

# BANK SYSTEMS & TECHNOLOGY

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# Banks Position Themselves For Mobile Banking 2.0

Mobile banking may have become an established channel, but that doesn't mean there aren't lots of changes ahead. What will mark the next generation of mobile — and what must banks do to capitalize on these trends?

By Bryan Yurcan  [@BryanYurcan](#)

**T**he rapid rise of mobile banking adoption is a testament to how much a part of everyday life the channel has become. Though the smartphone as we know it didn't exist 10 years ago, consumers now routinely use the devices for a wide variety of functions, including commerce and financial services. According to a Federal Reserve study conducted in August 2013, almost one-quarter

of mobile phone users say they have accessed mobile banking in the past 12 months.

As such, it's not enough for financial institutions to simply offer a mobile banking app anymore. The next generation of mobile services must meet changing consumer behaviors and demand.

"Mobile has clearly evolved from a kind of secondary or tertiary strategy to now something many banks look at as their primary digital interface," notes Matt Lehman, senior VP and head of online and mobile at Cleveland-based [KeyBank](#) (\$91 billion in total assets).

Lehman says Key has seen rapid growth in mobile adoption over the past couple of years, and he believes that's primarily because of how integrated the smartphone is in many people's lives.

"Smartphones are so personal to a client,

and that allows them to interact on a frequent basis with their bank," he notes.

For that reason, Lehman believes the next generation of mobile banking services will focus on features that will give customers "rich information on their financial lives and [give] them confidence in their financial state."

This includes not only personal financial management products, but offerings such as fraud-prevention services and the ability to more fully manage accounts on the go, he says, which KeyBank is pursuing in its mobile offering.

Lehman also sees the continued evolution of tablet banking as a unique and differentiated offering from mobile banking on a smartphone. He views the tablet as "an amalgamation of the desktop and the phone" that people use for more complex tasks. Therefore, Lehman says, the tablet is ideal for offering



Mobile is "about combining the best of all worlds and giving your customers a great experience."

— Brian Pearce, Wells Fargo



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more complex financial products, such as mortgage applications, than is feasible through a mobile phone.

Lehman says KeyBank already is trying to optimize the experience of the tablet as opposed to a mobile phone. For example, the bank offers a truncated version of its website if accessed on a phone, he says. But if customers come to the website through a tablet, they will see the full site.

### Branchless Banking?

The mobile channel also will be able to emulate many of the functions of the branch. Nagaraja Chennur, financial services mobility lead for North American banking at Capgemini, says that by enabling the process of opening a bank account, applying for a loan, or conducting a number of other transactions via their mobile applications, banks will be able to reduce the number of visits customers need to make to bank branches.

“Banks need to be able to provide flexibility to their customers to perform more tasks from the mobile application, such

as opening a new account or applying for a loan,” Chennur says. “Customers should have the ability to take and submit a photo of their driver’s license, utility bill, a check, etc., without visiting a bank branch. Banks can then process these digital documents to open an account or apply for a loan. Additionally, through the mobile application, banks can send status updates to customers for the different requests via push notification.”

Brian Pearce, head of the retail mobile channel at San Francisco-based [Wells Fargo](#) (\$1.5 trillion in assets), agrees that functions such as opening accounts and applying for loans are ideal for the mobile channel, since the cameras on most mobile devices can capture images of paperwork and identification. However, he says, it’s not necessarily about “replacing the branch” but optimizing each channel to its maximum capability.

Wells Fargo has begun to experiment in this capacity, with its “neighborhood bank” format. This is a new kind of branch of approximately 1,000 square feet — about one-third of the size of a typical Wells Fargo



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branch — that will offer personalized service in settings not suitable for its larger stores. These new stores — the first of which was opened in Washington, D.C., last year — are designed with areas where sales



“Mobile does really change everything. It allows you to get information when you need it, where you need it, and wherever you are. Most banks haven’t fully taken advantage of that yet.”

– Steven Ramirez, Beyond the Arc

associates can conduct business with customers and have financial conversations, including in private. They also have wireless tablets and smartphones that team members will use to serve customers, while a free wireless hotspot will also be available for customers to use.

“It’s about combining the best of all worlds and giving your customers a great experience,” Pearce says.

### Make Me An Offer

Another key component of mobile banking 2.0 will be the use of geolocation, combined with smartly analyzing customer data, to market and make more relevant offers to consumers, Pearce says. Capgemini’s Chennur agrees.

“Banks should use a customer’s purchase history to provide tailored

offers and promotions,” says Chennur. “When a customer makes a purchase with their bank card, they can opt to have a receipt sent to their bank. Banks can then store these detailed transaction receipts for the customer and utilize the data to recommend specific offers. For example, when a customer pays for gas at a gas station, the card company knows the consumer has purchased gas. The card company can then provide the consumer with a discounted car wash either at the same station or at a nearby location.”

Looking even further into the future, Pearce believes biometrics and voice recognition will play a role in the continuing evolution of mobile banking. Wells Fargo piloted a program last summer in which employees used voice to navigate the mobile banking app, he says. “I walked away from that a believer,” he adds. “It’s a really great user experience.”

Ultimately, Pearce believes that voice recognition can eventually replace typing on a phone as a way to use mobile banking apps.

Despite the opportunities, however, so far many financial institutions have not utilized mobile to its fullest potential, argues Steven Ramirez, CEO of customer experience and social media strategy firm [Beyond the Arc](#).

“Mobile does really change everything,” he says. “It allows you to get information when you need it, where you need it, and wherever you are. Most banks haven’t fully taken advantage of that yet. They’ve taken the desktop experience and slimmed it down and put it into a phone. They haven’t delivered to meet the customer expectations and experience of what’s possible.”

Like others, Ramirez believes banks can use mobile more effectively by



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leveraging big data and analytics to look at transaction history — not only for a single customer, but also the transactions of millions of customers — and analyze that information to serve up recommendations for customers based on that. “I think that with the ability of the banks to leverage data and analytics, consumers don’t realize all that banks can do for them, and once they see it they will like it,” he adds.

### Infrastructure Upgrades Needed

Banks face a challenge in that they’re competing not with other mobile banking experiences but with the experiences consumers are used to getting from mobile-savvy retailers in other industries, Ramirez says.

To meet these customer expectations, he says banks will have to integrate disparate back-end systems in order to deliver a more seamless and real-time experience. Though banks are generally reluctant to make the kind of investment needed to overhaul legacy infrastructure, Ramirez says there is a clear business case for doing so.

“I think there’s definitely a business case

for why that kind of systems integration work is really critical,” he says. “It can be a huge source of differentiation for banks that do it. Mobile has been the most quickly adopted new channel in the industry. In a short period of time it has gotten pretty dominant. For a bank to stand out, it will require a big move, and that has to take place at the board level.”

Chennur says banks also will need to invest in mobile analytics to understand how the apps are being used and how they can make improvements to existing apps.

“Banks also do need to invest in infrastructure as well,” Chennur adds. “Investing in such infrastructure helps with CRM solutions integration with retailer back-end systems for offers and rewards. It is also important that banks invest in integrating with ISVs such as voice-based technologies and scanning solutions [companies]. This will aid in the development of more innovative products based on their road maps. By implementing these strategies, banks can reduce some of the infrastructure that is already in place, bringing banking into the next generation of mobile services.” ■

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