

# Selecting the right Mobile Banking Platform

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Did you know that a recent survey indicates that 34% of banks globally currently offer a mobile service to customers? In addition, 32% are planning to offer mobile services within the next 24 months. The introduction of a mobile banking platform should be part of well-considered proactive business strategy not a reactive rush to fill an IT gap, advises the author.

Financial institutions that are seeking solutions to provide a mobile banking service to their customers face many challenges. Two of the most important challenges to tackle are: [1] Adoption of the business services strategy and [2] Selection of the right technology and platform that will support that strategy over the long-term. These two challenges go hand in hand and need to be tackled together. Your bank's business service strategy will influence the technology to be chosen. The technology to be used will impact the bank's business service strategy. If we compare the various services provided by banks across the region, we see many differences in the services offered and business service strategy approaches. For example, today, we find Bank A offering text message alerts, while Bank B offers text message alerts, bill payments and money transfers. Why the difference? Banks are racing to rapidly adopt mobile banking as a value-added channel that will offer service to their customers. Each bank's driver and strategies are different. Some banks were the first in the mobile banking arena, other banks are just trying to keep up with the competition, and still others have decided to position themselves as service leaders. In the frantic effort to keep up with the mobile banking services provided by competitors in the market, banks often overlook the need to have the foundation of a clear, long-term business strategy for this channel and the services it will provide to customers. Mobile banking is not just an IT project. A solid business service strategy is required input to make these key strategic technology decisions. Banks have found that specific vendor solutions are faster to implement, "quick and dirty," to rush a mobile offering into the market. However, more often than not, this reactive knee-jerk approach creates limitations as financial institutions try to move from simple mobile banking services to more complex services and mobile commerce.

**A Parallel to the Evolution of Internet Banking:** Let's take a look how the Internet banking service has developed and evolved since its beginnings. Based on our experience with more than 35 banks in region we can say that many banks underwent the following evolution path.

**Stage 1—Presence & Basic Account Information:** At the initial stage it was important to be able to provide a very basic online channel to the customers for simple tasks such as balance inquiry,

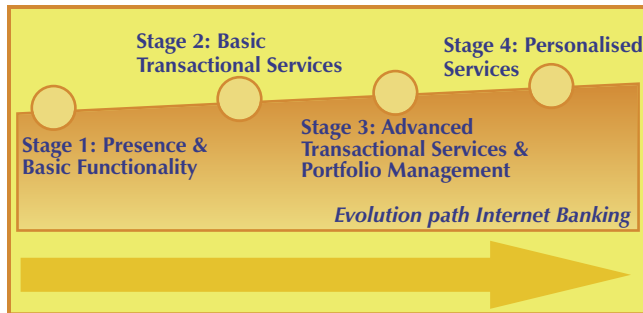
At this point the focus was to provide the customer with basic account information. *The typical bank's strategy:* To build or buy a web application that could interface with the core banking system and was capable of retrieving basic account information and presenting this online to the customer.

**Stage 2—Basic Transactional Services:** The next step in the evolution path was to offer transactional services, mostly geared toward internal transfers and bill payments. Banks at the time were reluctant to expand online service due to security considerations. Braver banks that stepped into the Internet banking arena in this stage, started offering basic account information and transactional services. These banks were also contemplating further expansion of their online services. At this stage the banks introduced charges for the use of the services. *The typical bank's strategy:* For new banks entering the Internet banking arena at this stage, the strategy was to buy or build a robust system that could support the current strategy and offer flexibility in creating and offering new services to the customers. Most banks that entered at stage 1 had to replace systems to be able to expand their services. It was imperative for banks to have a platform that would support and/or solve their security considerations.

**Stage 3—Provide Complex Transactional & Portfolio Management Services:** This stage is where banks started to incorporate complex transactional services and, if available, present investment portfolio information. The customer became more demanding with regards to activities and information they wanted to access through the online service. *The typical bank's strategy:* Keep building and expanding services on the strong foundation of the chosen technology.

**Stage 4—Create & Offer Personalised Services To Your Online Customers:** Nowadays banks are looking for personalised services and functionalities to offer to their customers. For example: Online tools for personal budgeting, online shopping functionalities and even interface to Twitter and Facebook. *The typical bank's strategy:* Look for interface possibilities to create new and exciting services for their customer.

**The Evolution of Mobile Banking:** IBIS Management foresees that mobile banking will follow a similar maturity path as that of Internet banking. There are many different types of mobile bank-



ing solution that are being tested and prepared for launch by banks. These range from simple SMS based communication to enhanced rich client application (to be downloaded on the cell phones). Making the right choice for a mobile banking platform can be made easier for the bank's management and project teams by understanding the expected mobile banking evolution path. By understanding the evolution path, banks can select the appropriate technology to ensure customer adoption, revenue generating opportunities and product enhancement. Breaking out of a single channel approach and offering mobile services by multiple channels in stages that are conducive to customer adoption will provide long-term, sustained monetization opportunities.

### Mobile Banking Evolution Stages

**Stage 1—The New Channel: the Mobile Service:** Proactively interact with the customers to introduce the Mobile banking service by keeping the barrier to use the service low. Use of simple SMS alerts and notifications will allow greater customer penetration and awareness, and adoption of the service. Adoption by a large percentage of the customer base will lead to successful implementation of more complex mobile banking services in the future. *Optimal Strategy:* The approach is to create customer awareness of the existence of the service and the present benefit to the customer by adopting of the service.

**Stage 2—The New Return:** Cost savings from the Mobile Service: With the adoption of the Mobile Banking service it is time to move to the next stage. The next stage is to introduce new services that will enable mobile customers to proactively interact with their bank. At this stage the bank will see the cost reduction in its daily operations. A bank can also introduce charges for the use of the service. *Optimal Strategy:* The approach here is to create and sustain interaction with the customer by introducing simple services like checking of balances, mini-statements, and basic transactions (funds transfers and bill payments, top-ups etc).

**Stage 3—The New Growth: Innovative Fee-based Services:** As customer adoption accelerates, the next stage is implementing complex mobile services to monetize the mobile channel. Offering innovative, mobile-channel-only services with fees charged allows banks to move customers to the next level of mobile banking. *Optimal Strategy:* Create interactive services with value, such as wire transfer, local transfers etc. At this stage it will be also required to move the front interface from SMS to WAP or rich-clients.

**Stage 4—The New Value: Growth of Deposits and Customer Base:** As a next step, banks can enable customers to engage other mobile device users (not necessarily bank customers). They can allow the bank customers to financially interact with other mobile users. *Optimal Strat-*

*egy:* Introduce phone2-phone transaction and mobile remittances by upgrading existing platform with WAP or rich-client applications..

**Stage 5—The Added Value:** Mobile Financial Services: Finally, with the complete adoption of the mobile banking service, the bank can introduce a new service to their customers and community: The Mobile Wallet. The Bank enables its customers to financially interact with the unbanked. With the Mobile Wallet a customer will be able to pay his gardener or even buy a meal after a night out.

**Technology Considerations for Mobile Banking:** In addition to the business strategy, banks must also consider the technology side and the platform requirements for a successful implementation of the mobile banking service. Each stage in a mobile banking implementation requires technology decisions. As we saw, during stage 1, banks can choose from an array of messaging services and alert engine options to automate scheduling and delivery of alerts/notifications. It is in stage 2, where banks rush to implement solutions that are technology-specific SMS, WAP or rich-client—thereby committing a critical strategic error. This critical error occurs because, to successfully navigate to stage 3, banks should have three things in place:

1. Fast access to real time data
2. Comprehensive model for security (Multi factor authentication pin / encryption)
3. Architectural flexibility

Once the right architecture is in place it will facilitate the further development and service expansion, in terms of service and functionality to stage 4 and 5. To successfully implement a mobile banking strategy, crucial technology and platform decisions have to be made, particularly in stages 2 and 3, that involve choosing a flexible, comprehensive mobile banking platform that paves the way to Stage 4, mobile commerce, with minimal rework. Most banks planning their entrance into the Mobile Banking arena need to consider entering either at stage 2 or 3. Entering at stage 1 is not recommended as this will cause the bank to play catch up with the competition.

Understanding the 5 stages of mobile banking evolution path ensures that a bank will define a solid long-term business strategy and have it in place from day one. The bank is therefore able to select the right solution for the implementation of its mobile banking service. Not just for now, but also for the future.

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