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Adopt M-Banking as a Successful Business Strategy

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Abstract

M-Banking refers to provision of banking and financial services with the help of mobile telecommunication devices. The scope of offered services may include facilities to conduct bank transactions, to administer accounts and to access customized information. The paper identifies the advantages and limitations of m-banking and the problems faced by consumers. By building an agile, best-in-class mobile infrastructure, the influence of m-banking can be realized through increased differentiation, lower cost consumer acquisition, improved channel efficiency, enhanced consumer retention, and greater revenues from cross-selling of products and services. Before launching more standalone mobile apps, digital banking leaders need to lay out a vision for how mobile will change the way the bank sells and serves its consumers. With this in mind, mobile banking in the future must be simple, ubiquitous, personal, empowering and most importantly, reassuring.

Keywords: M-banking, adoption, financial institutions, new age banking

Introduction

Mobile Commerce is gaining increasing popularity among various sections of the society. The growth can be partly traced back to technological development that have influenced important aspects of the socio-cultural behavior in today's world. The need for mobility seems to be the driving force behind Mobile Commerce.

A cornerstone of Mobile Commerce is built by Mobile Banking (M-Banking), the availment of bank-related financial services via mobile devices. It consists of services in the field of accounting, brokerage and financial information. M- Banking is increasingly used by many banks around the world to generate additional revenues, reduce costs or to increase customer satisfaction, often with very promising outcomes.

M-Banking is usually defined as performing banking business with the help of mobile devices such as mobile phones. The offered services may include transaction facilities as well as other related services that satisfy mainly informational needs revolving around financial activities (Rajnish Tiwari et al, 2018).

Therefore, M- Banking refers to provision and availment of bank-related financial services with the help of mobile telecommunication devices. The scope of offered services may include facilities to conduct bank and stock market transactions, to administer accounts and to access customized information. M-Banking, as defined above, includes a wide range of services. These services may be categorized as Mobile Accounting, Mobile Brokerage and Mobile Financial Information.

Most services in the categories designated Accounting and Brokerage are transaction-based. The non-transaction-based services of an informational nature are however essential for conducting transactions-for example, balance inquiries might be needed before committing a money remittance(Jeremiah Chukwu, 2016).

The Current State of M-Banking

M-banking continues to gather momentum, fueled by rising smartphone use and the steadily improving supply of mobile-optimized banking worldwide.

(1) M-Banking users are typically young and wealthy.

M-banking users are typically younger than the average online adult. They are more likely to be well educated and work full-time, as well as to have a slightly higher income than the average online adult. Besides, men are slightly more likely to use m-banking than women (Manav Aggarwal, 2017)..

(2) Many factors influence m-banking adoption.

A wide variety of factors affect customers' likelihood to bank on their smartphone and help to explain the differences in adoption between countries and among individual banks. These factors include mobile Internet adoption, availability of affordable data plans, smartphone ownership, privacy and security concerns, the availability of traditional banking channels like branches and ATMs, and individual banks' efforts to promote m-banking use.

(3) Privacy and security concerns still prevent some customers from using m-banking

For example, three main reasons still keep online adults from using m-banking. The customers who have mobile phones but don't use m-banking say they do not like banking on a mobile phone. The customers don't believe it is safe or secure. Besides, the customers don't trust banking on a mobile phone, either.

(4) Consumers use m-banking mainly for information and normal tasks

The most popular m-banking activities are checking an account balance, viewing a recent bank transaction, and transferring money between their own accounts at the same bank, or at different banks, and transferring money to others (Peter Wannemacher, 2017).

(5) A fast-growing number of banks offer a mobile-optimized website.

When consumers use a browser instead of an app, they expect to find information and perform tasks without the hassle of zooming their way through the website. Nearly three-quarters of the banks now offer a mobile-optimized website. By utilizing a single mobile-optimized website, banks can more easily, quickly, and cost-effectively reach consumers across multiple devices.

(6) Leading banks are tailoring services to individual consumer needs

Until recently, m-banking users are typically early adopters of new technology, keen to try out new things. As m-banking use becomes mainstream, later adopters are likely to be less proficient mobile users. Leading banks no longer think that one size fits all. Instead, digital banking teams at leading banks are starting to make use of consumer context by taking a segmented approach to m-banking (V. Devadevan,2018).

Advantages of M-banking

(1) Increase product holdings

The average number of product holdings, including loans, certificate of deposit, credit cards and mortgages, increased after customers' adoption of m-banking.

(2) Deepen the relationship with financial institutions

M-banking consumers at the banks –not just new adopters-have higher product holdings at 2.3 products vs1.3 for branch-only consumers. Customers who use m-banking are likely more engaged with their financial institutions. As the relationship between customers and financial institutions deepens, it enables other types of engagement. If customers have savings accounts, auto loans and m-banking with a bank, for example, they are more likely to think of that financial institution when they mortgages or other financial services products. As customers use more products, they turn to banking to help them manage increasingly intricate financial lives. This may lead them to specially seek out banking capabilities as part of a general financial relationship (Asmahan Altaher, 2017).

(3) Increase transaction frequency

Customers with many point-of-sale transactions are more prone to use m-banking, and certainly increased debit and credit card usage means more incremental revenue for financial institutions.

The relationship between m-banking and transaction frequency could be because immediate mobile access to financial information, including balances, may influence additional transaction behaviors, including POS transactions, and ATM withdrawals. When customers can check their balances on their mobile phone, it may lead to increased spending of available funds (Fiserv, 2018).

(4) Decrease branch transactions and Drive potential cost savings

Owing to the self-service nature of the mobile channel, the branch transactions decrease after adoption of m-banking. The drop in branch visits is likely because simple transactions-depositing checks, transferring funds, making a loan payment-move to the mobile channel. Though customers who adopt m-banking are less likely to enter the branch, that doesn't mean the branch isn't important to them. They will likely return to conduct high-engagement transactions with staff, such as managing asset and solving potential fraud activity. This shift in interaction types may even optimize the retail space(Renju,2018).

(5) Lower attrition

In most examples, customers with m-banking are less likely to leave their financial institutions. Attrition rates are lowest for m-banking users when compared to online and branch-only customers. M-banking provides an extra point of engagement and satisfaction for customers. Driving customers to m-banking can better retain them. Lost customers and members mean a potentially significant drop in revenue for financial institutions.

Obstacles Towards Adoption of M-Banking

M-banking as an innovative method of banking is emerging rapidly and is expected to grow increasingly in the near future. However M-banking spread is low in spite of high mobile penetration.

(1) Customer awareness and knowledge

Among the main barriers for rejecting M-banking among customers includes "M-banking requires knowledge and learning". In many cases, there is lack of understanding of how mobile banking and mobile related transactions operate. Therefore banks need to adopt appropriate strategy that will create required knowledge for employing m-banking services by potential and existing consumer base(Joel D. Rumanyika, 2015).

(2) Mobile banking transaction fees

"High mobile banking transaction fees" is one of the main obstacles for rejecting M-banking services. Consumers reject M-banking due to perception of high cost.

(3) Wireless network

The third reason for rejection of M-banking is poor nature of telecommunications network in the country. The customers state poor nature of the infrastructure as disincentive for using their mobile phones in conducting banking transactions. This is as a result of frustrations and disappointment consumers go through in using mobile phones for communication purposes during peak periods(Faisal Iddris, 2016).

(4) Virus & Malware attack

There is also risk with virus and malware attack because it may access the account information such as username, password. Some malicious codes are written to defect mobile banking, such as attacking SMS banking and stealing mobile transaction authentication (password and pin number). So it is also a big security issue and challenge in mobile banking services(Aditya Kumar Tiwari et al,2017).

(5) Security

Security or privacy plays a very important role in mobile banking. Whenever user enters

PIN or PASSWORD for transaction processing then it may be stolen by unauthorized user. It may be also possible that user mobile device has lost or is stolen. Because user's sensitive data and information in mobile get so high risk with services which are provided by third party. Third party may take the data, information and may possibly provide to any another third party. So mobile banking users have to be aware about application used for WAP mobile banking services and require to download a genuine and authorized application for transaction process.

(6) Authentication process issue

In mobile banking there is authentication risk at the login time or when a user access account through the mobile system. To enter a PIN number for authentication process is an old process or method. It is possible that password and ID or username may be stolen. Any unauthorized access and password attacker can get all the information which are related to the account (Raghuvir Singh et al, 2017).

The main constraints to the adoption of M-banking have implications for marketing managers for development and marketing of M-banking services targeting potential and existing customer base of the banks. The paper serves as eye opener for banks on the deployment of M-banking activities.

Strategies for Greater M-Banking Adoption and Usage

M-banking product features and marketing programs affect adoption and usage of m-banking. Financial institutions can focus on target marketing and product investment to drive adoption and increase return on the mobile investment. Customers expect a wide range of m-banking attributes that enable anytime, anywhere access to financial services. The features and functionality--mobile deposit, tablet banking, person-to-person payments, instant balance—will enable greater adoption and usage.

Financial institutions should be proactive in marketing the strong value of m-banking by utilizing organic online and in-person traffic. Cross-sell m-banking with promotions that display when customers log in to online banking or bill payment. Tackle security concerns by outlining security measures in place at the financial institution (Fiserv, 2018).

Engage front-line staff in promotion of m-banking. In addition, social media channels should be an integral part of any m-banking marketing campaign. Compelling imagery, short videos and links help increase the effectiveness and reach of posts.

The value of m-banking users is increasingly higher. However, if a customer enrolls in m-banking and never transacts on the channel, that value is lost. Once customers are enrolled in m-banking, strategies should focus on getting mobile bankers to use mobile bill pay or person-to-person payments, transfer money or make a deposit.

The Future of M-Banking

While digital transformation is strongly accelerating, banks have to reinvent themselves and to go further than the evolution started with the development of online banks. Mobile, through its implied simplicity, transparency, autonomy, immediacy and personalization, is one of the main transformation driver which will disrupt the retail banking industry more than any other trigger before. The paper aims at designing the future outlines of m-banking through Customer targets and Customer experience.

Customer Targets

(1) Millennials

First, for mobile banks to increase their consumer base is to offer a unique consumer experience in order to target the millennials. Indeed, millennials now exceed baby boomers and represent the largest population for banks. While they represent a natural target for mobile banks owing to their digital and mobile appetency, the consumer experience and mobile experience is important since bad apps make millennials twice more likely to switch than the overall population(Efma, 2017)..

(2) SME and entrepreneurs

Then, the SME(small and medium-size enterprise) and entrepreneurs market that have a strong appetency for mobile services. With 56% of small businesses stating that banks' technology resources have an important influence on their decision to use the bank, mobile banks are perfectly positioned to acquire those clients through the various services they can offer to SME (Mashenene, R. G. & Rumanyika, J. 2018). Another key feature of SME is that they lack time to manage their day-to-day banking. Through mobile app, banks can offer a strong satisfaction lever to these customers because 80% of those using m-banking say it saves them a significant amount of time.

(3) Migrants and foreign employees

Besides, the markets that can be targeted by mobile banks are the migrants and foreign employees. While the needs of this population are rather limited (primarily international transfers to their family in their home country), it is very profitable for banks when the services are fully digitalized. Moreover, with million people living outside their countries of birth, the potential market is huge.

(4) The elderly

Finally, banks can also target the elderly. In fact, only 18% of seniors use m-banking representing a strong potential growth. Although it seems that these consumers would be difficult to acquire for mobile banks.

Mobile banks should aim larger consumer targets, much larger than what online banks have been doing until now. Thus, the product offer and the consumer experience must enable to address millennials and mass market but also entrepreneurs and SME, migrants and frequent travelers, or the elderly, as strong growth levers.

Customer Experience

Many financial activities can be done today without the need to approach a bank: paying for coffee using retailer cards or apps, raising funds through crowd funding platforms, transferring money thanks to peer-to-peer platforms. Hence, capturing traffic on digital channels will become a much more important issue for banks and especially mobile banks. Mobile channel is rising sharply across the world to become the first channel in some countries.

However, the traffic through mobile channels is still fragile because mobile utilization is still limited to traditional functionalities. Consumers mainly use m-banking for basic day-to-day financial needs. Most consumers use their mobile banking app to check their balance and make transfers. A few customers use their mobile app to manage and categorize their spending. Most consumers use their banking app for convenience aspects rather than for innovative ones. The main attraction of m-banking is its ease and availability. Customers use m-banking because it saves them time. Innovative services are still underused by consumers.

Banks should leverage mobile capabilities to drive traffic to their digital channels and build a new consumer experience that will enable them to face the external risk factors that reshape the banking industry. The principles to reshape consumer experience and unlock fast and effective traffic capture for m-banking in the future are as follows .

(1) Differentiated services leverage mobile capabilities

Traditional banks offer m-banking features that are mainly focused on basic services such as account checking, transfers, ATM location, and only few offer differentiating services. This lack of differentiation strengthens unexploited financial opportunities.

Mobile capabilities, such as camera, geolocation, voice command or biometric authentication, open a wide range of possibilities to differentiate the consumer experience and the services (Agwu, M. E., & Carter, A.L.2016).

(2) A personalized experience highlights the right services for each consumer.

The first step in personalizing services for consumers comes with personalizing the presentation of these services. Banks should utilize data to target consumers with accurate services. Consumers’ needs, lifestyle, previous interactions with the bank and also market trends are all indicators that banks can benefit from pushing offers to consumers. The substantial amount of data banks possess can make them know about services consumers might need. Banks can use this advantage to push notifications to consumers with the right service they need and at the right time.

By suggesting services that satisfy consumers' needs, banks go beyond their traditional function of a financial services provider to become a personal financial coach for their consumers. Therefore, push notifications should come together with click-to-action features that will allow consumers to access services that meet their needs with minimum effort. Banks can therefore take advantage of mobile touchpoints to promote and sell financial services rather simply proiding information to consumers(Al-Jabri, I. M., & Sohail, M. S. 2018).

(3) Mobile Payments

Millennials lead the way in the skyrocketing rise of mobile payments. The trend will likely see the demise of credit cards in the near future as customers use their mobile wallets to pay for goods and services. Services like Apple Pay, Android Pay, and Samsung Pay grow steadily and exponentially. Apple Pay alone reports growth of one million new users per week.

(4) Banking and Fintech Partnerships

Because of the rising demand by customers for digital banking solutions, traditional financial institutions will need to partner with fintech offerings to provide the digital advances found in many other sectors like retail, hospitality, and travel(John Barnett, 2018).

Conclusion

As the penetration of smartphones increases, consumer expectations increase as well. As more innovative applications are developed within and outside the financial services sector, the ability for banks to keep up becomes both more difficult and more important(Jim Marous, 2016).

Online banking already seems to hit a beginning point of acceptance, with some customers passing over this phase of financial engagement and moving directly to m-banking. With the growth in tablet use, customers can access highly graphic and sophisticated financial planning tools on the road or while multi-tasking at home. New devices and new tools provide an increased level of engagement and contextual interaction to the banks that grasp the opportunity.

While most banks already offer some m-banking functionality, the challenge going forward will be to perform a strategy that is beneficial both from a consumer experience and revenue perspective. By building an agile, best-in-class mobile infrastructure, the influence can be realized through increased differentiation, lower cost consumer acquisition, improved channel efficiency, enhanced consumer retention, and greater revenues through cross-selling of products and services.

By performing and optimizing a successful m-banking strategy that is integrated with a wider multi-channel strategy, banks will be better positioned for the future of both mobile banking as well as mobile payments.

Before launching more standalone mobile apps, digital banking leaders need to lay out a vision for how mobile will change the way the bank sells and serves its consumers. With this in mind, mobile banking in the future must be simple, ubiquitous, personal, empowering and most importantly, reassuring.

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