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Mobile Banking & Payments 2.0: Creating the iPod of banking

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Online Banking Report

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Abstract:

Ten years ago, online banking leapt from nice-to-have status to must-have. In hindsight, it's pretty obvious why it became so popular, but at the time there were still questions as to if and when it would break out into its own "channel," on par with telephone and in-branch delivery.

Today, we are at a similar point in the development of mobile banking. We believe the adoption curve of mobile banking in the next 10 years will look a lot like the 1995-to-2004 take-up of online banking (see report for 10-year forecast).

However, there is a huge difference. Mobile banking is an **extension** of online banking, not an entire new channel. It's really just a dumbed-down version of online banking that fits on a two-inch screen. But with voice prompts and text-to-voice capabilities, there isn't much you won't be able to do on a smartphone

interface. The report explores mobile banking product design, both today with simple info service, and in the future, when one-button mobile banking will be the industry standard.

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We believe mobile banking and payments are at a tipping point. While they have already taken root in much of the world, North America financial institutions are finally arriving at the party, one they largely abandoned in 2001/2002 when the first generation of PDA-based banking failed to take root. This time around adoption is expected to be relatively rapid, especially with **Bank of America** and **Citibank** expected to launch mobile services in 1st and 2nd quarter 2007.

In our Mobile Banking Report, we'll look at the how the market is expected to evolve and how financial institutions should position their mobile offerings. A 10-year market forecast for the United States is included.


Sample Page

MOBILE BANKING

Mobile banking poised for take-off
Mobile banking is to online banking as the iPod is to iTunes, (but not nearly as fun, or expensive)

In the United States, mobile banking is almost nonexistent other than alerts. However, several upcoming events are expected to jump-start the industry:

1. **Citibank's** expected March launch of *True Mobile Banking* powered by **mFoundry**, now expected for March (see p. 26)
2. **Cingular's** launch of *True Mobile Banking* through yet-to-be-determined banking partners powered by **Firethorn Mobile** (see p. 27)
3. **ClairMail's** implementation of two-way text messaging services with several top-10 banks
4. **BoFA's** nationwide rollout of WAP-based banking, and the marketing muscle they may put into it
5. **Apple's** mid-year launch of the *iPhone* (see p. 28)



Comparing the rollout of mobile banking vs. Web-based banking
But this won't be as easy as the rollout of Web-based online banking in the late 1990s for several reasons:

1. **Extra costs for the end-user:** The carriers usually charge extra fees for the use of the mobile Web or text messaging, after a certain number of messages. Yes, Web access had a price, too, but even ten years ago it was an expense many households were willing to incur to get email and the other obvious benefits. The added expense of Web access from your phone is not as easily justified, since most activities can be performed at a desktop.
Impact: Hampers WAP banking adoption; little impact on SMS banking because per transaction costs are low
2. **Poor user experience:** Programming standards for mobile websites are not yet up to 1997 standards for the PC-based Web. So, a great looking site for one user may look horrible for another.
Impact: Hampers all types of mobile banking, but especially WAP banking which requires the most navigation for most mobile users
3. **Expensive customer support:** Tech support for desktop Web-based banking is relatively easy, one reason why it was so widely deployed by financial institutions by 1999/2000. Once connected, the ways users view your site and interact with are fairly standard. There are IE vs. Firefox vs. Safari issues, but they are not too difficult to manage. But in mobile, the differences among a Nokia 6102i, T-Mobile Sidekick and Motorola SLVR, are significant. And each wireless carrier has different devices, different access rules, and different pricing, making it difficult to troubleshoot mobile access issues over the phone.
Impact: Hampers the use of downloaded applications until programming standards are widely adopted

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Company Examples Cited

America First Credit Union, Apple, ASB Bank (New Zealand), AT&T (Cingular), Bancorp South, Bank of America, Bankinter (Spain), CheckFree, Citibank, ClairMail, Clickatell, Fifth Third Bank, Firethorn Mobile, First National Bank (South Africa), Heritage Bank, Intuit, mFoundry, National Australia Bank, OCBC Bank (Singapore), Tell Me, Wachovia, Wells Fargo Bank, Yodlee