



Mobile banking is ringing again. Will customers answer?

October 2007



Mobile banking is back on the agenda. Many banks and financial firms are reactivating or rejuvenating their mobile banking offerings. Most stopped or marginalised mobile banking after the first launches failed to gain traction in the early 2000s. But now, better technology may warrant a new attempt. Aite Group, a research firm, reckons that by 2010 close to 35 m US consumers may use mobile-banking features. [chart 1](#)

Minuscule screens and slow connections are things of the past.

Modern phones offer bigger screens, better usability and increasingly affordable high-speed data transfer. By 2011, more than 40% of new mobile phones will be equipped with a 3G broadband connection. Better technology allows smooth and more enjoyable transactions and thus removes some of the obstacles which foiled the first attempts. [chart 2](#)

Mobiles are an indispensable part of modern life. More than 60% of Germans under the age of 29 can't imagine living without their mobile phone – mainly because they never did. But while the fascination of mobile phone is the smaller the older the citizens, it increases with income. 40% of Germans with a monthly net income of more than EUR 3,000 and 50% of those earning more than EUR 6,000 can't do without. Many banks hope to transfer this obsession towards mobile banking as well. [chart 3](#)

Still, customers give mobile banking a cold reception. Few customers are dying to use their mobile to pay bills, check their balance or trade stocks. Only around 4% of US online consumers with a mobile phone use a feature of mobile banking today. Another 5% are interested or very interested but 72% are not interested at all. However, it is probably difficult for many consumers to imagine something that is not yet widespread. [chart 4](#)

Muted consumer enthusiasm points to supply-driven development. If banks are not heeding the call of their customers, what's pushing them towards mobile banking again? Competitive pressures and high uncertainty about future developments may explain part of the activity: nobody wants to be left behind if and when the mobile banking train gets up and running. 55% of US financial institutions say that the lack of a clear business case for mobile banking is a serious impediment. Accordingly, 43% tend to view the creation of mobile banking capabilities rather as a defensive move to counter potential competition. [chart 5](#)

Customer adoption is not a problem if tangible advantages are being offered. People in low-income countries are often the biggest fans of mobile phones and mobile banking because fixed lines are often nonexistent or expensive. In fact, the share of mobile-phone subscribers in low-income countries has surpassed the share in rich countries. By the same token, few people in poor countries have regular current accounts. Hence, mobile phones offer access to basic financial services where little existed before. [chart 6](#)

The phone may also become a wallet. Mobile phones will be loaded increasingly with mobile payment functionality. Mobiles appeal to payment system operators because they are taken along most of the time and capable of aggregating multiple systems. Worldwide payments by mobile phone may reach USD 22 bn by 2011 – which is still a paltry sum. In any case, if consumers get used to paying with their phone, mobile banking may become less difficult to sell. [chart 7](#)

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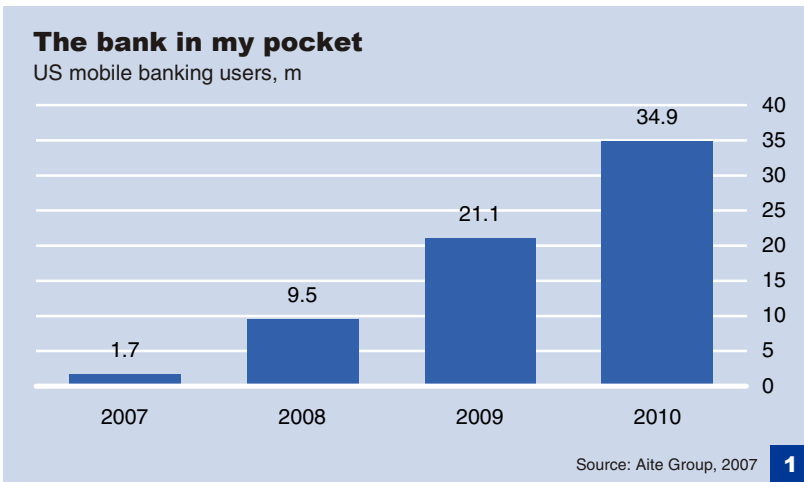
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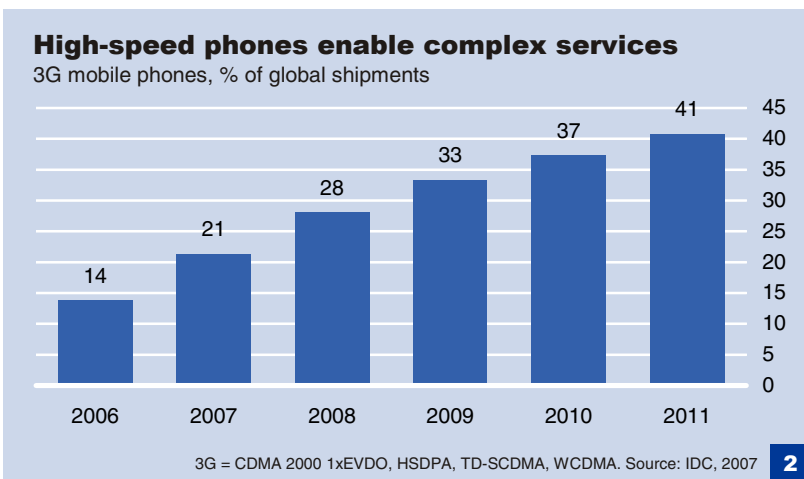
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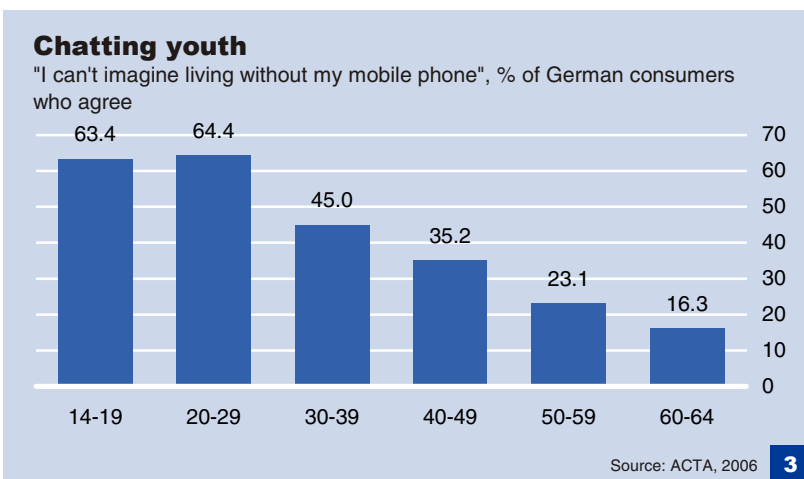
Norbert Walter



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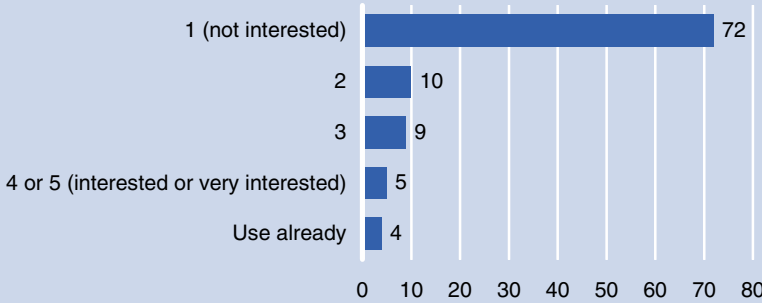
Minuscule screens and slow connections are things of the past. Modern phones offer bigger screens, better usability and increasingly affordable high-speed data transfer. By 2011, more than 40% of new mobile phones will be equipped with a 3G broadband connection – according to projections by IDC, a technology consultancy. Better technology allows smooth and more enjoyable transactions and thus removes some of the obstacles which foiled the first attempts. [back to front page](#)



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Consumers give mobile banking a cold reception

How interested are you in accessing financial information through a wireless device? % of US online consumers with a mobile phone

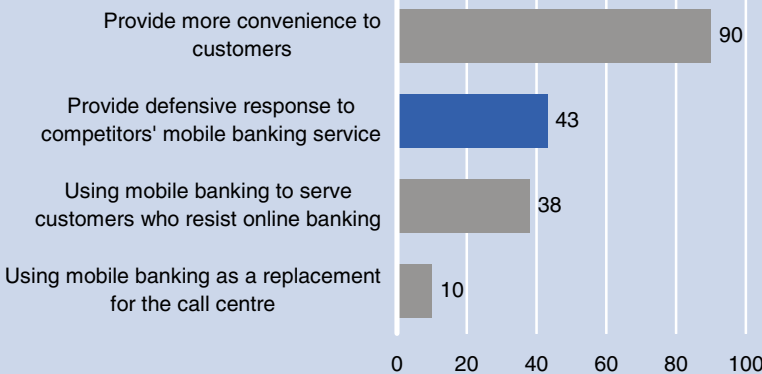


Source: Forrester Research Inc, 2007 **4**

Still, customers give mobile banking a cold reception. Few customers are dying to use their mobile to pay bills, check their balance or trade stocks. In a survey by Forrester Research, a technology consultancy, only around 4% of US online consumers with a mobile phone use a feature of mobile banking today. Another 5% are interested or very interested but 72% are not interested at all. However, it is probably difficult for many consumers to imagine something that is not yet widespread. [back to front page](#)

No bank wants to be left behind

% of US financial institutions that give high importance to the following issues

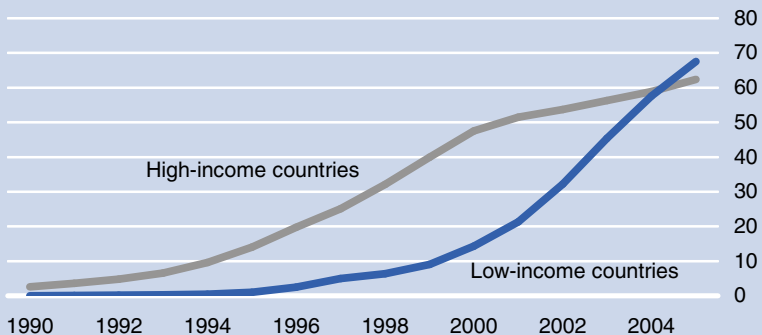


N=22. Source: Aite Group, 2007 **5**

Muted consumer enthusiasm points to supply-driven development. If banks are not heeding the call of their customers, what's pushing them towards mobile banking again? Competitive pressures and high uncertainty about future developments may explain part of the activity: nobody wants to be left behind if and when the mobile banking train gets up and running. In a survey by the Aite Group, 55% of US financial institutions say that the lack of a clear business case for mobile banking is a serious impediment. Accordingly, 43% tend to view the creation of mobile banking capabilities as a defensive move to counter potential competition. [back to front page](#)

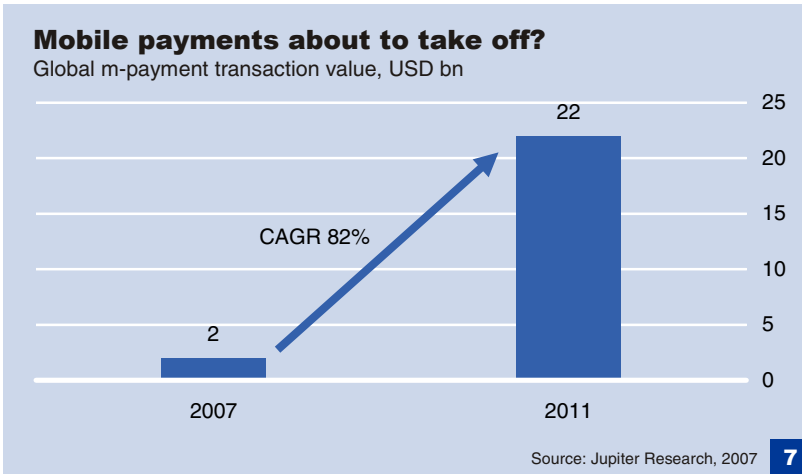
Low-income countries prefer mobiles

Mobile-phone subscribers as % of total phone subscribers



Sources: DB Research, World Bank, 2007 **6**

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The phone may also become a wallet. Mobile phones will be loaded increasingly with mobile payment functionality. Mobiles appeal to payment system operators because they are taken along most of the time and are capable of aggregating multiple systems. Jupiter Research reckons that worldwide payments by mobile phone may reach USD 22 bn by 2011 – which is still a paltry sum. In any case, if consumers get used to paying with their phone, mobile banking may become less difficult to sell. [back to front page](#)

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