

Mobile Banking Goes Mainstream

This whitepaper is an extract from:

Mobile Banking Strategies
Applications, Opportunities & Markets 2010-2015



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Banking on the Mobile

I. Introduction

Juniper Research defines mobile banking as **“the provision of banking services to customers on their mobile devices”**: specifically we mean in the vast majority of instances **“the operation of bank current and deposit or savings accounts”**. However the scope of mobile banking is extending rapidly to further types of financial products and services. In terms of definition of “mobile device”, we make the distinction that the primary function should ideally be mobile telephony. This excludes other mobile and handheld devices with a different primary function such as entertainment, e.g. digital music player or portable games console, or travel, e.g. a GPS enabled mapping device. Whilst this is our aim, we also recognise that devices such as the iPod Touch which has Wi-Fi are equally capable of downloading the same app that runs on an iPhone: the boundaries are being blurred. In this case, though, whilst this report includes examples that refer to the iPod Touch, all our market forecasts are related to mobile subscribers which enables us to exclude the iPod Touch and similar devices.

Specifically, this whitepaper focuses on *additive banking*, which adds further choices or channels for banks to serve their customers or making the banking experience more convenient for existing customers. Additive banking is a critical strategy for established banks globally. It applies in developed nations where the banked population is approaching 100% and the banks want to reach particular customer segments in a more effective way or offer greater choice – such as Gen Y users, or road warriors with smartphones. It also applies in developing nations where banks want to provide services in a more convenient manner to existing customers but are hampered by poor banking infrastructure (few branches, few ATMs (Automatic Teller Machines), and limited online banking access possibly because of poor fixed broadband network infrastructure), although the banked population in many developing countries is limited to 30% or less.

We also distinguish banking from mobile payments, although we recognise that the dividing line between payments and banking is increasingly blurred, especially in developing countries. Juniper Research has a simple definition of a mobile payment as “payment for goods or services with a mobile device such as a phone, PDA (Personal Digital Assistant), or other such device.”

2. Mobile Banking: How is it Delivered?

Mobile banking is delivered in three main ways:

- Messaging-based, predominantly SMS but also USSD
- Mobile Browser

- Downloadable application (most commonly smartphone but also other types such as STK and Java)

An example of all three types is shown below:

Figure 1: Bank of America Mobile Screens



Source: Bank of America

2.1 Messaging-based Mobile Banking

This is currently the most popular method of mobile banking and the easiest to deploy from the financial institution's point of view. SMS text is by far the predominant mobile phone technology in use for mobile banking messaging, although USSD (Unstructured Supplementary Service Data) is also used in some applications.

Messaging is used to alert bank customers of account balances, overdraft limits and for notification of important transactions, such as transfers. Most messaging services are free to the user but some retail banks have charged a monthly subscription for alerting and have seen a reasonable uptake for the service.

SMS based transaction services face the challenge of convincing users about security. The main advantage of SMS mobile banking applications is that almost all mobile phones can use SMS.

2.2 Mobile Browser

Banks have deployed mobile Internet and WAP websites since the late 1990s but consumer adoption has only been significant in recent years as a result of faster mobile broadband networks, cheaper or flat rate data network tariffs and more advanced mobile handsets such as smartphones.

Most mobile Internet banking website users will have access to mini statements and balance enquiries at the base level and more advanced services including payment instructions and bill payments.

The advantages of using a browser based service include security (no information is left on the phone) and from the viewpoint of rapid rollout, the browser is the universal application on smartphones without the requirement of a special download. In addition, if the mobile site mimics the online site, then users will be very familiar with its operation.

2.3 Downloadable Application

A development of recent years has been the downloadable application that offer bank customers a selection of banking services through a single application delivered by the bank to the consumer's mobile

phone. Most frequently these apps are for smartphones and based on iPhone, Android or BlackBerry platforms. The application is also often Java or Brew-based, but can also be based on a STK (SIM toolkit) which is used by MNOs (Mobile Network Operator) to provide added value data applications. The application can be easily customised depending on the user interface complexity supported by the mobile. In addition, mobile applications enable a very secure environment. The main disadvantage of downloadable application clients is that the applications need to be customised for each different device model: typically at the moment for example applications for the iPhone and the BlackBerry are receiving a lot of press.

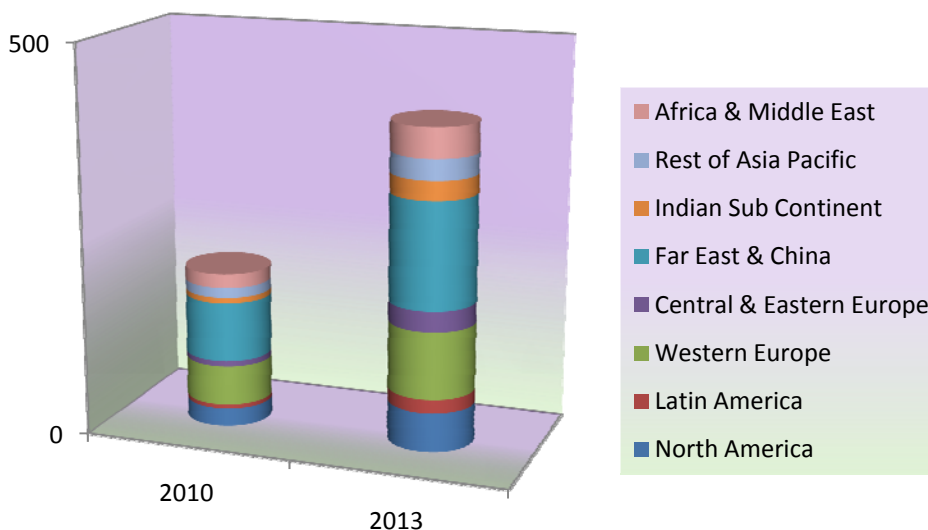
Services that are available through a typical downloadable application include balance account statements, bill payment, funds transfer and an ATM locator.

3. Market Projections

The report provides six year forecasts for mobile banking, across eight regions of the world: North America, South America, Western Europe, Central and Eastern Europe, Far East & China, Indian Sub Continent, Rest of Asia Pacific and Africa & Middle East. Forecasts include subscriber take up, traffic, transaction sizes and values.

Juniper Research is forecasting that just over 200 million mobile phone users will have made use of their mobile devices for banking information purposes by the end of 2010. The technology is proven and currently available in most regions of the world. We are forecasting this figure will exceed 400 million globally by 2013.

Figure 2: Total Mobile Phone Users (m) Who use Mobile Banking Information Services Split by 8 Key Regions 2010 & 2013



Source: Juniper Research

Order the Full Report

This whitepaper is taken from Juniper Research's report entitled "**Mobile Banking Strategies: Applications, Opportunities & Markets 2010-2015**". In the full report, Juniper provides the most up to date view of the mobile banking market and includes a six year forecasting suite of all the vital data and analysis that vendors, banks and service providers need to maximise revenues in this rapidly emerging sector.

Juniper investigates the current state of the mobile banking market based on a primary research interviewing programme with CxO level management from leading mobile banking vendors and banks and also secondary research. As well as providing unique insight on the products, plans and strategies of a number of leading companies, the interviews enabled Juniper Research to garner the live feedback on market parameters, drivers, constraints, trends and growth prospects.

The new study features the Juniper Mobile Banking Technology Strategies Survey of 77 banks across all regions which determined the popularity of SMS, mobile browser, smartphone apps including iPhone and Android and other apps such as Java. Additionally the Juniper study presents insight from its unique Global Mobile Banking Vendor Positioning Matrix of some 21 vendors.

This report provides six year forecasts, across eight regions of the world showing subscriber take-up, user-level messaging traffic, user-level transaction volumes and gross transaction values for "Push" Mobile Banking Information Services, and Pull" Services – MBPP (Mobile Bill Payment and Presentment) transactional banking.

Key Questions answered by this report:

- How many mobile subscribers will use their mobiles for mobile banking information services over the next five years?
- Which will be the leading regions in the market in 2015?
- How many mobile subscribers will use their mobiles for mobile banking transactions over the next five years?
- How many banks deploy multichannel mobile strategies?
- Which are the most popular smartphone apps for mobile banking?
- How are leading banks incorporating the mobile into distribution channel strategies?
- What is the strategic positioning of the leading vendors as they address this growing market opportunity?
- What are the trends, drivers and constraints affecting the development of the market?
- What will be the trend in mobile banking traffic volumes over the next five years?

For more details on this report visit the website www.juniperresearch.com or phone +44 (0)1256 830002.

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Juniper Research specialises in providing high quality analytical research reports and consultancy services to the telecoms industry. We have particular expertise in the mobile, wireless, broadband and IP-convergence sectors. Juniper is independent, unbiased, and able to draw from experienced senior managers with proven track records.

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Author: Howard Wilcox

For more information, please contact:

Michele Ince, General Manager michele.ince@juniperresearch.com

Juniper Research Limited, Church Cottage House, Church Square, Basingstoke, Hampshire RG21 7QW
UK

Tel: UK: +44 (0)1256 830002/889555 USA: +1 408 716 5483

Fax: +44(0)1256 830093

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