption, as well as enrollment, is substantially higher than previously

**(Rollout and) adoption picking up over time; moving out of <5%**



# Business enrollment and adoption, too, is substantially higher than previously

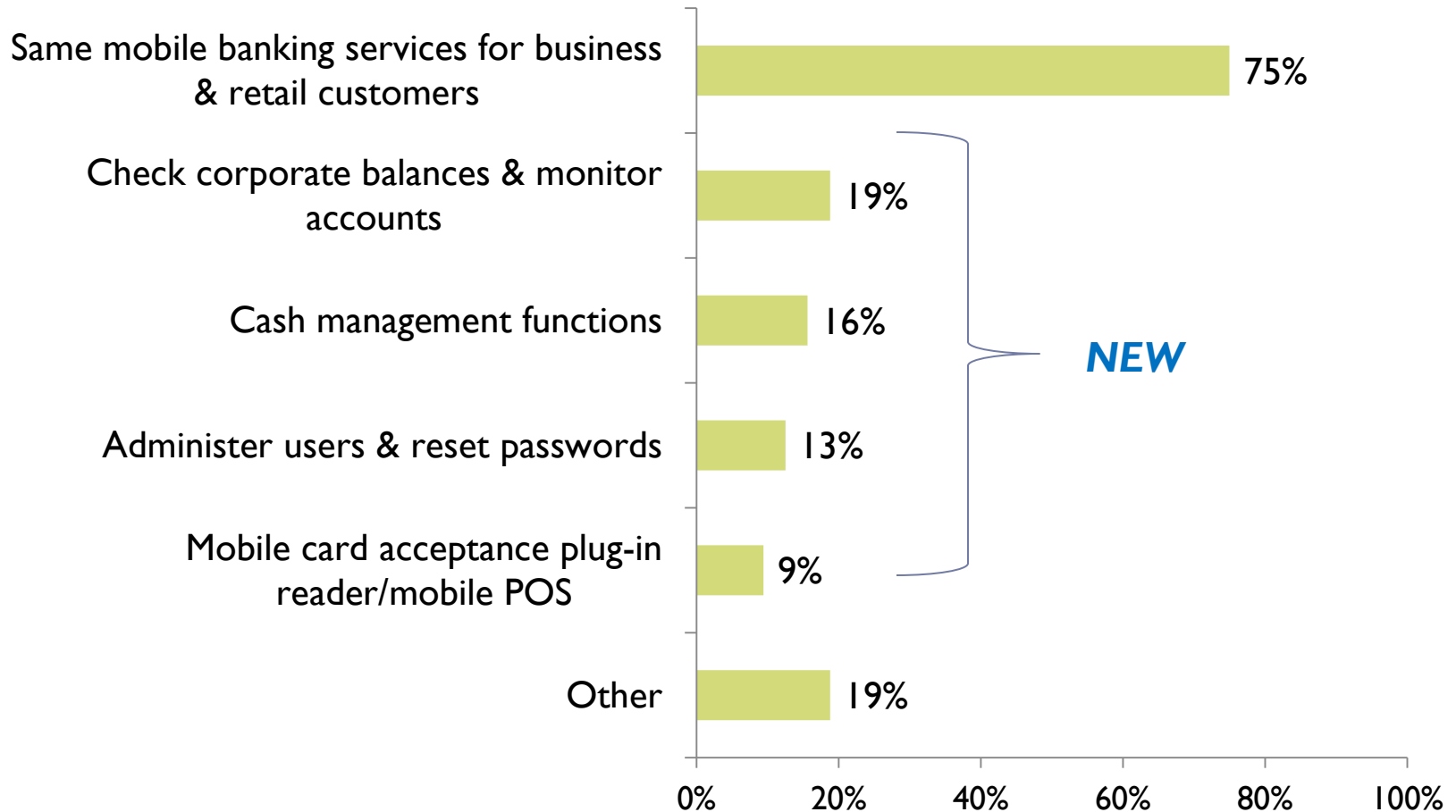
**Many credit unions do not have business members; those CUs offering to businesses have done so more recently**



Q27. What percentage of your commercial customers have used your mobile banking services? N=29

# And credit unions are offering more focused mobile services to business members

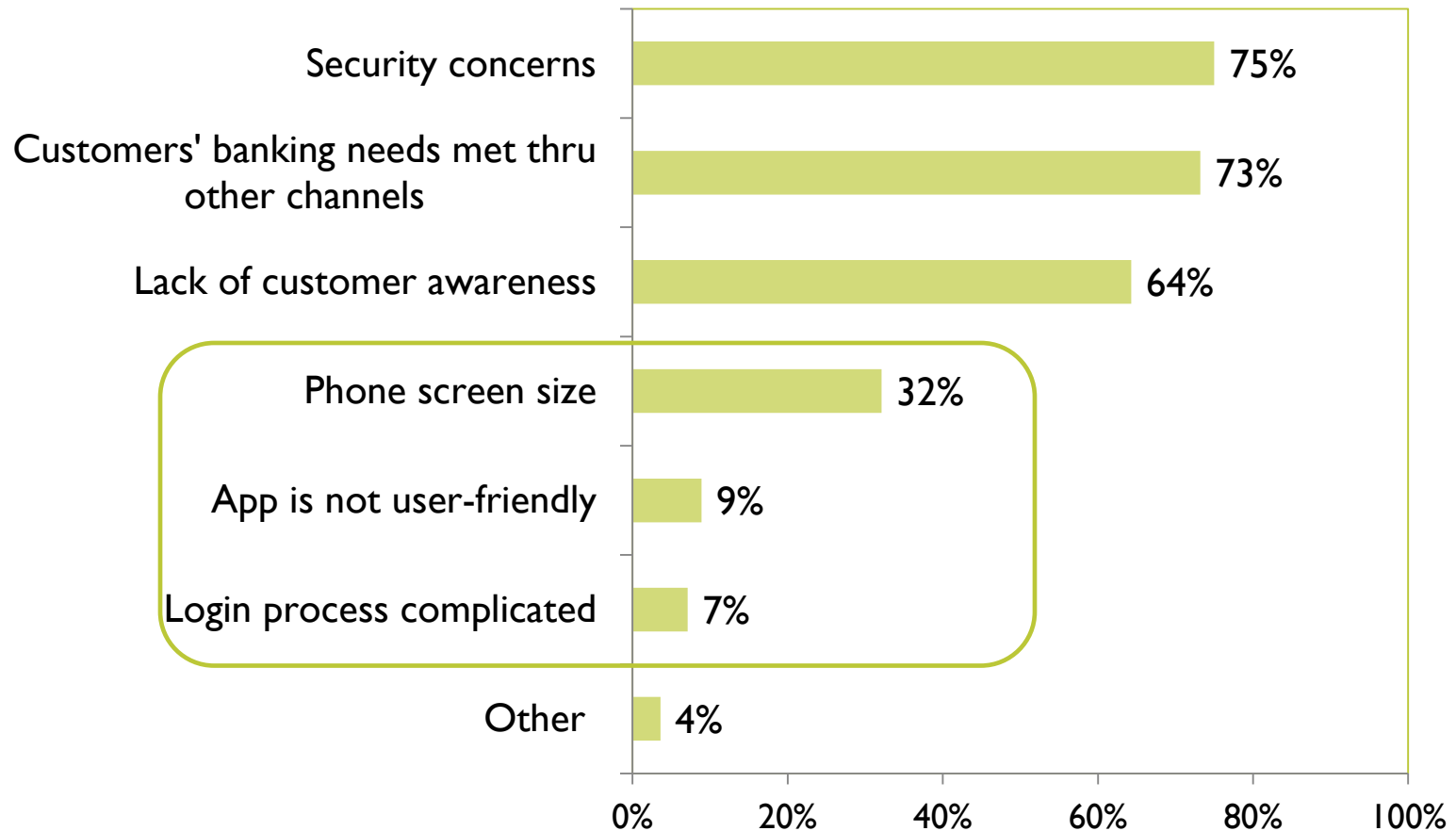
**In 2013, 53% of CUs were offering the same mobile services to all members**



▶ Q26. What additional mobile banking services do you (plan to) offer your commercial customers? (Check ALL that apply) N=32

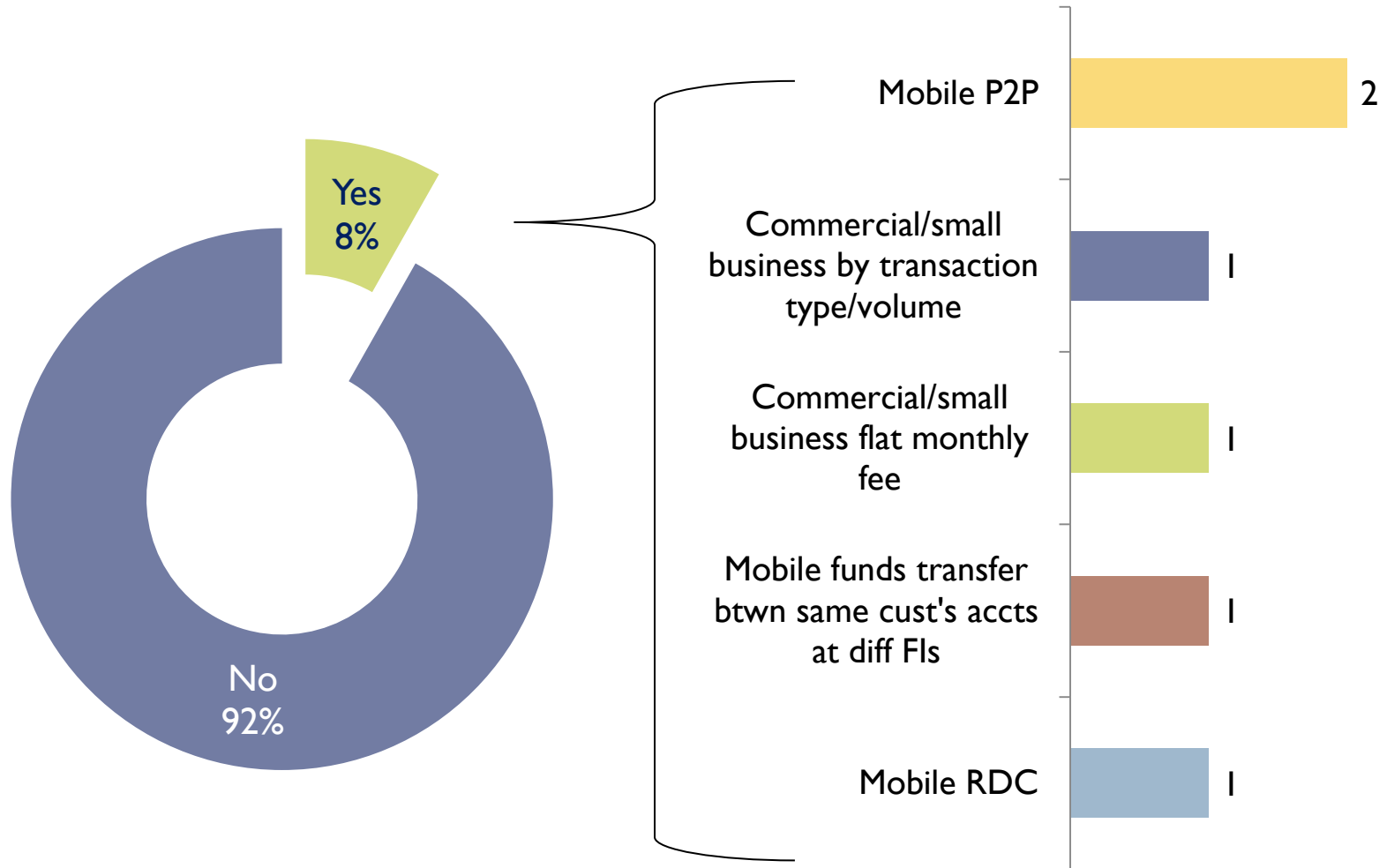
**NEW**

# Security issues & member need/awareness of mobile channel inhibiting adoptions



► Q25. What are the **THREE** most common reasons you believe are preventing greater customer adoption of mobile banking? (Check **THREE** only) N=56

# Mobile banking remains a free service



Q28. Do you (plan to) charge a fee for any mobile banking services? N=61

Q29. Please indicate ALL services for which you (plan to) charge a fee. (Check ALL that apply) N=5

# 8 credit unions DO NOT plan to offer mobile banking – for a variety of reasons

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*Here's why:*

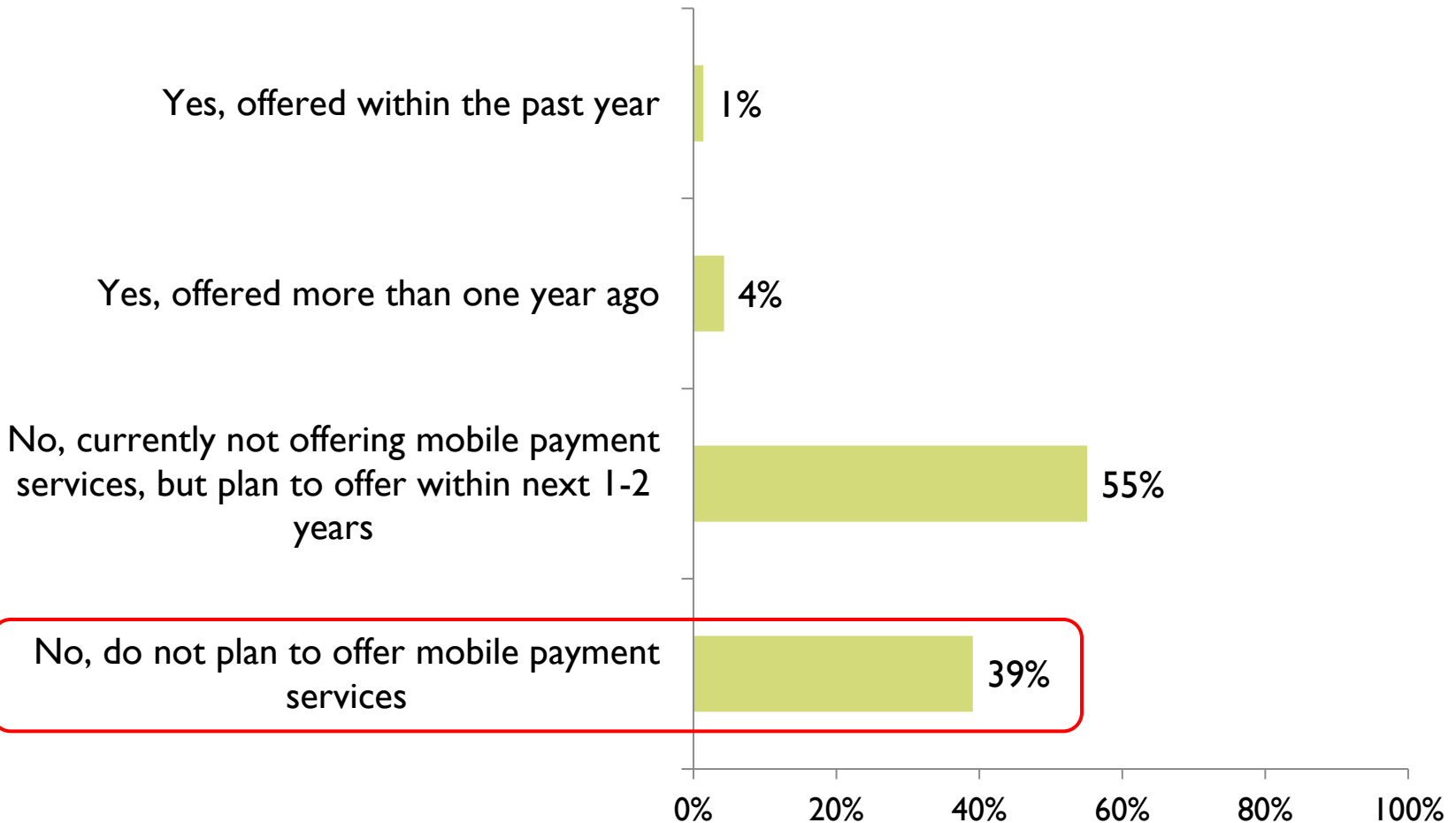
- ▶ 5 credit unions cite lack of member demand
  - ▶ Ranking it 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> (1, 1, 2, 1 respectively)
- ▶ 4 cite security concerns – ranked #1 by 2 credit unions
- ▶ 3 respondents perceive regulatory issues as a major problem – ranked #2 by 2 credit unions
- ▶ Of the 3 institutions that selected lack of ROI/business case, 1 ranked this in 2<sup>nd</sup> place
- ▶ 2 credit unions chose expense/cost as their number 1 barrier
- ▶ 2 credit unions gave a nod (#5) to lack of cell phone coverage

# Mobile Payments

Credit Union data

# Mobile payment services are still ‘on the horizon’ for most credit unions

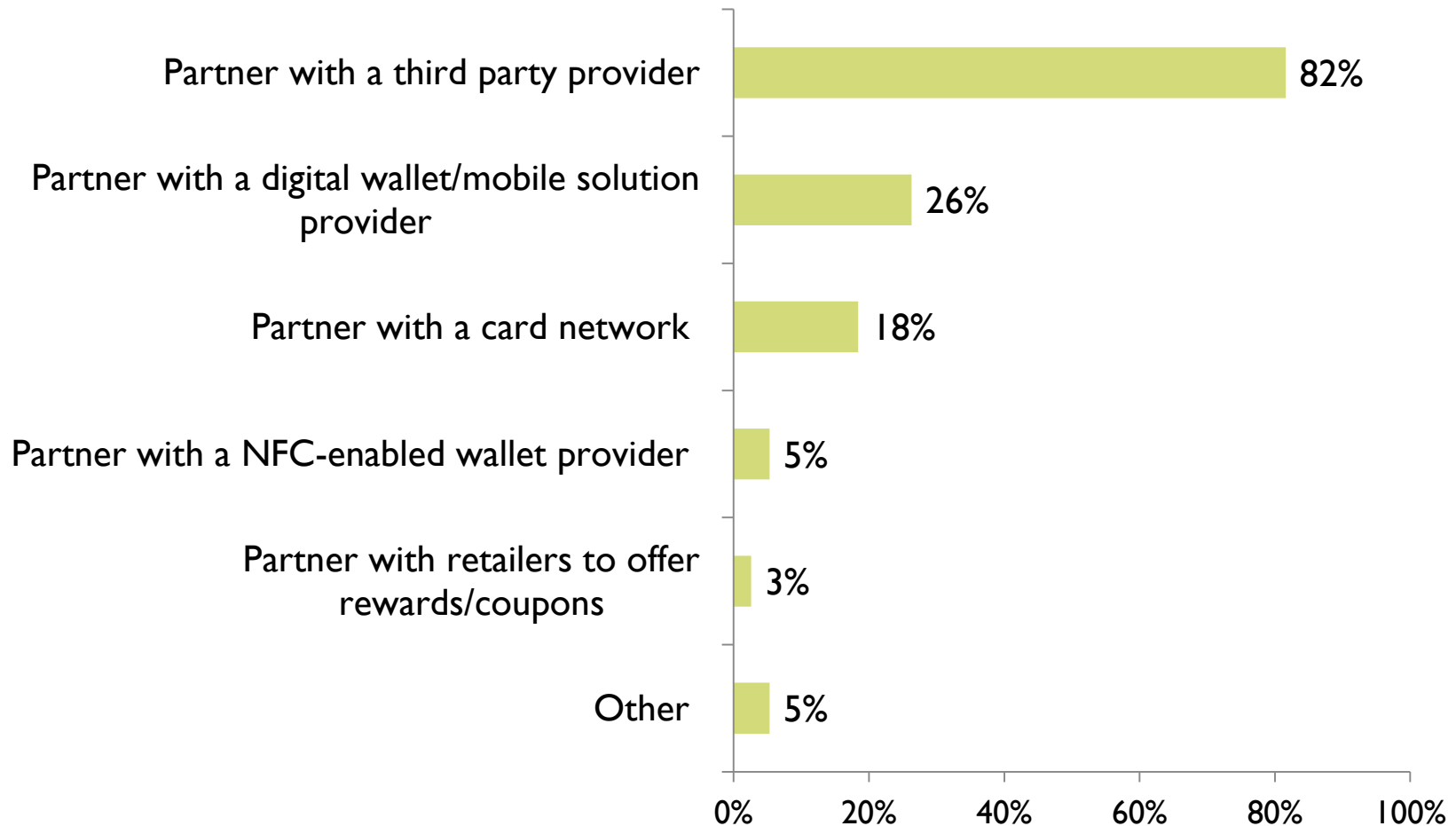
**“Plan to offer” and “No plans to offer” ‘switched places’ in 18 months!**





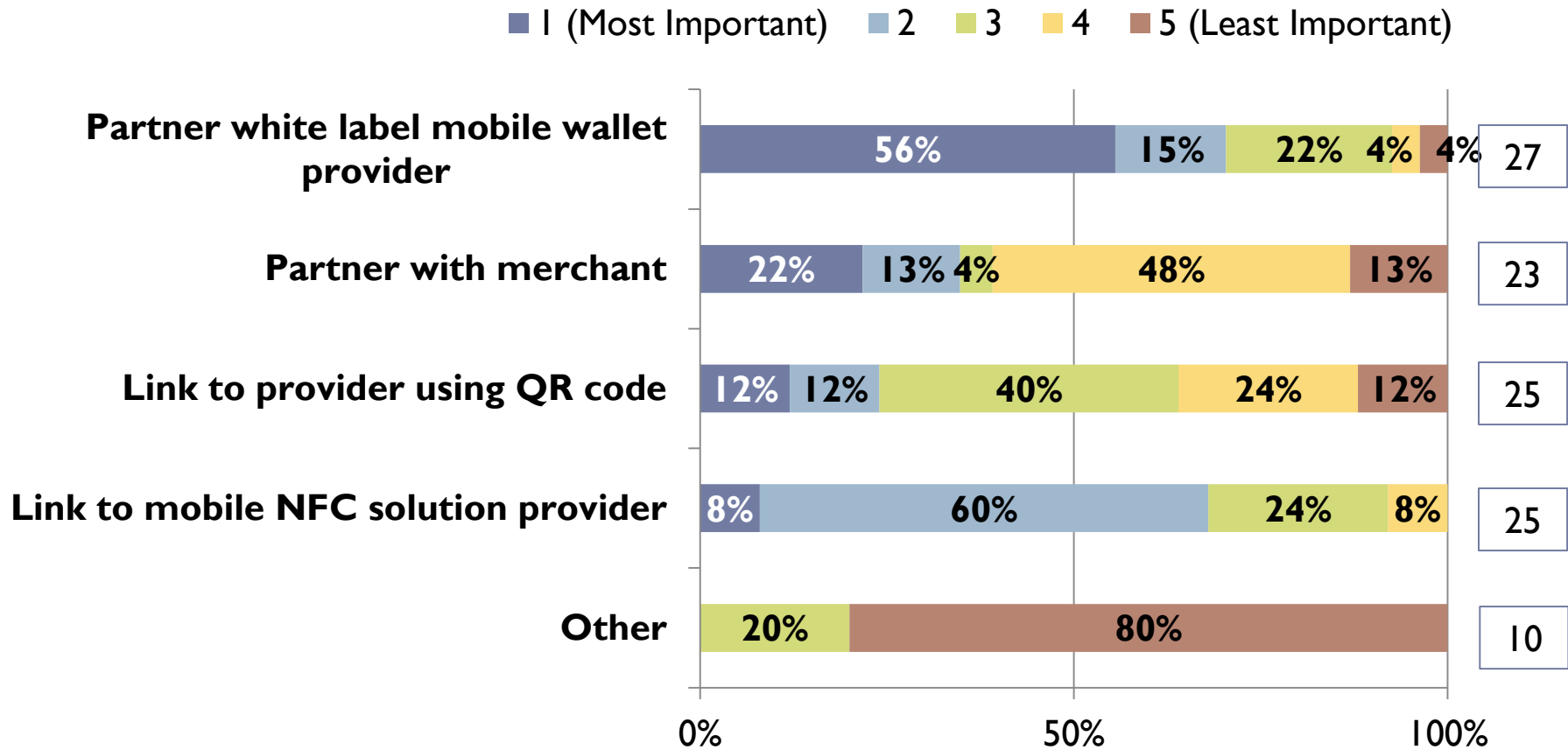
# Respondents' choice solidifying around partnering with a third party provider

## Partnering is the go-to-market strategy for mobile payments



# Where known, respondents' interest is with wallet provider partnership

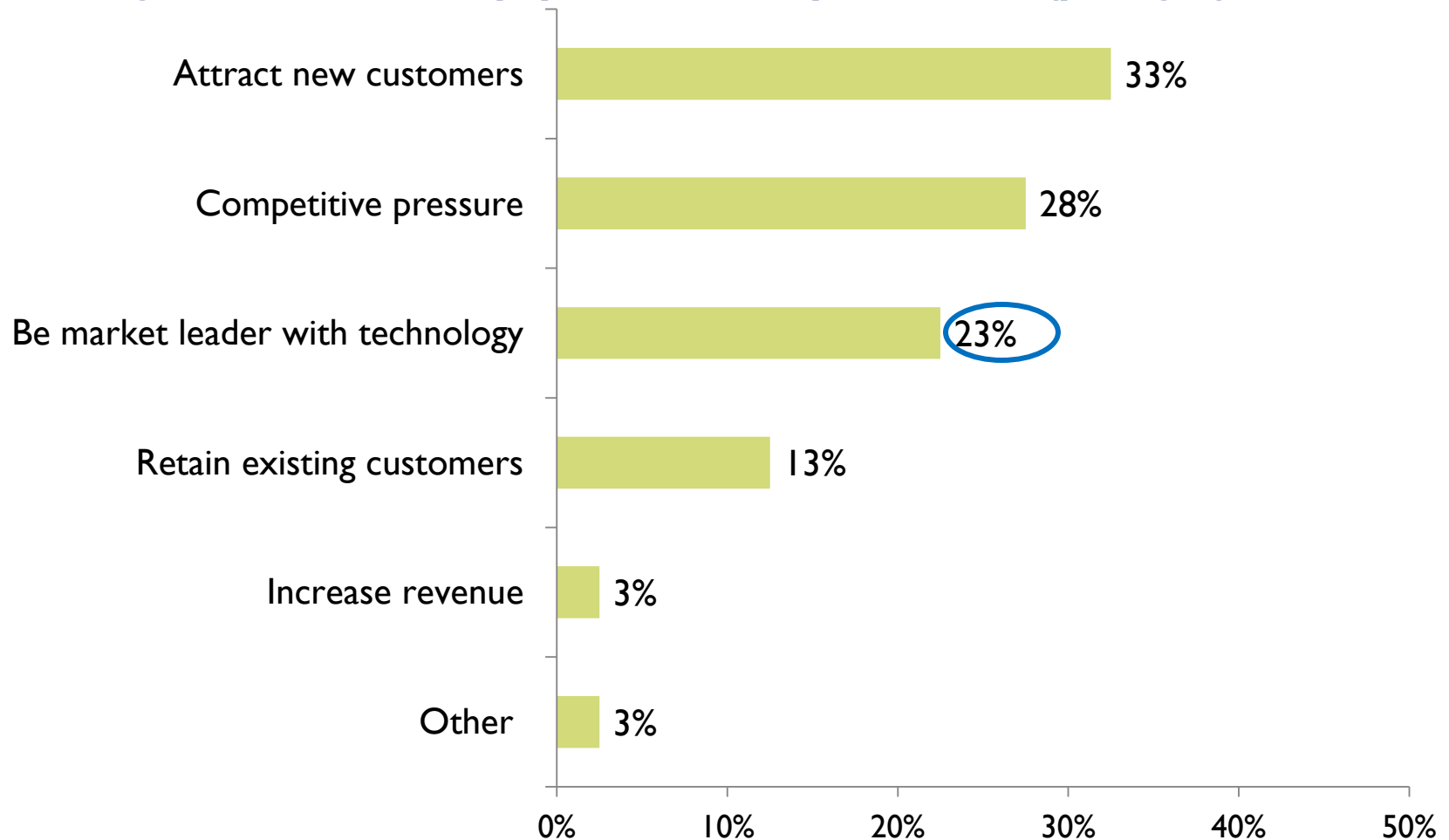
**Linkage with NFC solution provider is dominant 2<sup>nd</sup> choice; QR code ranks 3<sup>rd</sup>**



Q33. Please RANK the mobile payment services below based on your perception of the value of offering them as part of your mobile banking app. Please rank them from 1 to 5 in order of importance with 1 as the most important. n=30

# Gaining new members tops payment priorities; competition plays important role

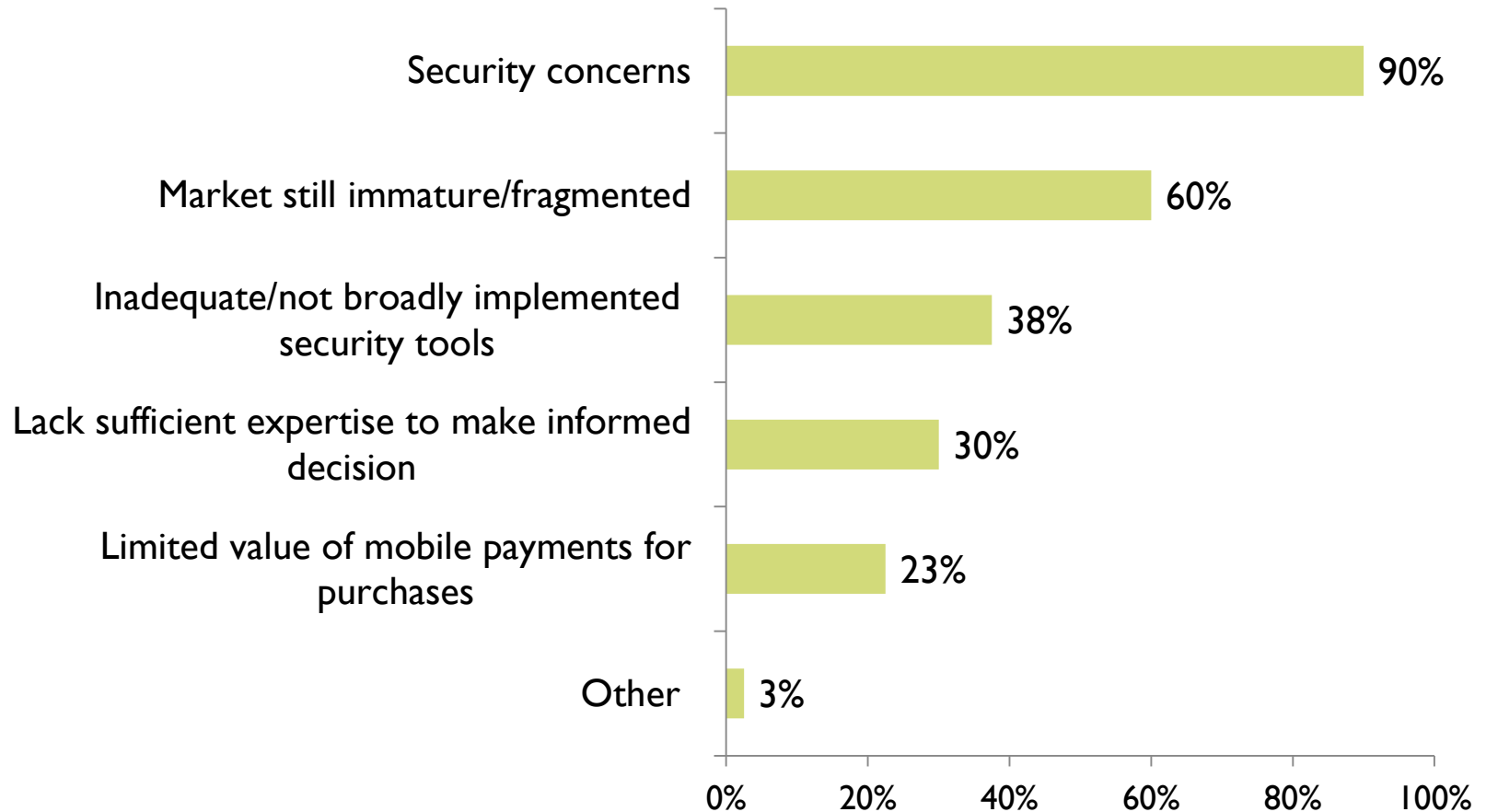
## A strong endorsement of 'payments' as way to attract (younger) members



**NEW**

# Security is key credit union issue for m-purchases

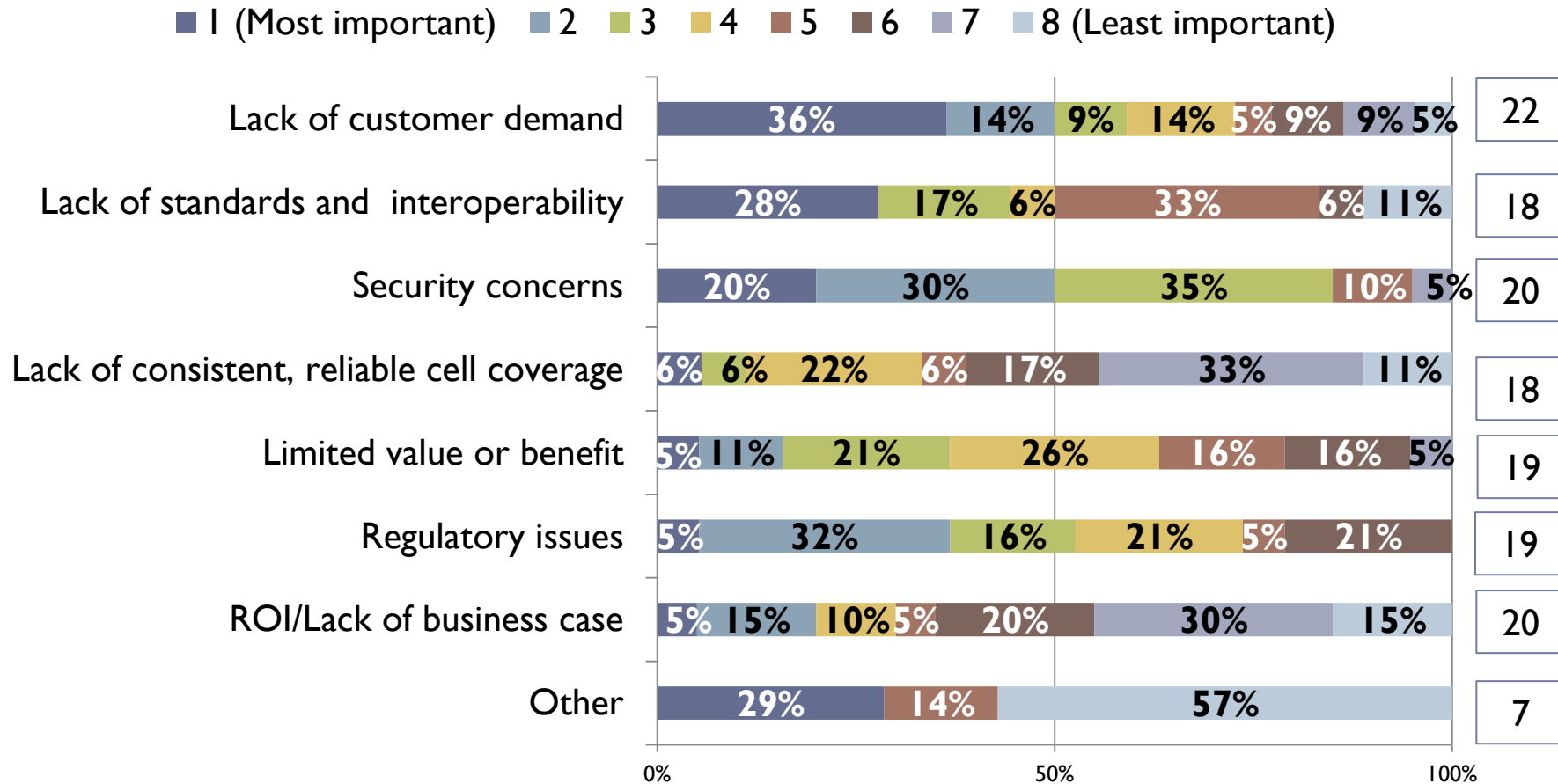
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**NEW**

# Barriers to offering mobile payments underscore importance of member demand

**Regulatory issues and security are clear 2<sup>nd</sup>, 3<sup>rd</sup> choices**



Q36. Please RANK the items that influenced your decision not to offer mobile payment services.

Please rank them from 1 to 8 in order of importance with 1 as the most important. n=40



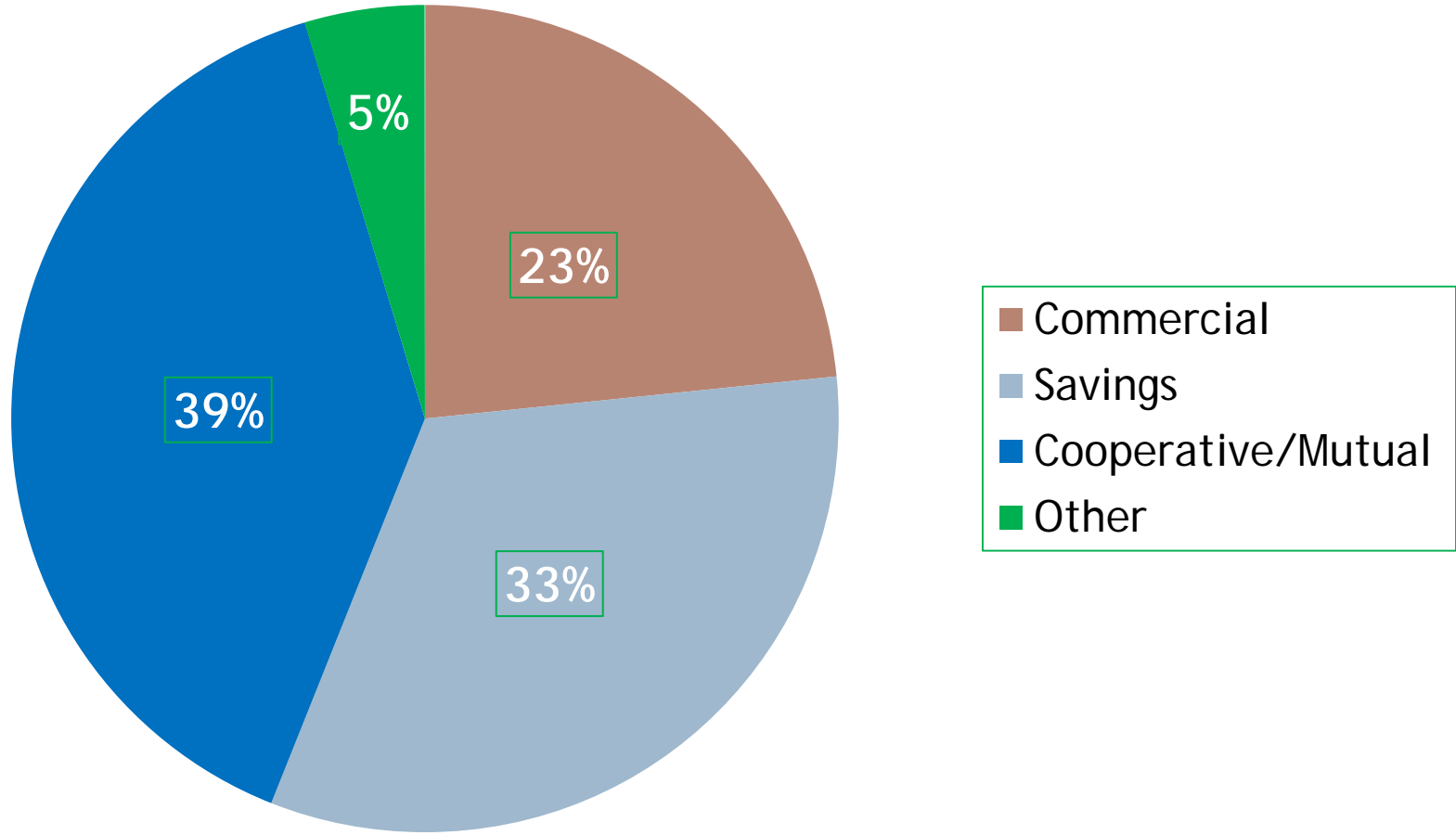
# 2014 New England Mobile Banking and Payments Survey



Review of Bank Findings

Marianne Crowe, Federal Reserve Bank  
of Boston

# Multiple Types of Banks Represented

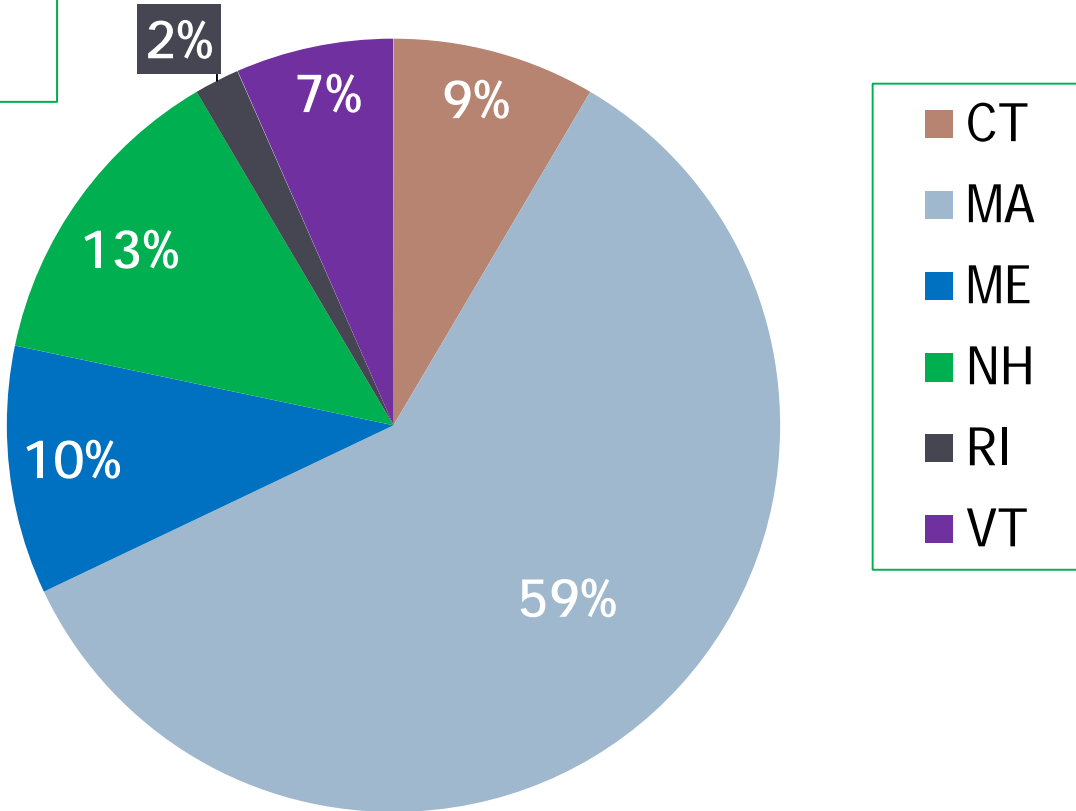


Q9. Please indicate your financial institution type. n=107

# Massachusetts & Maine respondents correlate to total number of banks in their states

Actual % of NE Bank Total:

- MA: 56%
- ME: 11%

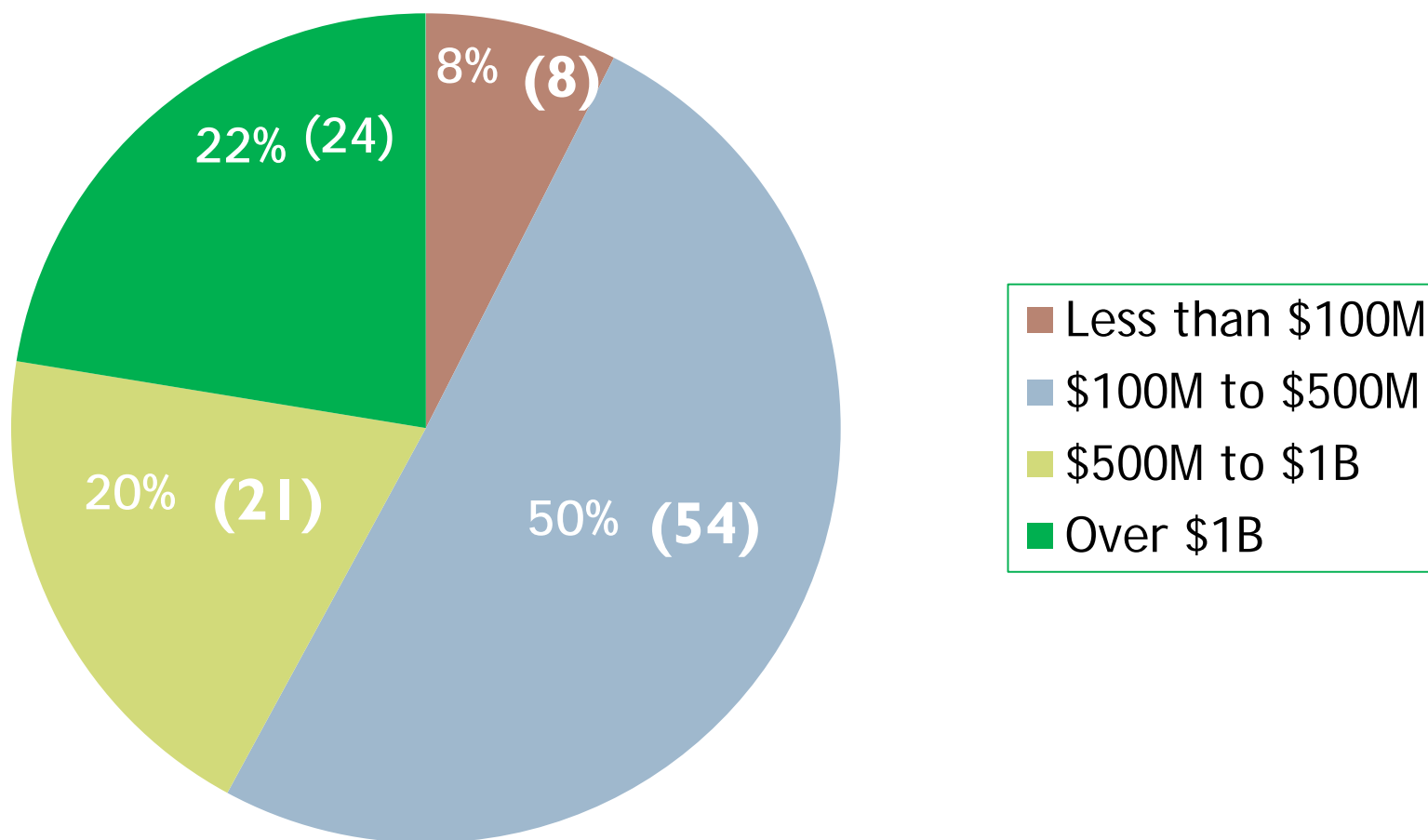


Q7. Please indicate where your bank is headquartered. n=107



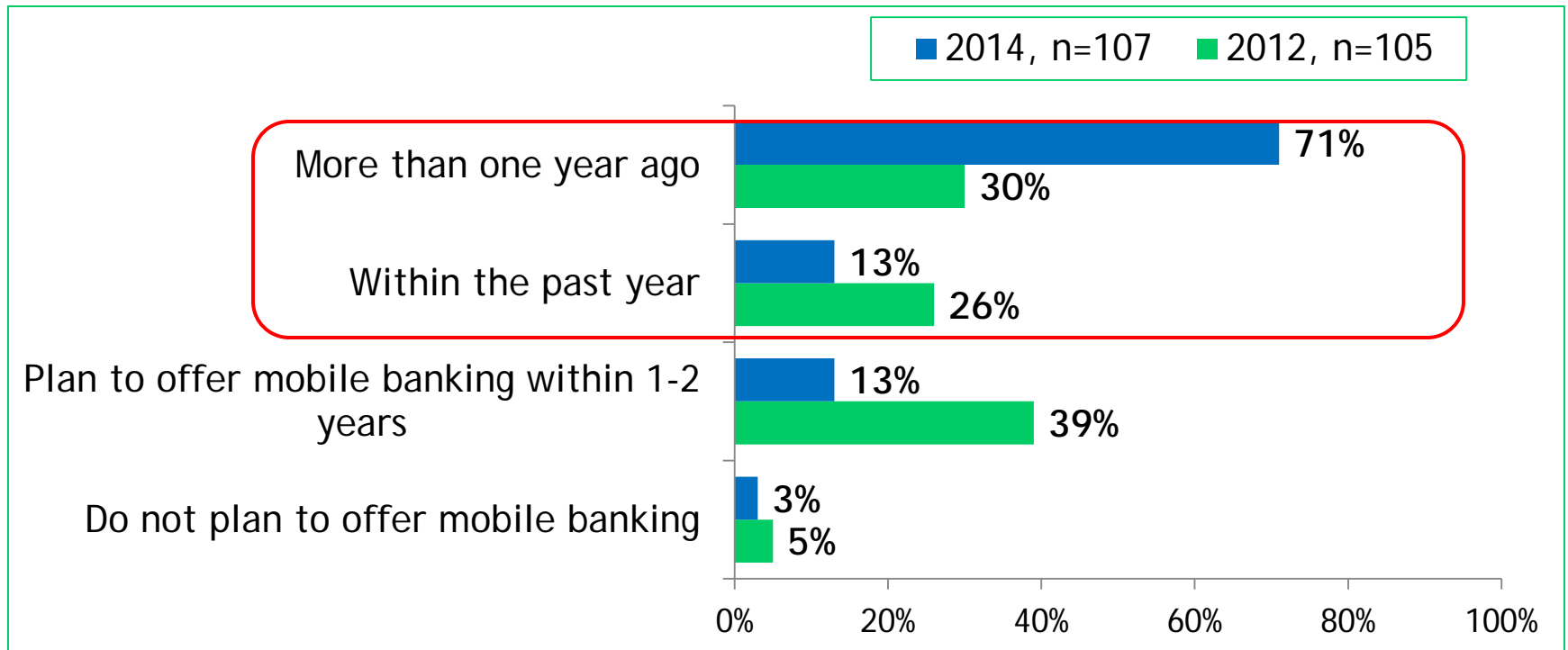
# Bank asset size widely distributed

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Q8. What is your FI's asset size? n=107

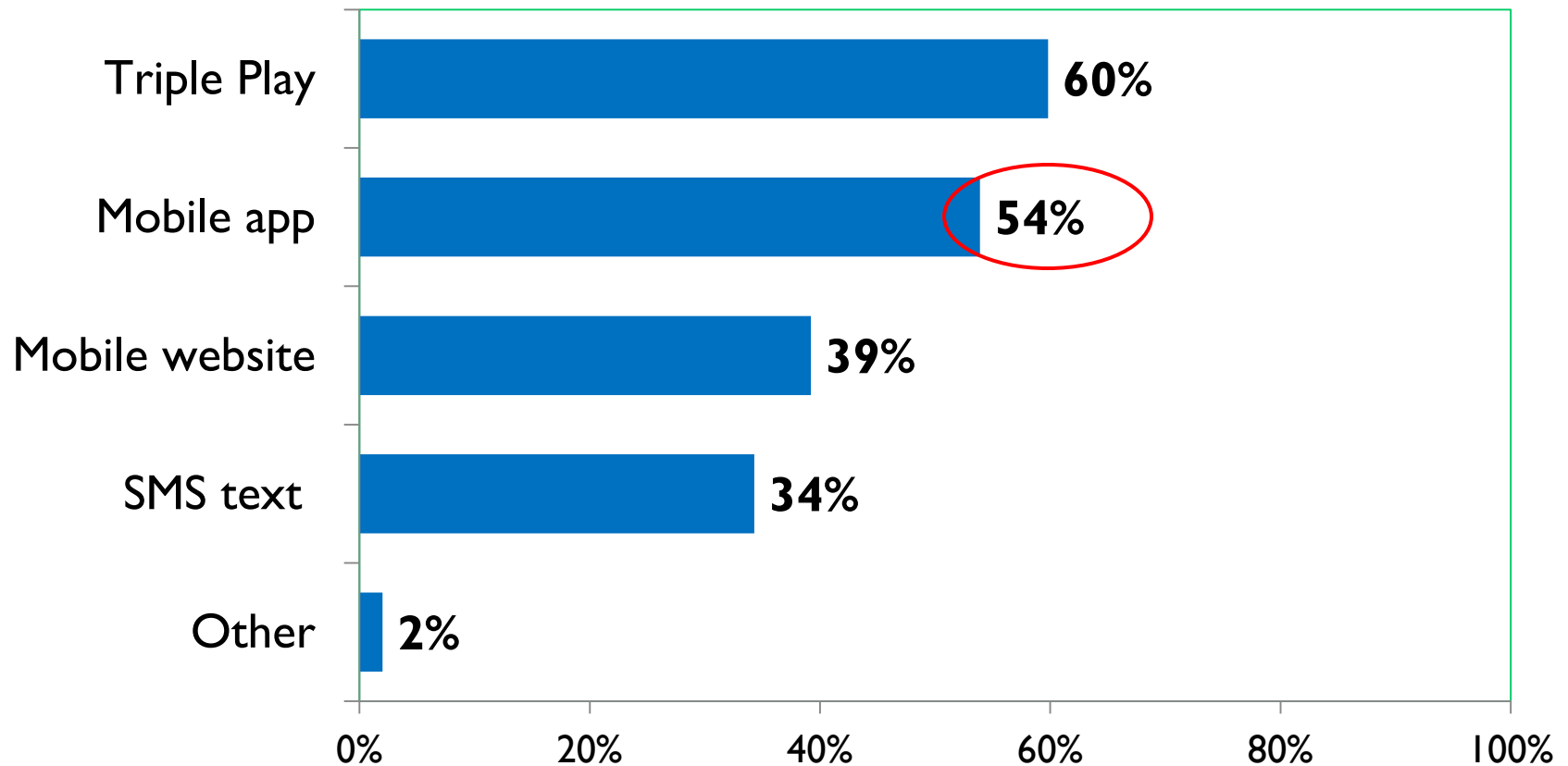
# Banks offering Mobile Banking increased from 56% to 84% in 2014



- **37% of community banks currently offer mobile banking**
  - **43% plan to offer before 2015**
- 2013 ICBA Community Bank Payments Survey

# Banks Continue to Offer Multiple Platforms

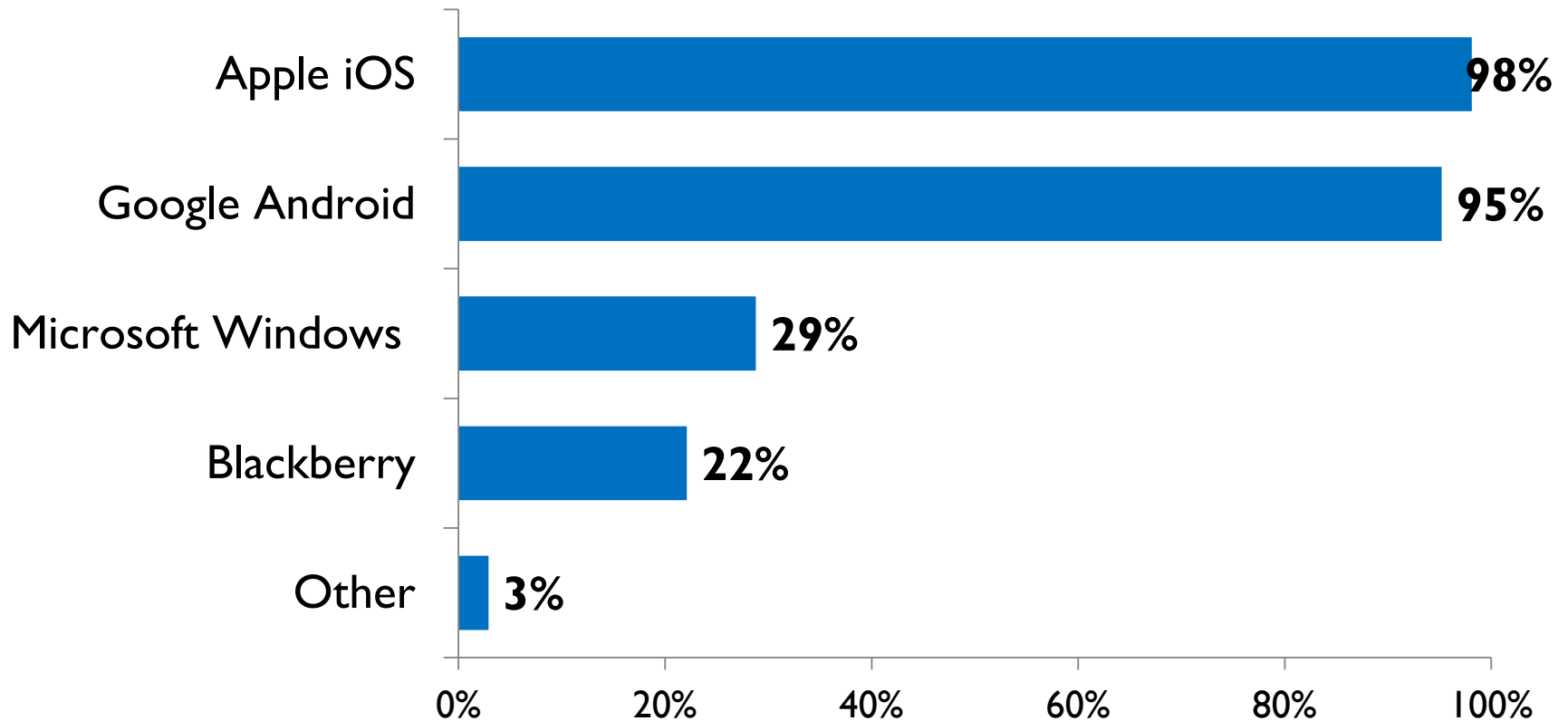
**Offering mobile app increased from 18% to 54% in 2014**



Q12. What mobile banking platform do you (plan to) use? (Select ALL that apply) n=102

# Most banks offer mobile apps for both Apple and Android

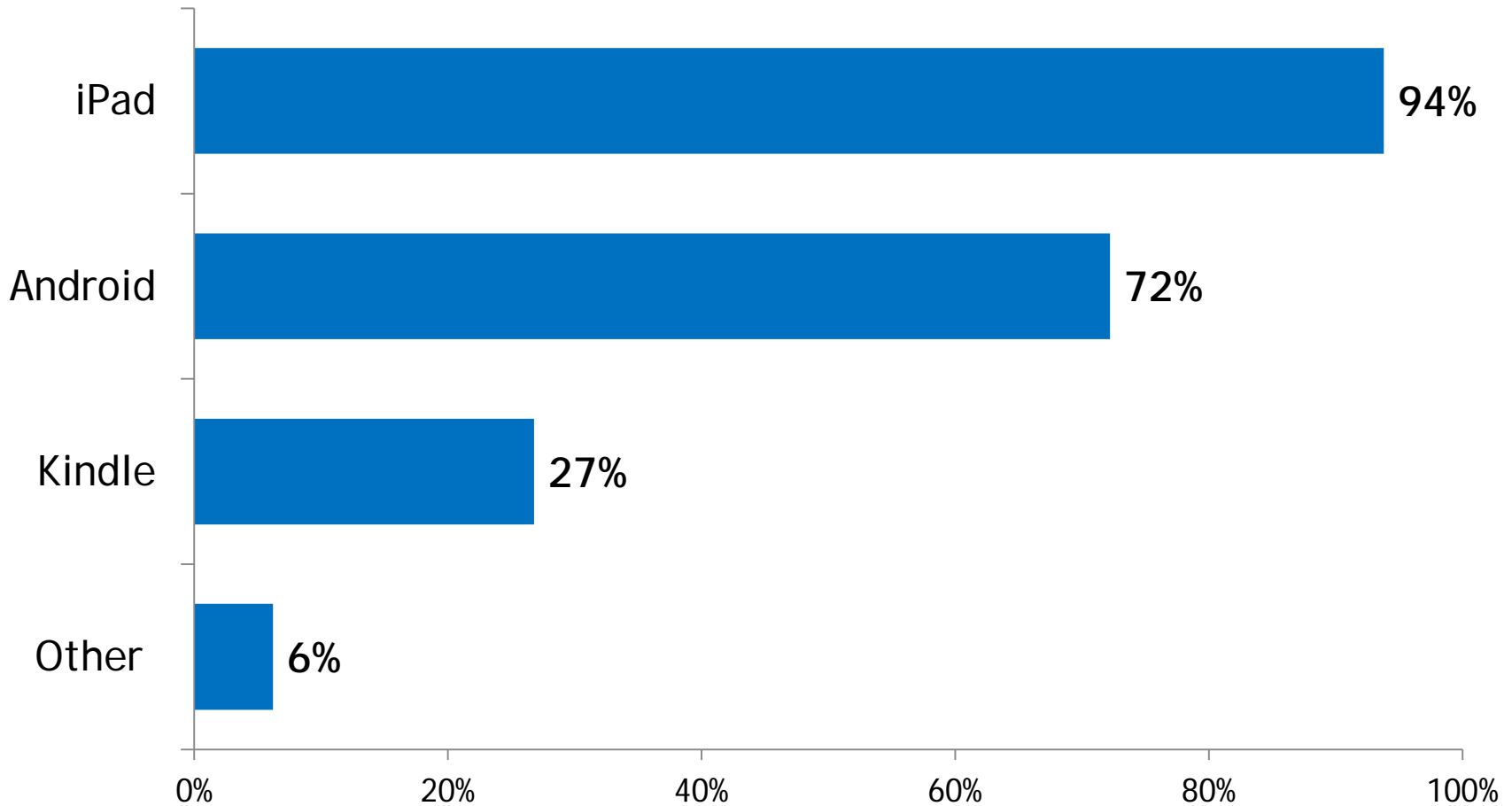
**Fewer offer apps for other mobile operating systems**



Q13. Which mobile OS does or will your mobile banking app support? (Select ALL that apply) n=104

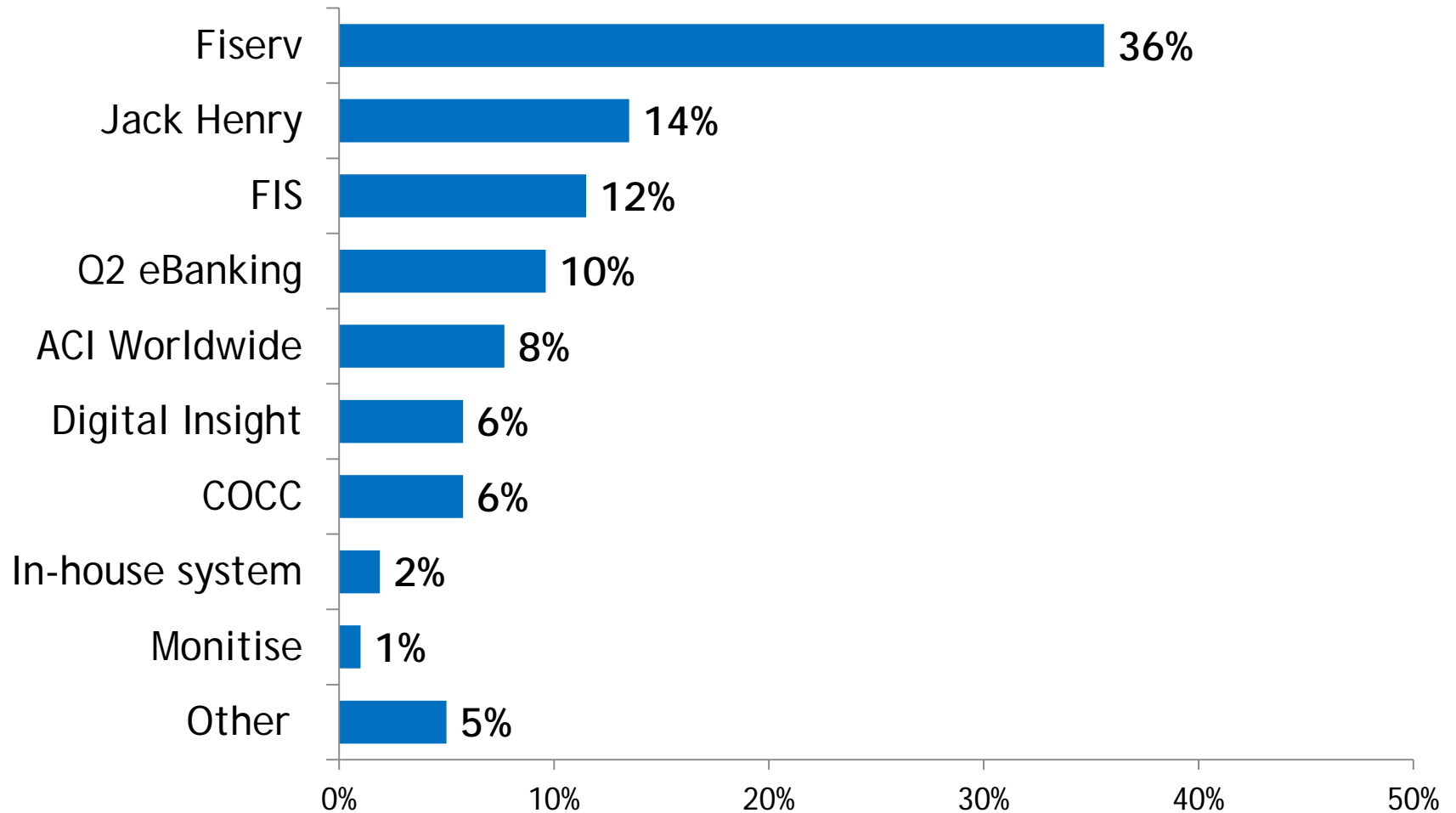
# Banks recognize value of tablet to support mobile banking

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Q14. Do you (plan to) offer mobile banking services with table application? (Check ALL that apply) n=97

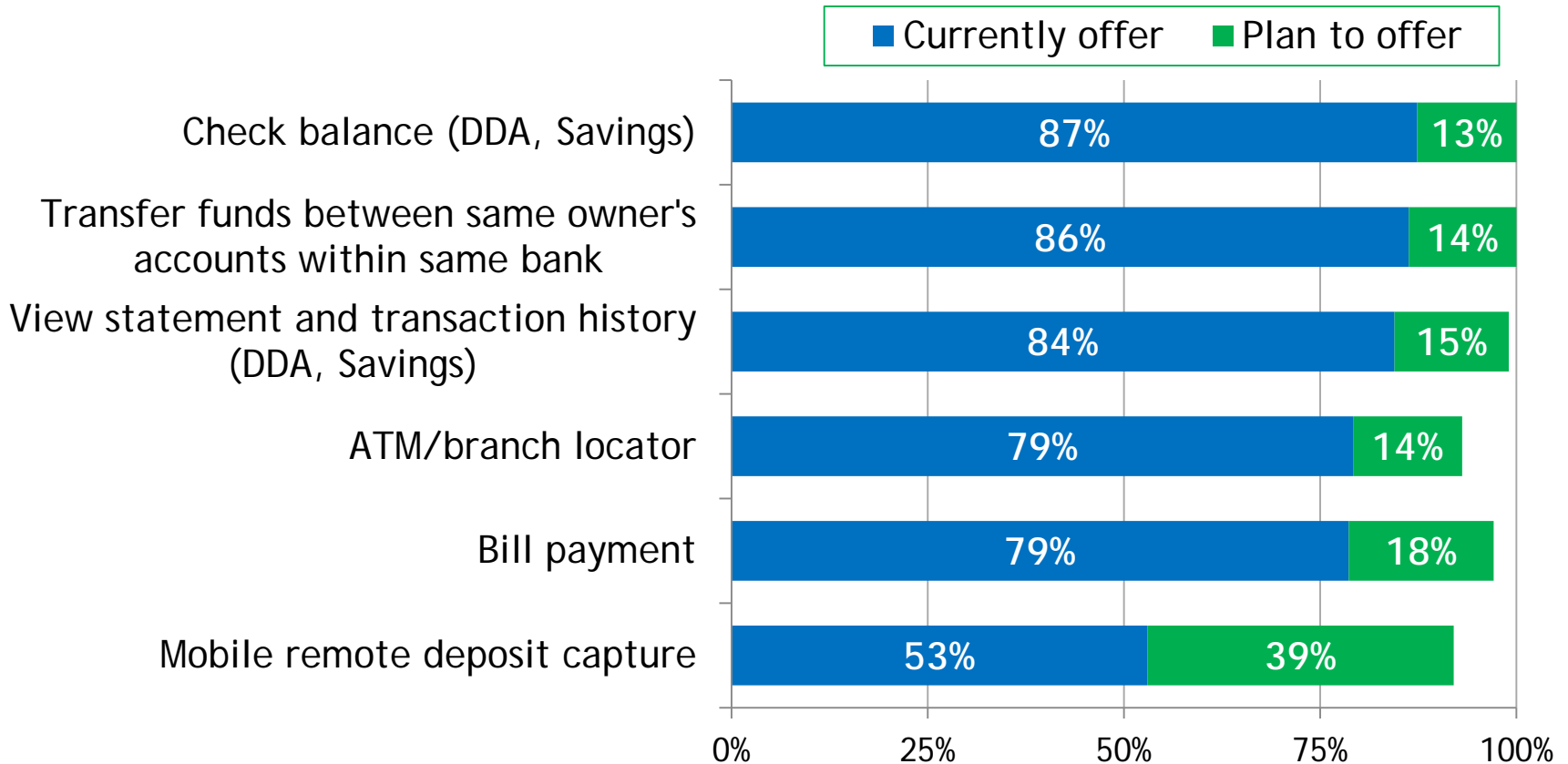
# Banks use variety of vendors for mobile solutions



Q15. What company provides or will provide your mobile banking system? n=104

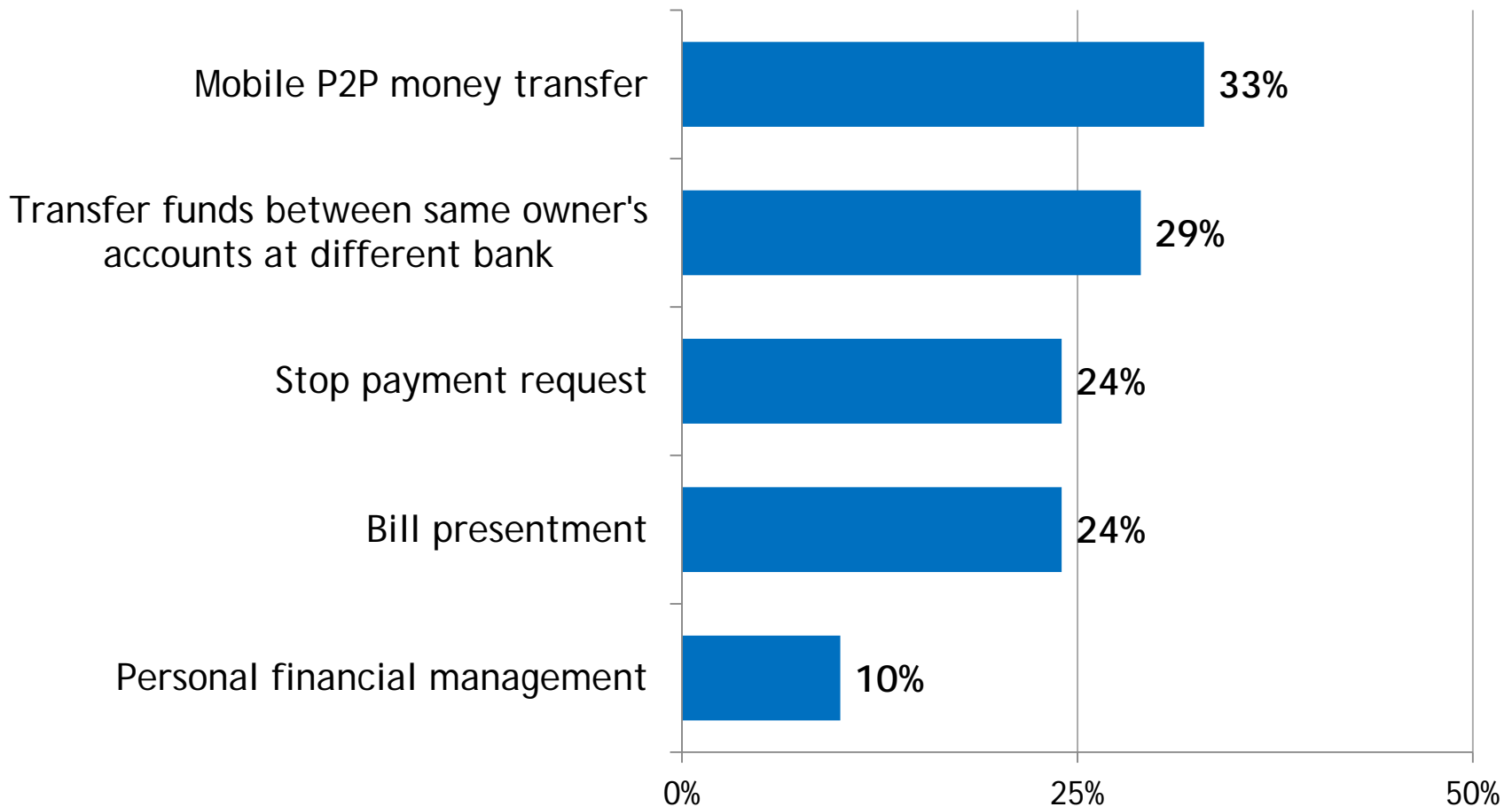
# Over 50% of banks offer or plan to offer traditional mobile services

**mRDC becoming standard mobile offering**



Q16. Which of the following mobile banking services do you currently offer or plan to offer? n=103

# More banks offering retail customers ability to transfer funds

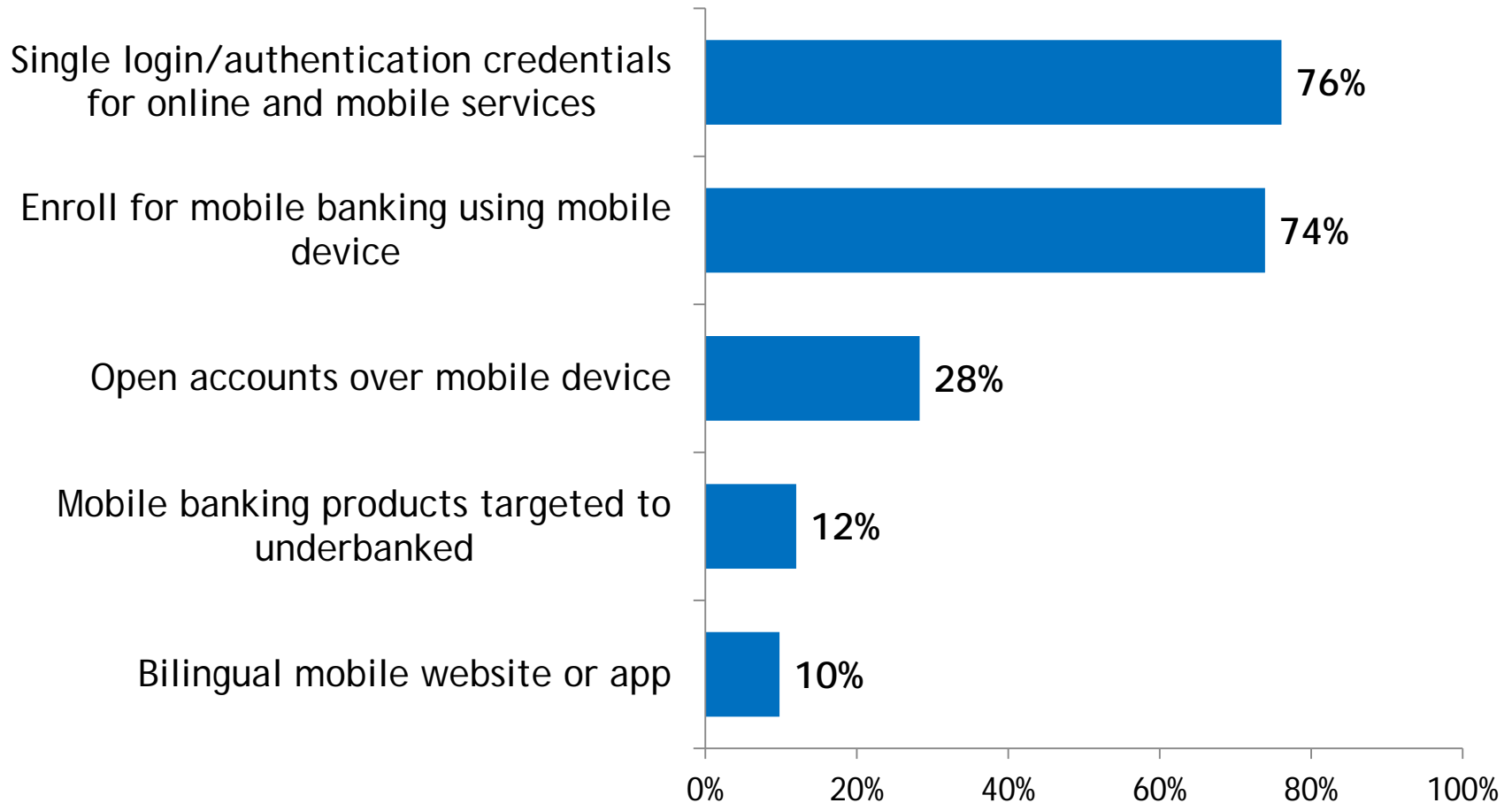


Q16. Which of the following mobile banking services do you currently offer or plan to offer? n=103



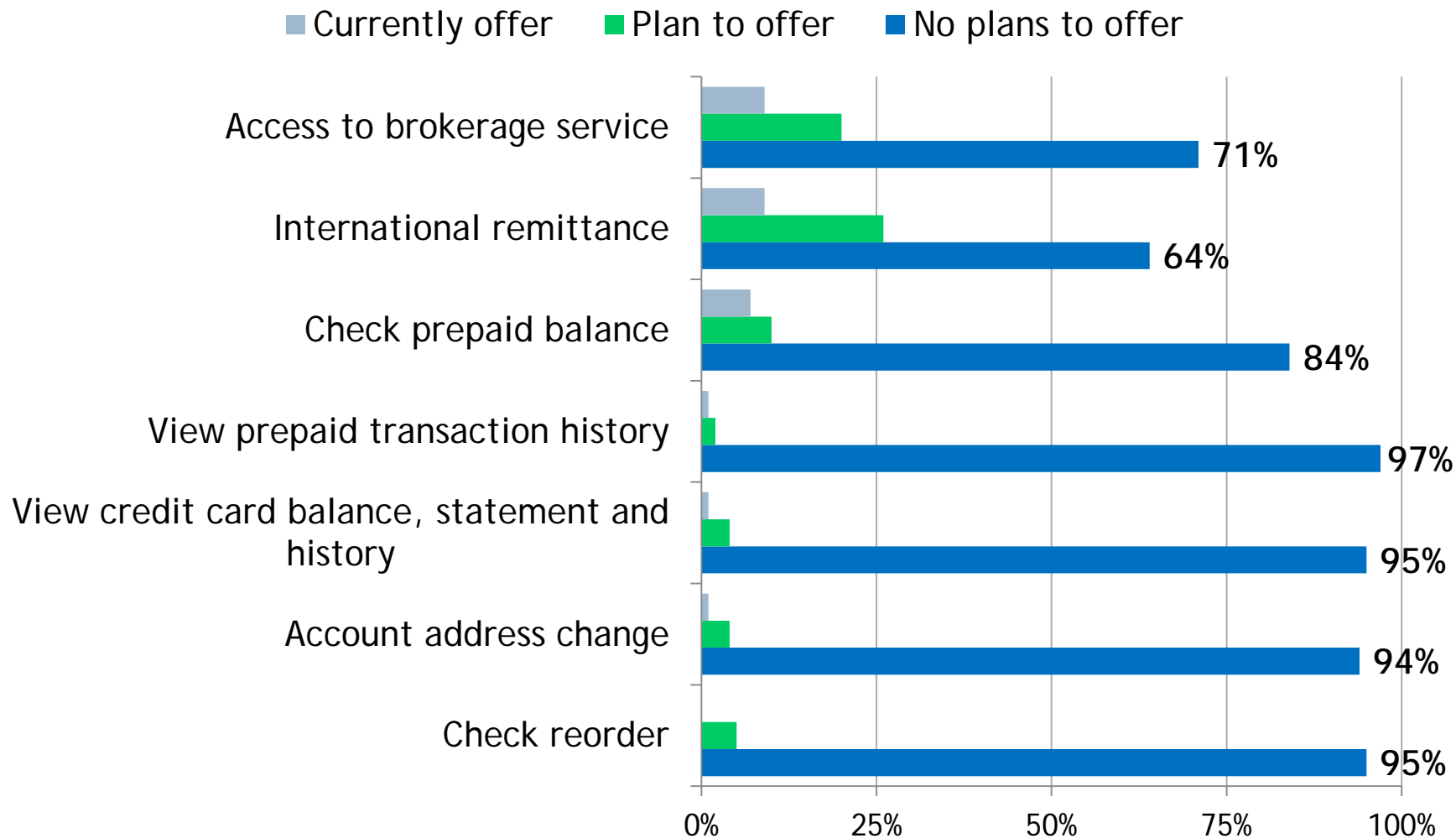
# Banks adding unique mobile banking features

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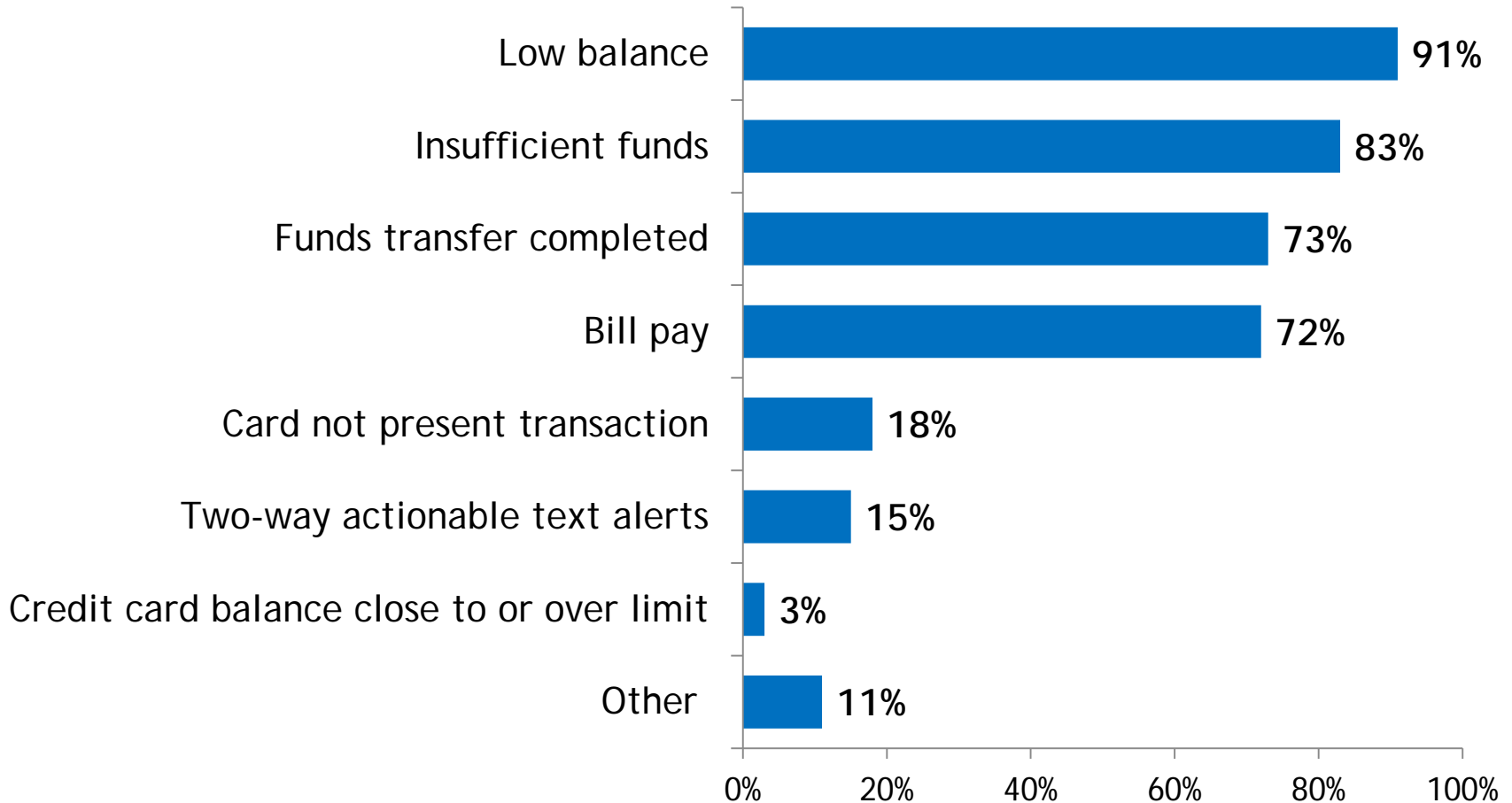
Q17. Do you (plan to) offer the following features? (Check ALL that apply) n=92

# Not all traditional services offered via mobile



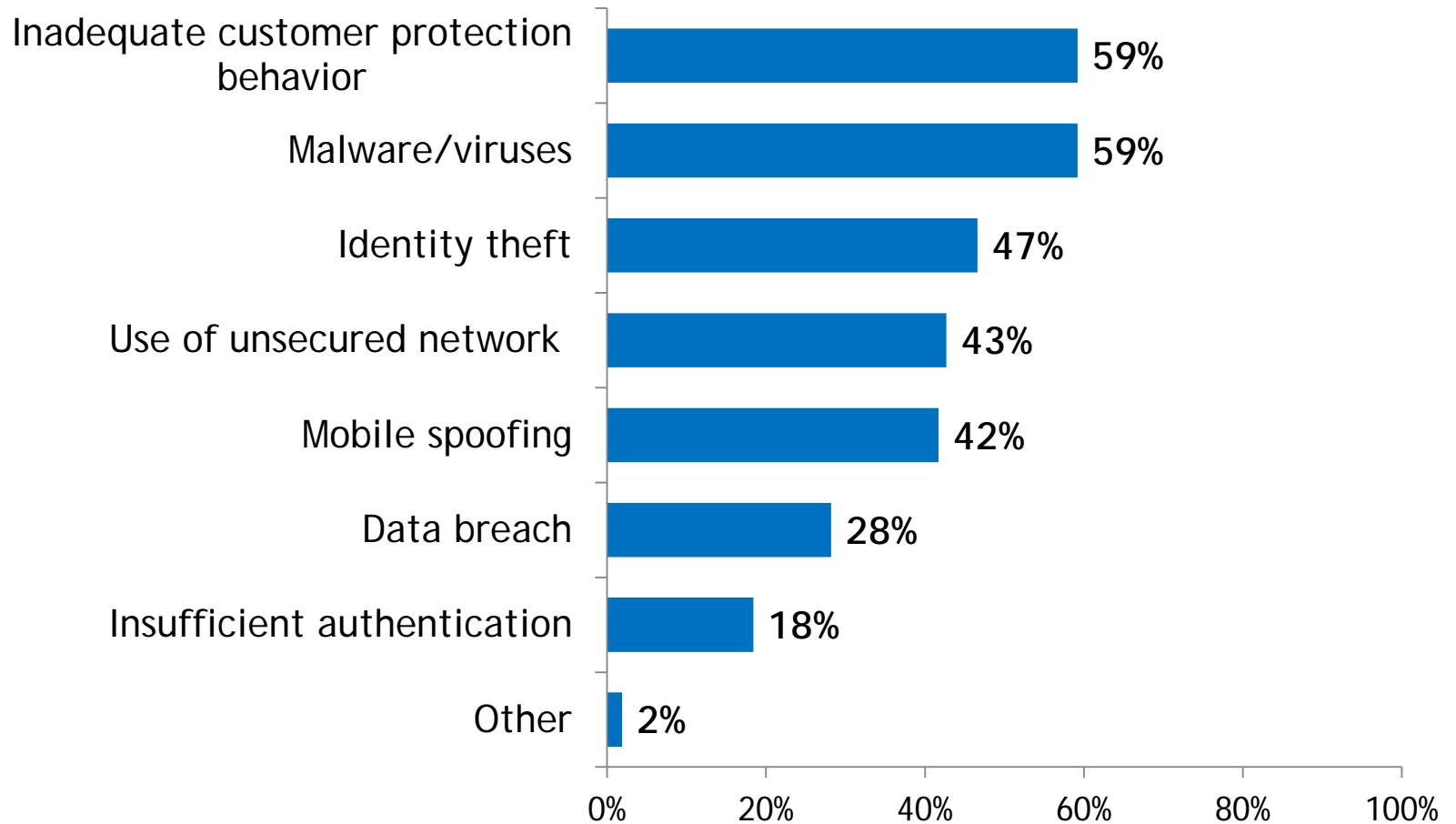
Q16. Which of the following mobile banking services do you currently offer or plan to offer? n=103

# Banks focus on alerts to help customers manage their funds



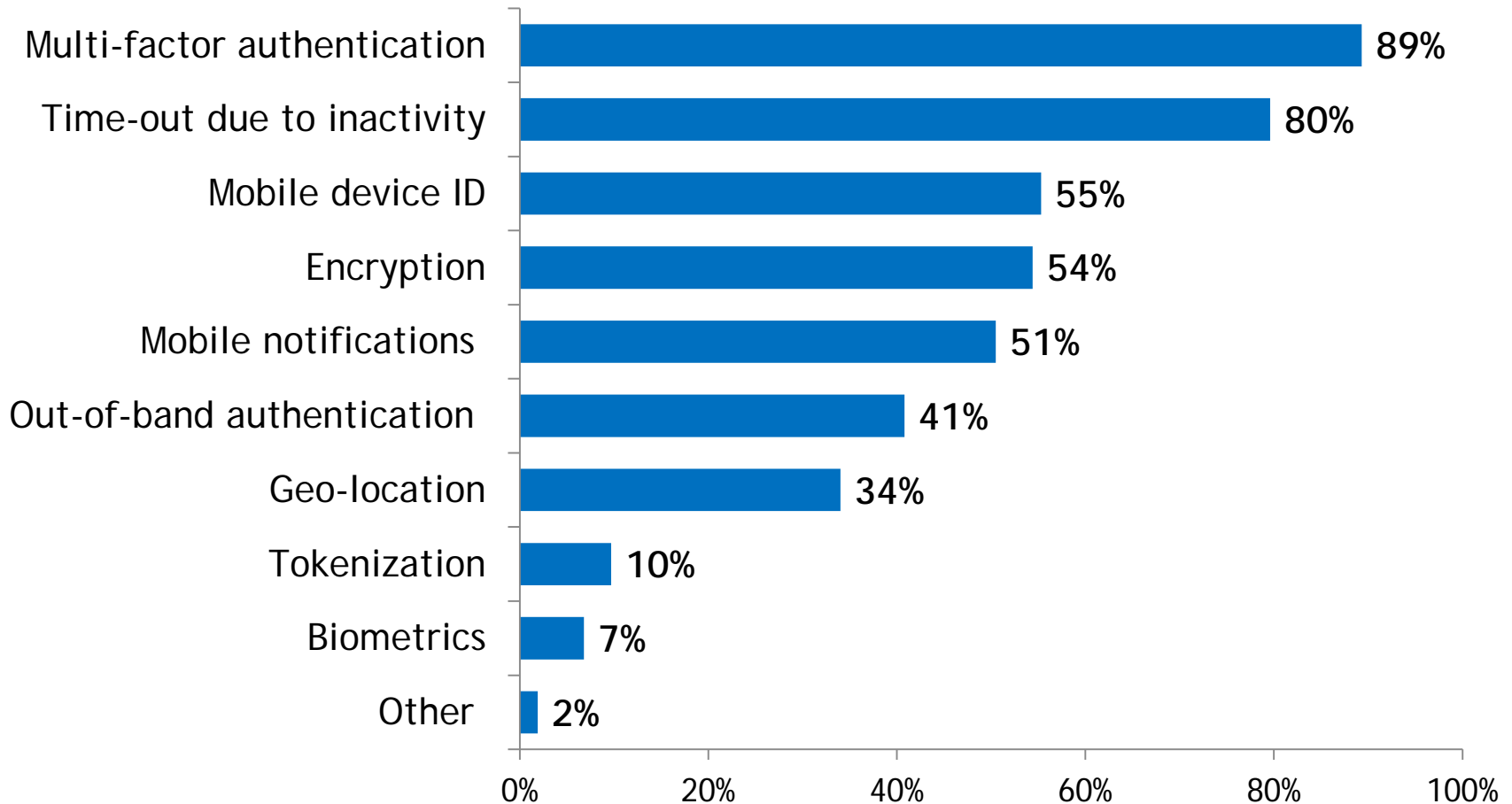
Q18. What types of mobile alerts do you (plan to) offer? (Check ALL that apply) n=100

# Banks identify poor consumer behavior as #1 security concern



Q19. Please select your FI's TOPTHREE security related issues or concerns associated with mobile banking. n=103

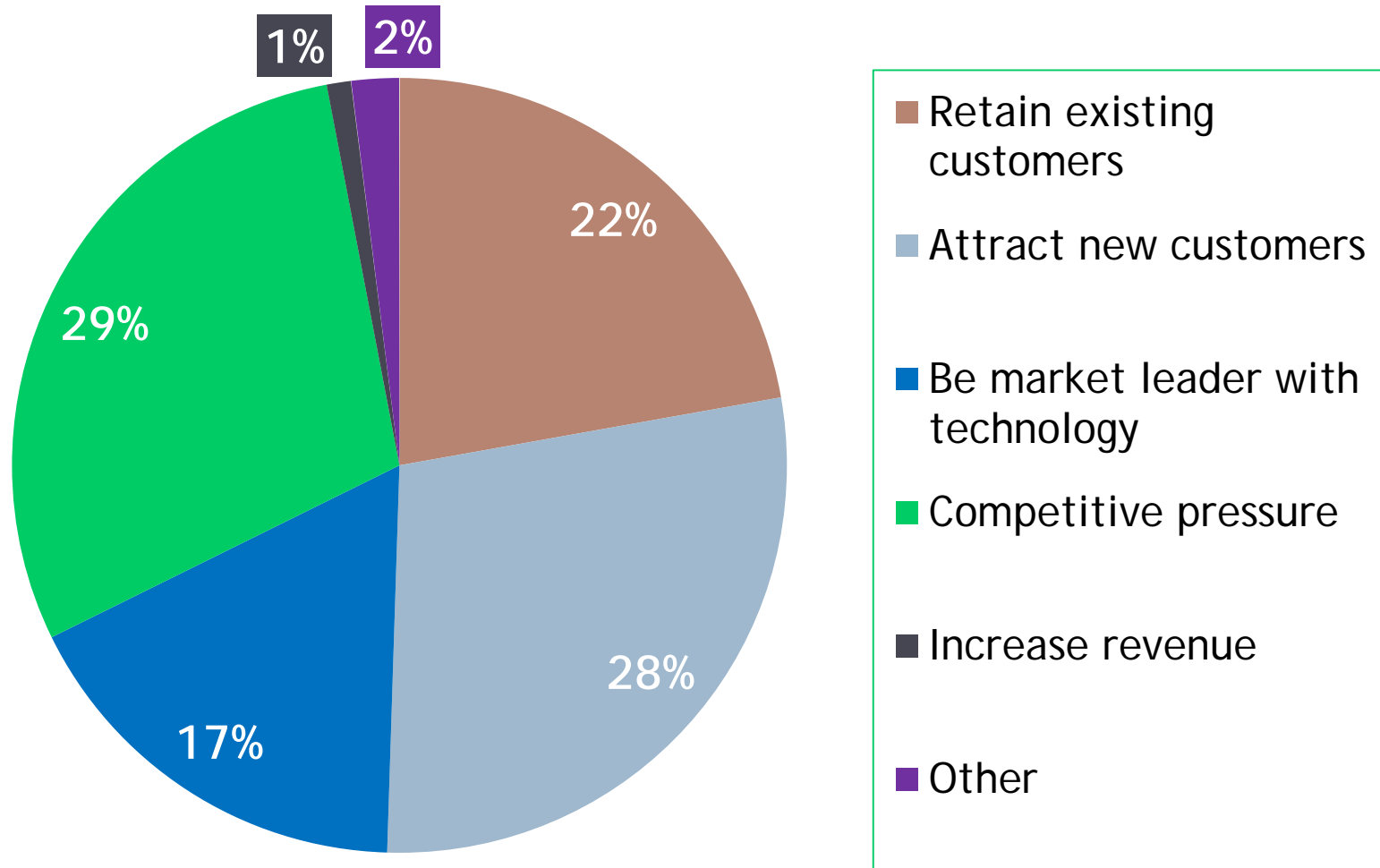
# Stronger authentication is key to enhancing mobile security



Q20. Which of the following does your FI currently use or plan to use to enhance mobile security? (Check ALL that apply) n=103

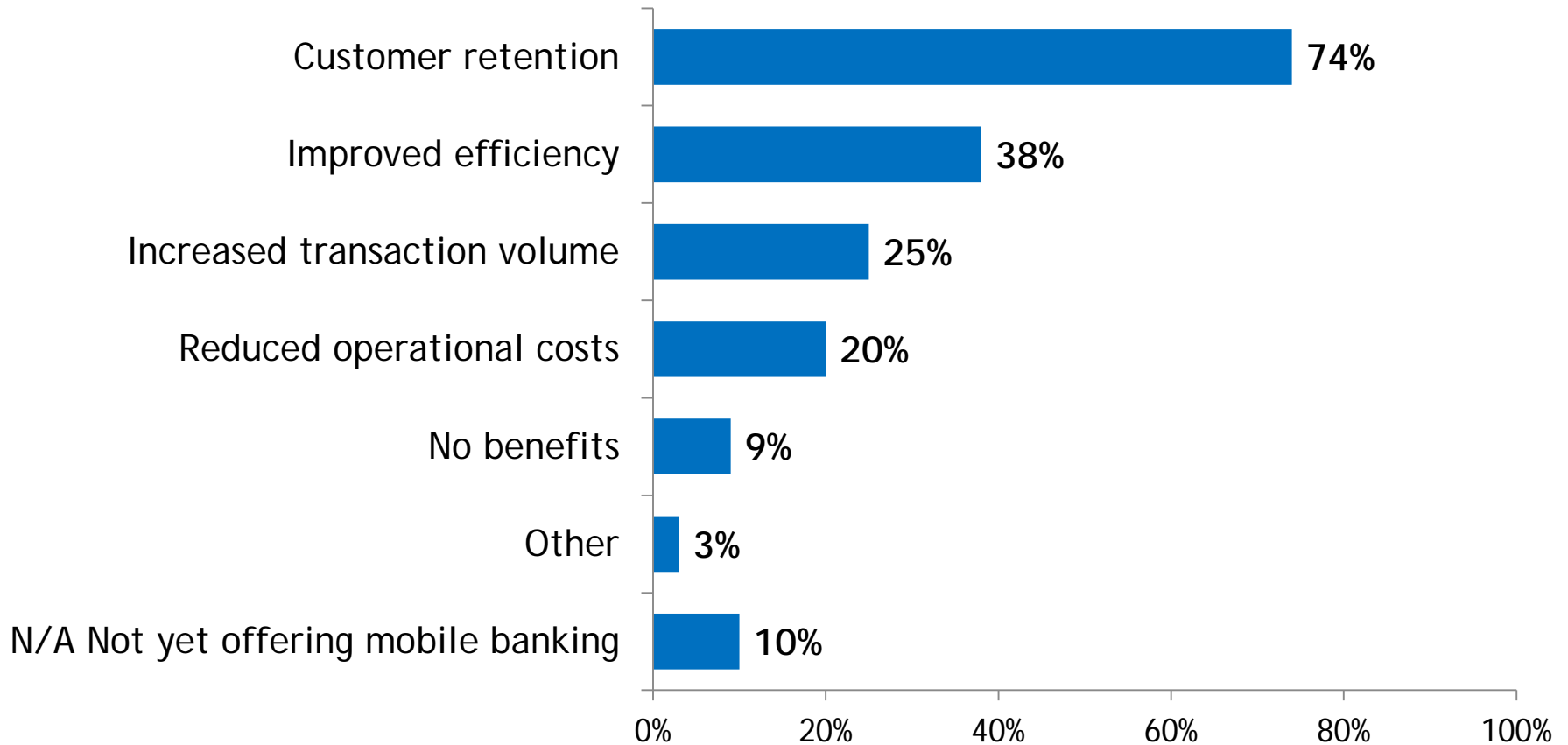
# Attracting new customers is becoming higher priority for Banks

With retention stable, banks focus on leveraging mobile to attract new customers.



Q21. If you (plan to) offer mobile banking, what is your primary business reason? (Check only ONE) n=99

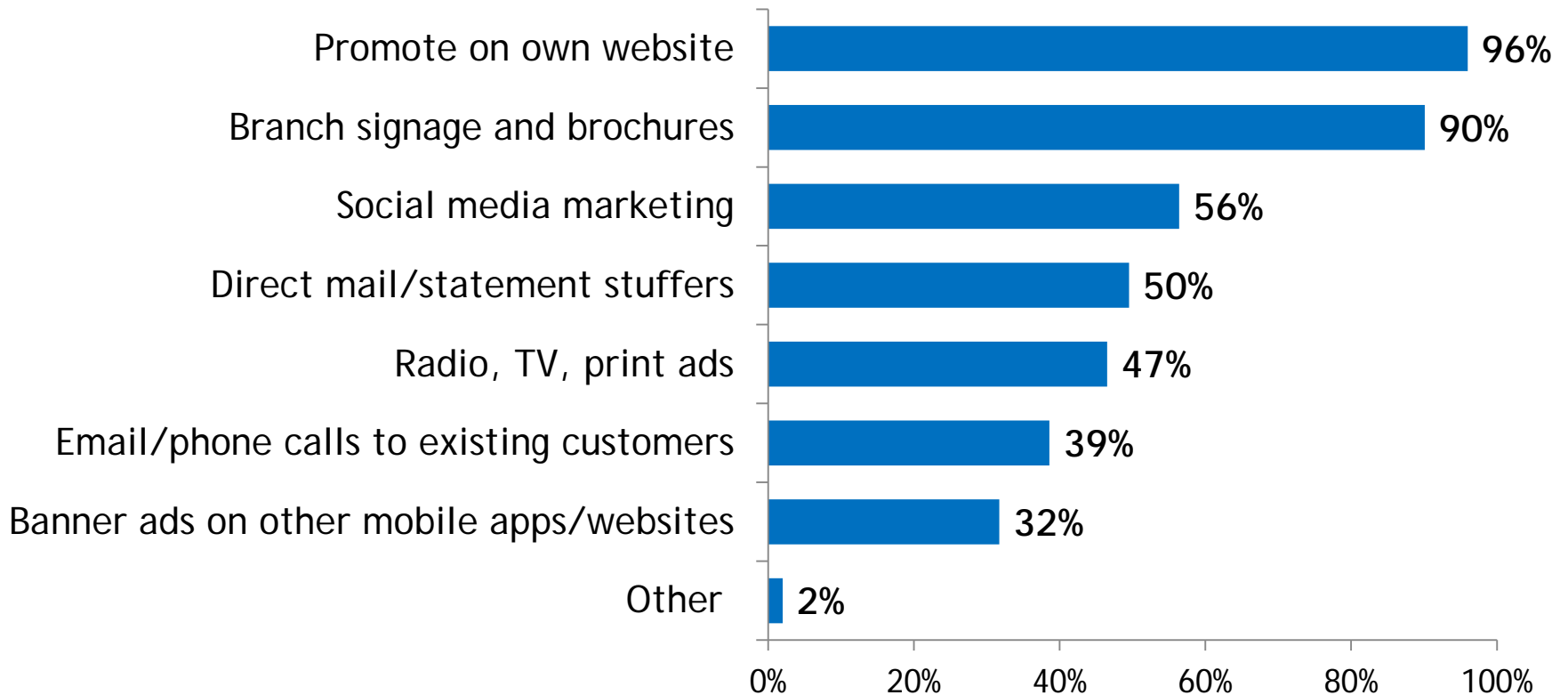
# Customer retention is viewed as a major benefit of mobile banking



Q22. What business benefits have you achieved since offering mobile banking? (Check ALL that apply) n=100

# Marketing primarily through website and branch signage

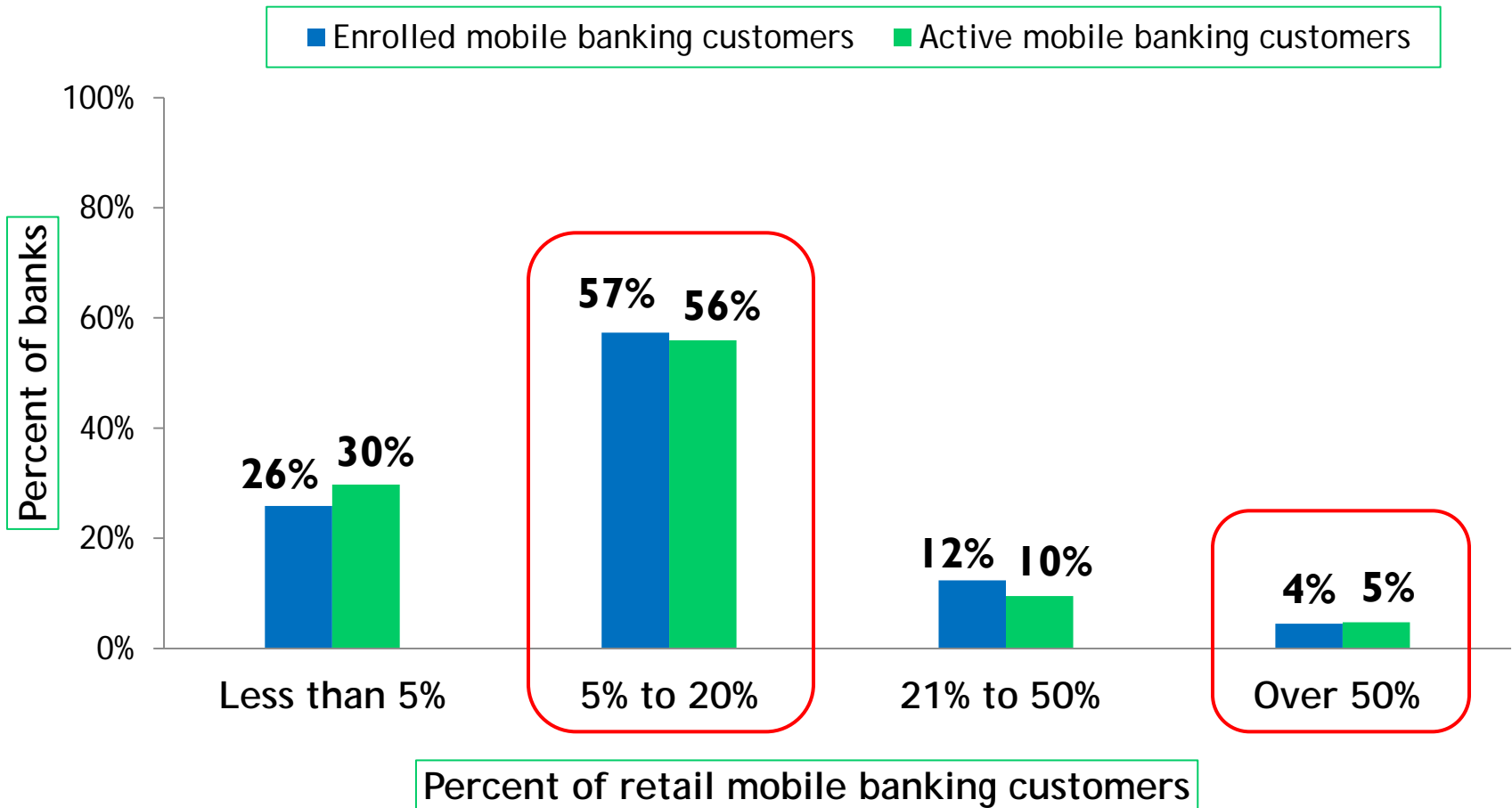
Shifting slightly from other traditional marketing tools to social media



Q23. How do you (plan to) market your mobile banking services? (Check ALL that apply) n=101

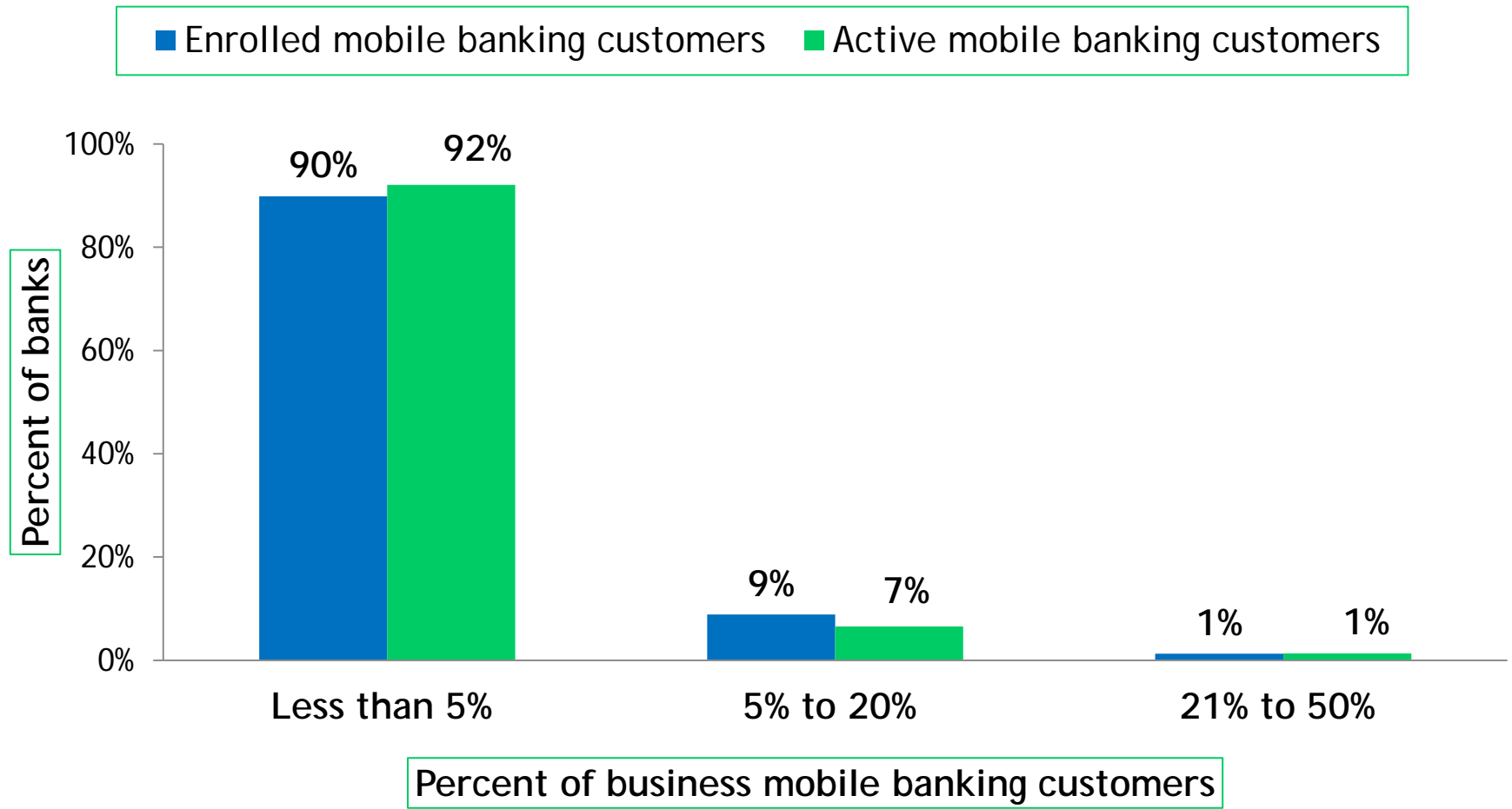


# 50%+ banks have enrolled between 5-20% of retail customers in mobile banking



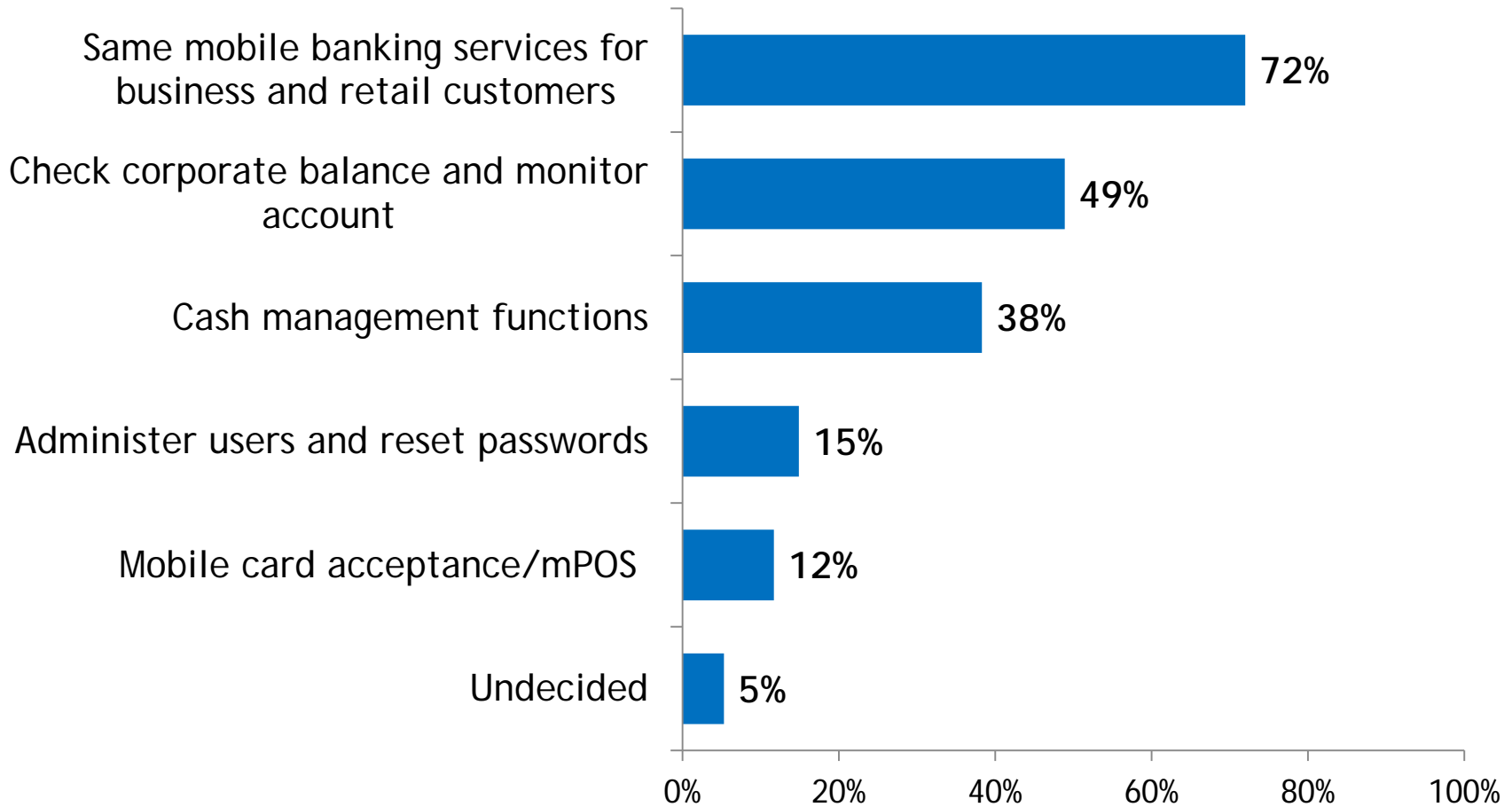
Q24. What percentage of your retail customers have used your mobile banking services? n=89

# Very few business customers have adopted mobile banking



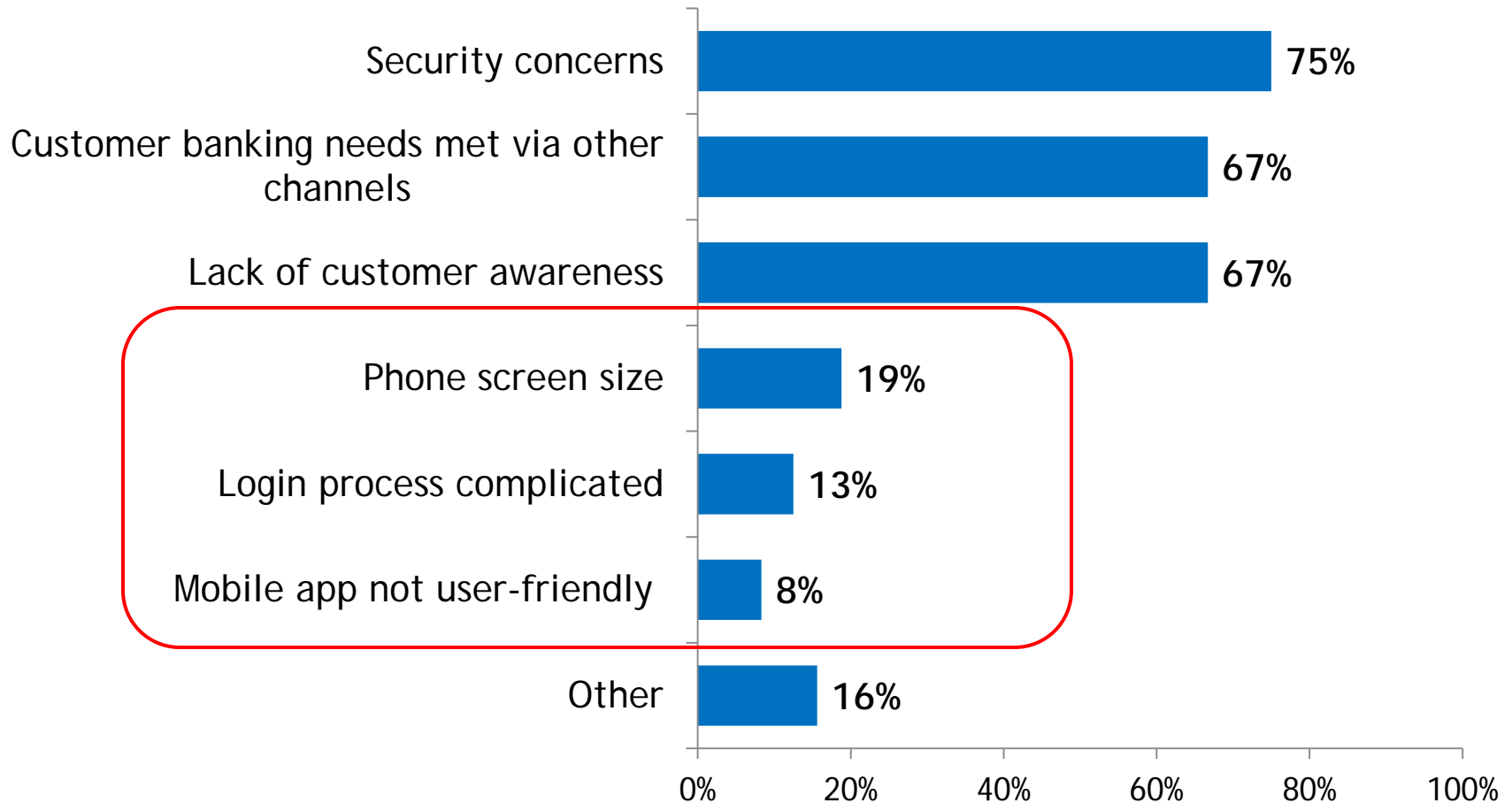
Q27. What percentage of your commercial customers have used your mobile banking services? n=79

# Banks are adding more business-specific mobile services



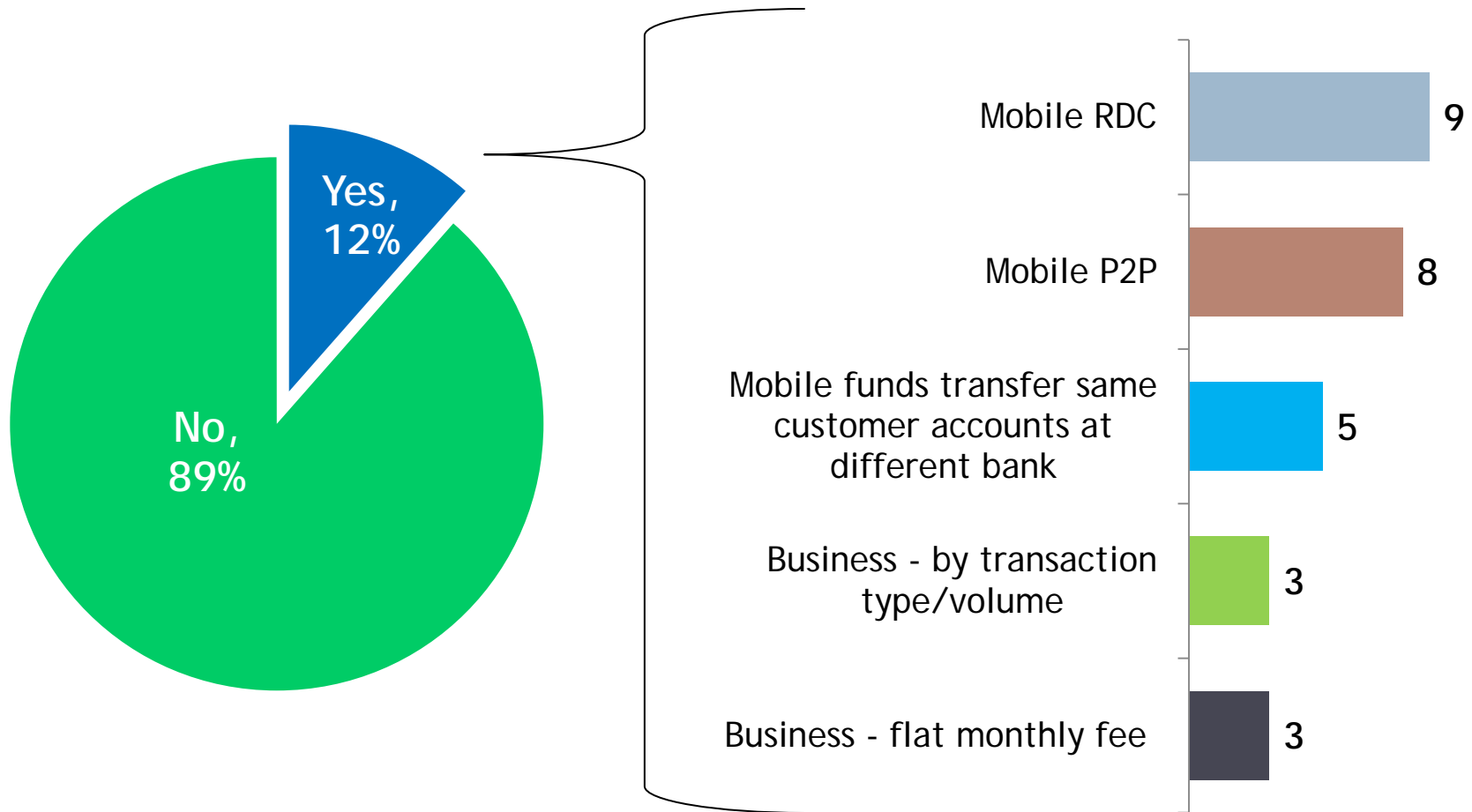
Q26. What additional mobile banking services do you (plan to) offer your commercial customers? (Check ALL that apply) n=94

# # 1 Barrier to customer adoption is security –but customer demand is a close 2nd



Q25. What are the **THREE** most common reasons you believe prevent greater customer adoption of mobile banking? n=96

# Very few banks plan to charge fees for mRDC and P2P - About same % as 2012



Q28. Do you (plan to) charge a fee for any mobile banking services? n=104

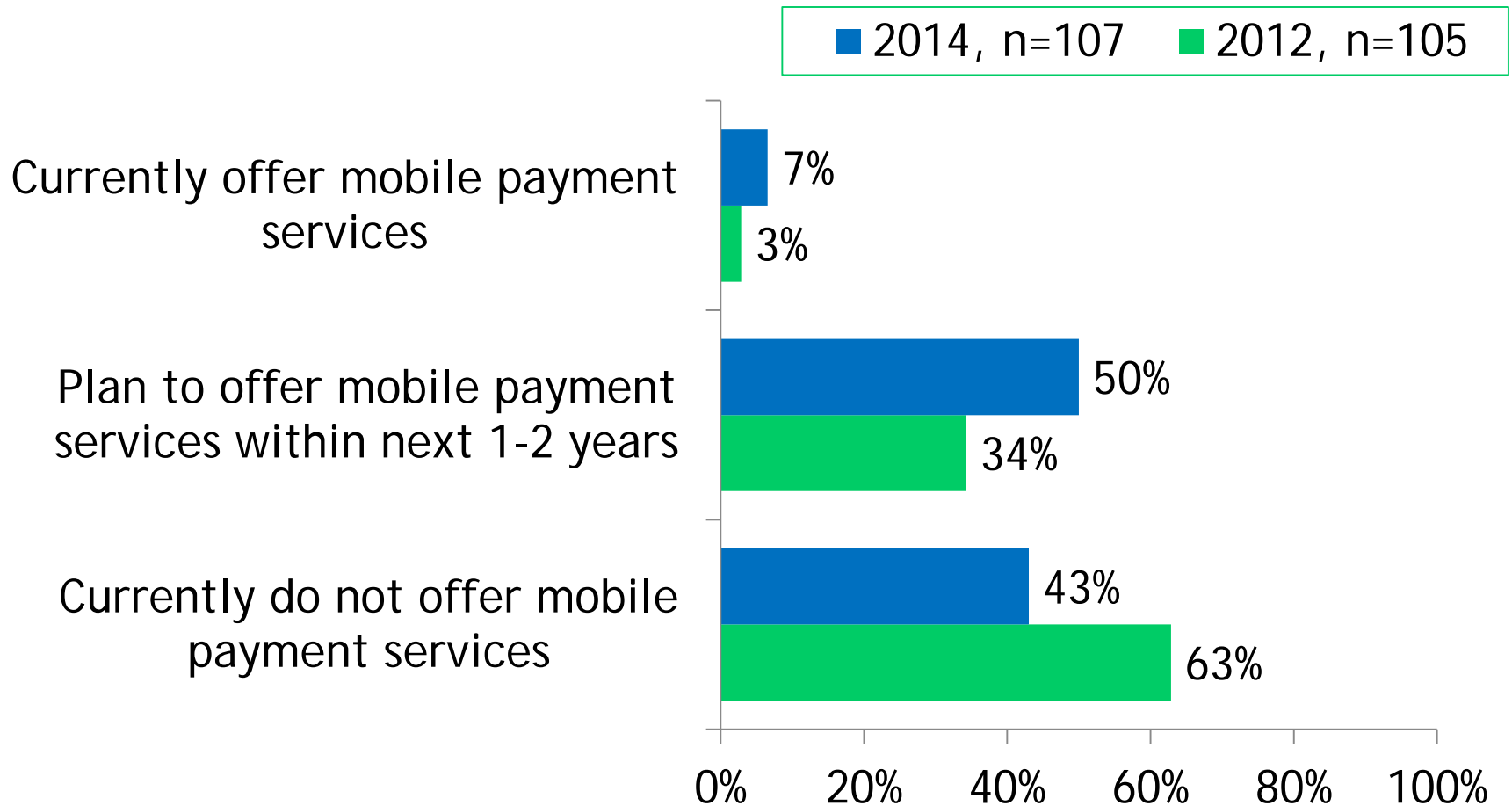
Q29. Please indicate ALL services for which you (plan to) charge a fee. (Check ALL that apply) n=12

# Only three banks DO NOT offer or plan to offer mobile banking

## *Why not?*

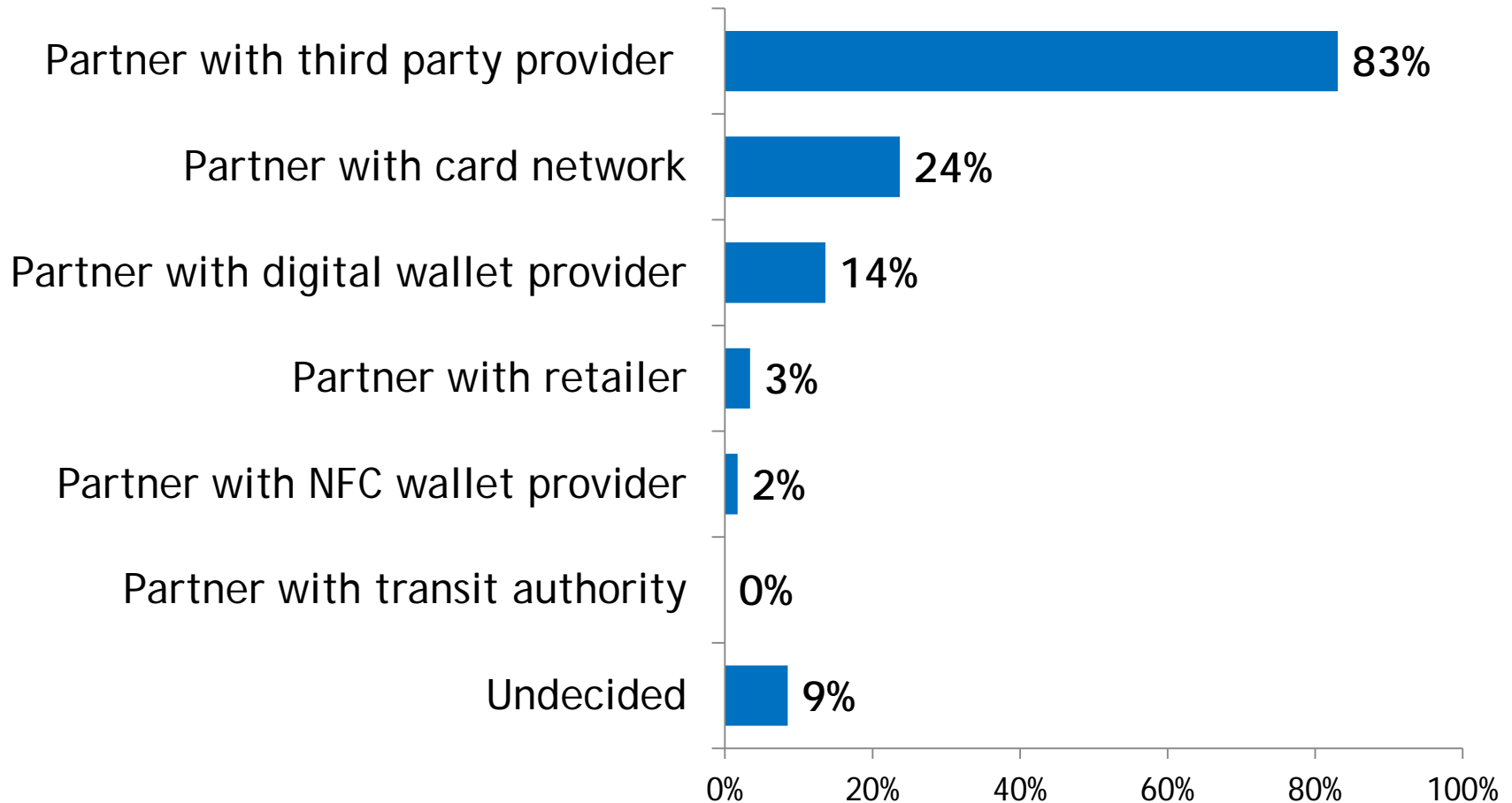
- ▶ All 3 banks noted the same top factors influencing their decision
  - ▶ #1 Security concerns
  - ▶ #2 Lack of customer demand (*#1 in 2012*)
- ▶ 2 banks reported as important:
  - ▶ ROI/Lack of business case
  - ▶ Regulatory issues
- ▶ One bank reported as important
  - ▶ Lack of standards and interoperability as important
- ▶ *Lack of consistent, reliable cellular coverage* was not an influencing factor

# Interest in offering retail mobile payments has increased



Q31. Do you (plan to) offer mobile payment services to your customers? (Check ONE)

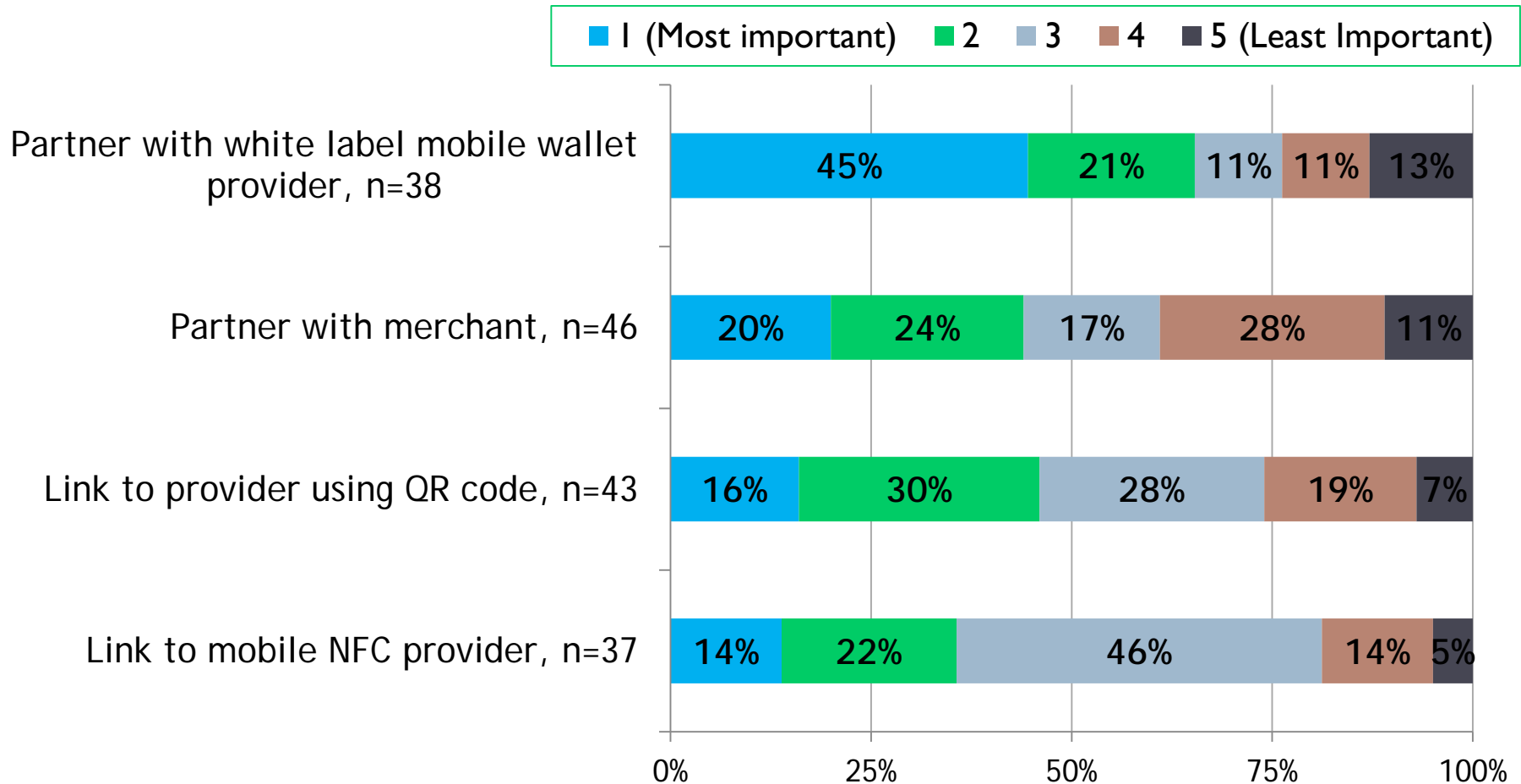
# Banks see value in partnering with mobile providers



Q32. How do you (plan to) offer mobile payment services? (Check ALL that apply) n=59



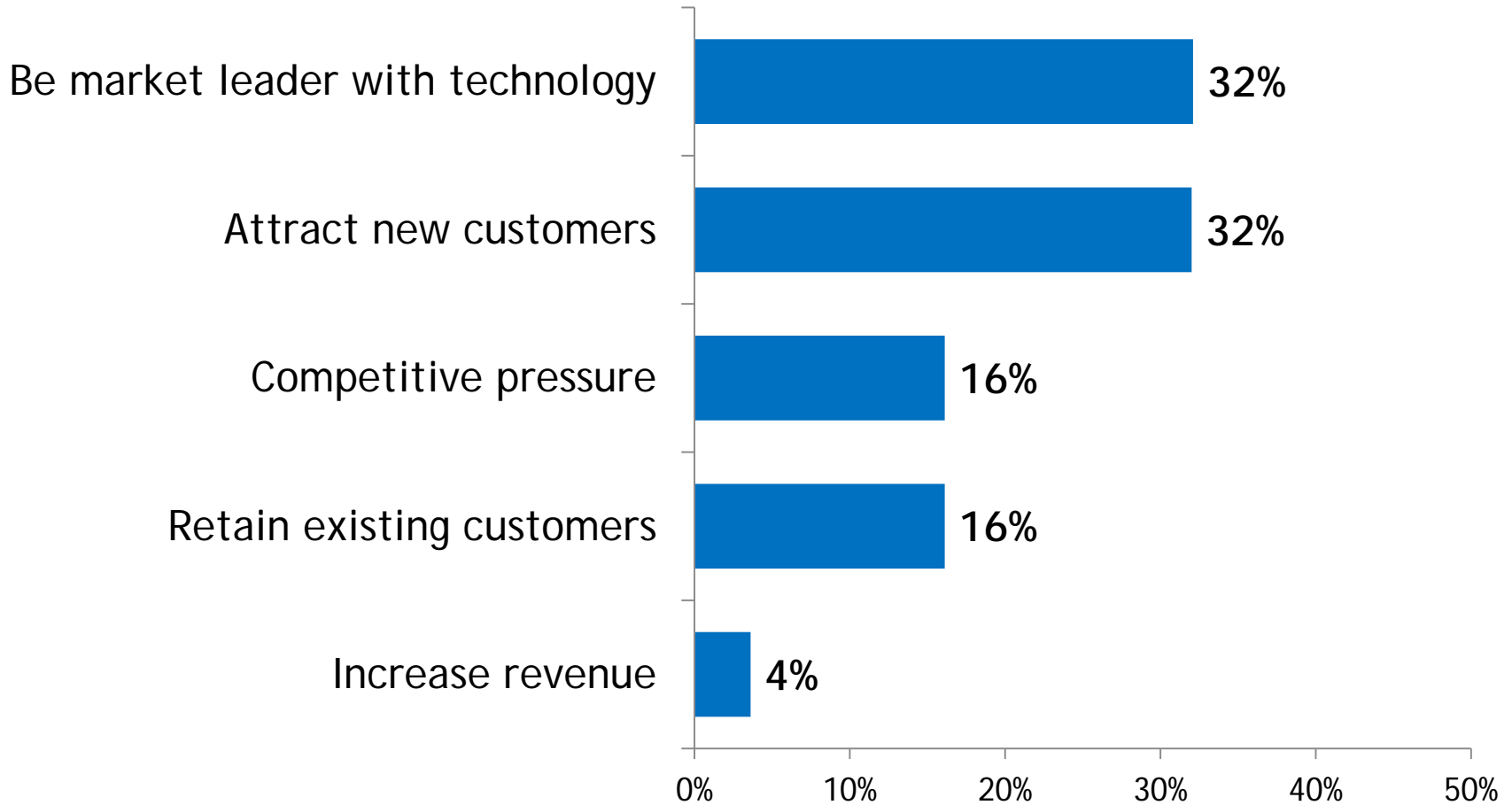
# Wallet leads in retail mobile payment solutions



Q33. Please RANK mobile payment services based on your perception of the value of offering them as part of your mobile banking app from 1 to 5 in order of importance with 1 as the most important.

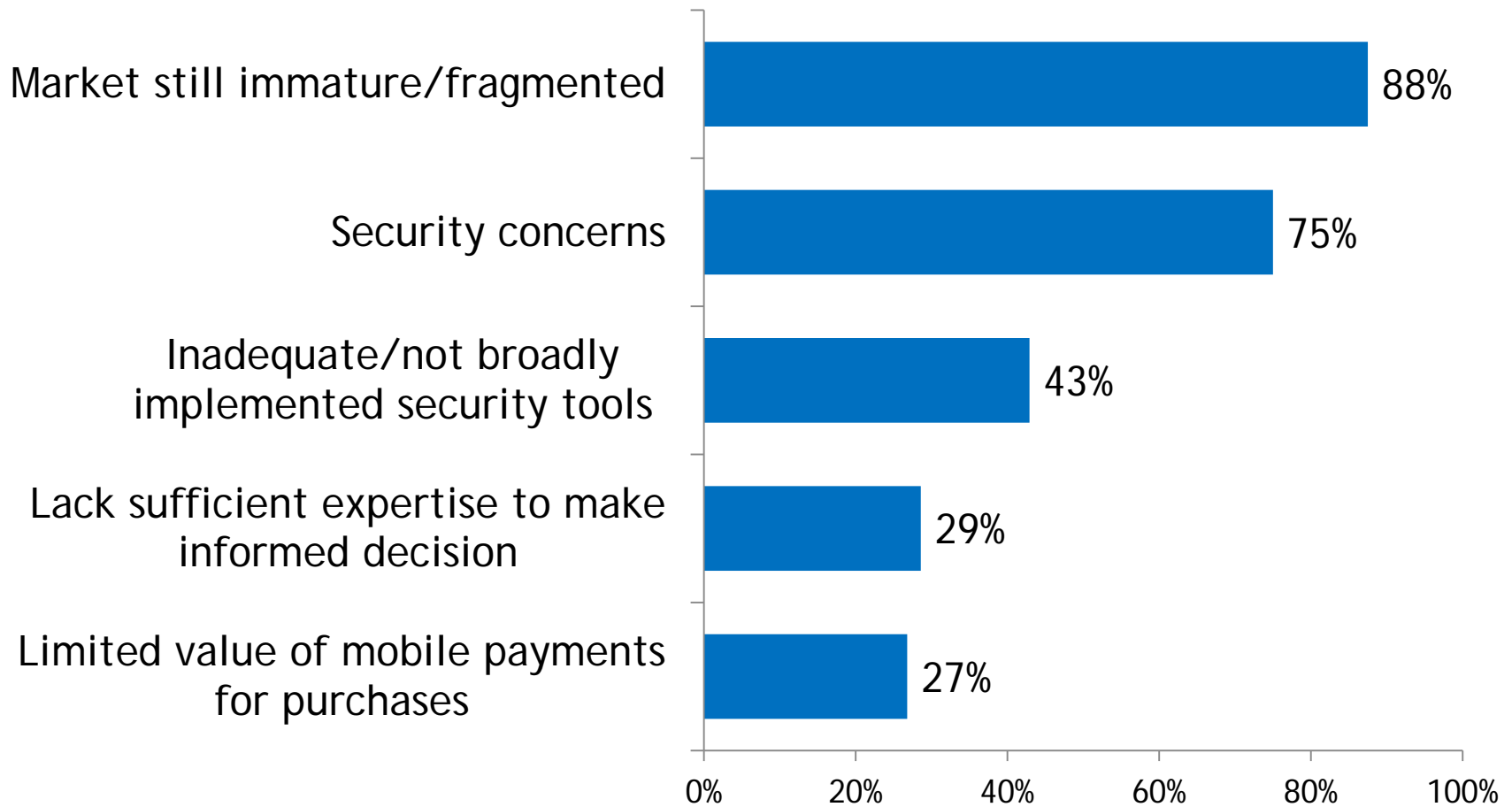
# Banks see different value in offering retail mobile payments vs. mobile banking

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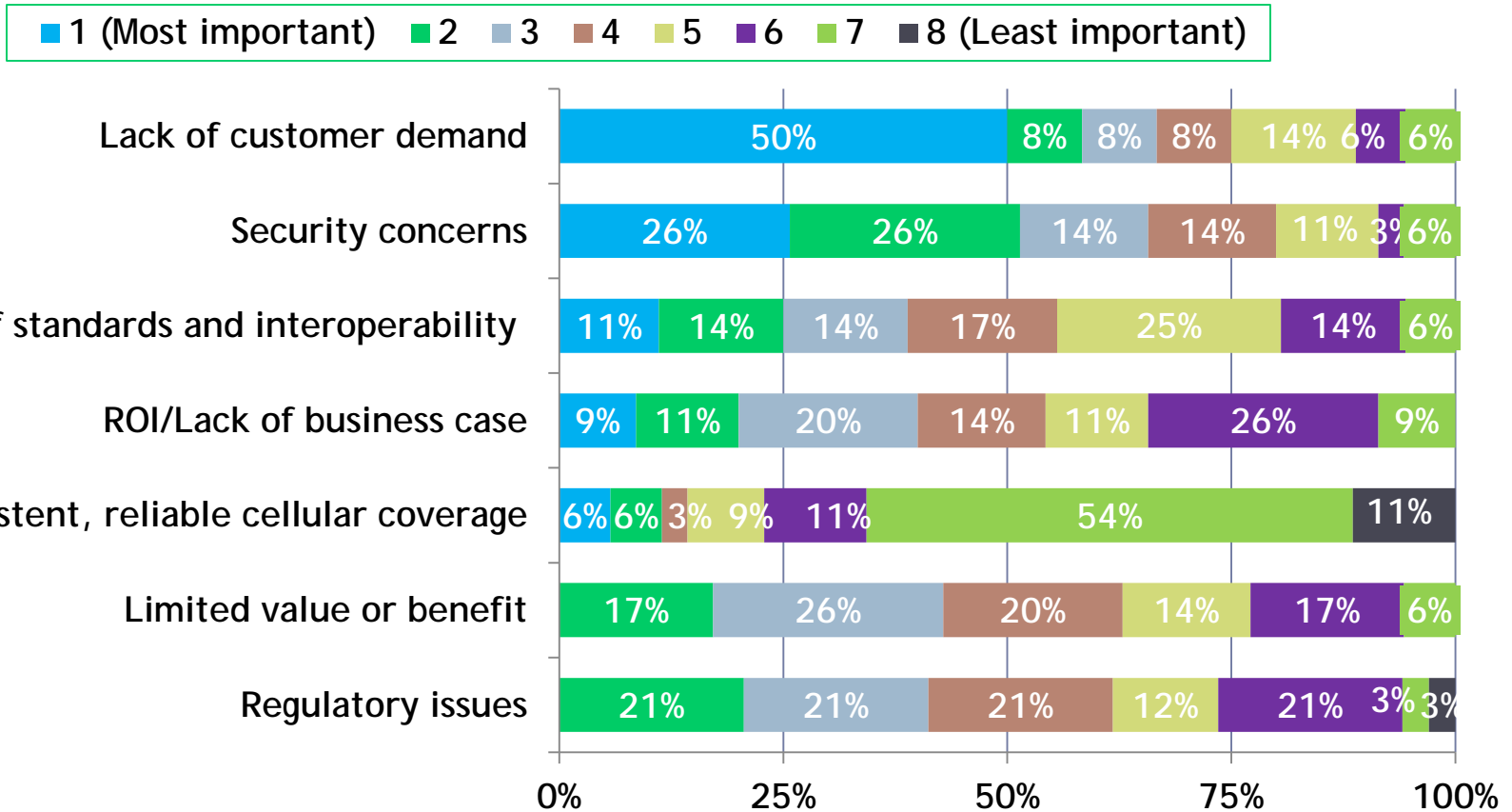
▶ Q34. If you (plan to) offer mobile payment services, what is your primary business reason? (Check only ONE)  
n=56

# Fragmentation limits opportunities to leverage value of mobile payments



Q35. Which barriers do you see to offering mobile payments for purchases? (Check ALL that apply) n=56

# Banks NOT planning to offer mobile payments rank low customer demand slightly more important than security



3 Banks indicated "vendor plans unavailable or unknown" as most important

Q36. Please RANK the items that influenced your decision not to offer mobile payment services from 1 to 8 in order of importance with 1 as the most important. n=40

# Summary conclusions

# Many areas of consistency exist between banks and credit unions

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- ▶ Mobile banking is a “baseline” service for financial institutions in New England – both banks and CUs are now rolling out business-specific services
- ▶ Although ‘triple play’ remains dominant for banks; both banks and CUs are recognizing that mobile apps hold the future for mobile banking services
  - ▶ Tablets are a fast growing area
- ▶ Banks and CUs share common business drivers for offering mobile banking – attracting new customers
  - ▶ But mobile is seen as critical in retaining existing customers
- ▶ FIs still see security and market fragmentation as key barriers to implementing mobile payments

