

Viewpoint: Why a Bank-Centric Mobile Strategy's Best

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By Tom Spitzer

The mobile channel presents a great opportunity for banks to differentiate themselves, create a market niche, and build a brand.

This may seem too grandiose a strategy to consider, especially for community or midsize banks. But any bank can reap benefits as an early mover into the mobile channel.

We all know the banking market is tough, and the current economic rain isn't helping. Banks looking for a new way to add value to customer relationships should note the numerous signals pointing to the huge potential in the mobile channel.

Analysts forecast that mobile banking will have a more robust, faster adoption than its predecessor, online banking.

Mobile phones are everywhere, even in the hands of schoolchildren. The mobile communications channel is thriving; the installed base of mobile phones is at 240 million in the United States, nearing saturation with 70% market penetration.

And phones aren't just phones anymore, they are a necessity — they keep parents and kids connected, maintain overbooked schedules, and help navigate traffic.

A natural extension of mobile phone use is mobile banking and payments — more broadly, mobile financial services. Mobile is not just about a new channel, it creates an opportunity for banks to cut across business segments and exploit synergies to increase value to customers while increasing revenue.

For maximum benefit from this new channel, banks need a unified strategy. A successful mobile financial services model considers the business units' revenue strategies in addition to information technology's view of a unified, simple, cost-effective implementation.

While the mobile channel offers strategic opportunities, it also presents unique challenges — in particular, the plethora of consumer mobile choices, compounded by bank security and compliance requirements. In examining the challenges, key elements of a bank-centric solution emerge.

Consumer choice. With a bank-driven solution, the bank's customers may choose any mobile service.

Communications can be accomplished via either short message service (also known as SMS) text messaging, or transmission control protocol/Internet protocol (TCP/IP) data service, encompassing all of the bank's customers no matter which mobile plan they use.

Security. Both the bank and its consumers demand secure transactions and protection against fraud. Bank-branded, bank-issued hardware and software provide secure, end-to-end communication with authentication.

Convenience and ease of use. An excellent user experience is critical for any new consumer offering, with versatile, streamlined, and fast communications, so there is no waiting for transactions. Mobile banking functions should be simple, easy to use, and provide real-time information for better decisions. A bank-centric solution with a handset client rather than a slow browser is more intuitive and easy to use, so anywhere, any-time "panic payments" are user-friendly, preventing exorbitant fees and finance charges.

Mobile point of sale payments. Banking services will not be the endgame for banks in the mobile channel. Using phones for payments at brick-and-mortar stores will be a natural extension as consumers associate their mobile phones with financial services.

While SMS payment where merchants and consumers consummate a transaction with a series of reciprocal messages is an interesting study, changing consumer behavior or mandating a revolutionary merchant infrastructure change will be uphill tasks. A hardware token that banks can brand and issue to their customers, enabling mobile phones to be contactless payment devices in a secure, easy manner is the real need.

Infrastructure integration. With the scope and diversity of banking ranging from retail consumer services to commercial banking, credit card issuance to wealth management, it is imperative that a mobile solution be flexible for each bank to customize it to fit its strategy and customers.

The optimum implementation is a platform that plugs into the current bank infrastructure, one with modules that are easily integrated with the bank's resident IT infrastructure; the bank chooses how, when, where.

Moreover, an infrastructure solution gives all the executives managing business units the opportunity to extend service into the mobile channel using the same platform. The bank IT team has only one solution to integrate, providing value to all the individual units — an unequivocal win-win.

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