

MOBILE BANKING SERVICES IN NEW ENGLAND

Results of Federal Reserve Bank of
Boston – NEACH Survey

Payments Strategy Services Forum

October 2, 2008

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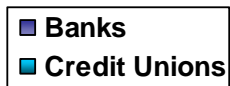
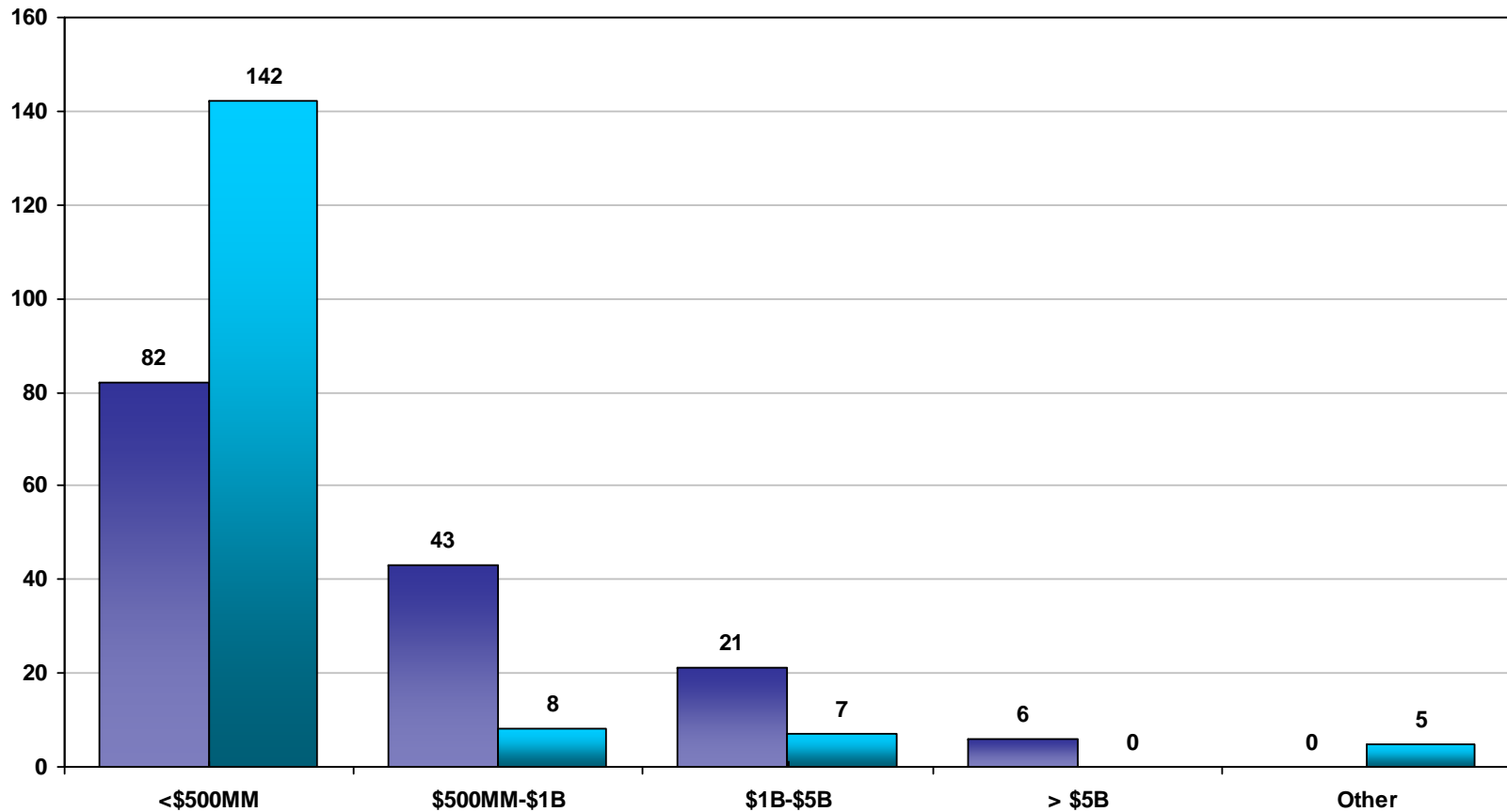
Agenda

- Survey Background
- Products & Services
- Business Drivers & Strategy
- Technology & Providers
- Key Findings



SURVEY BACKGROUND

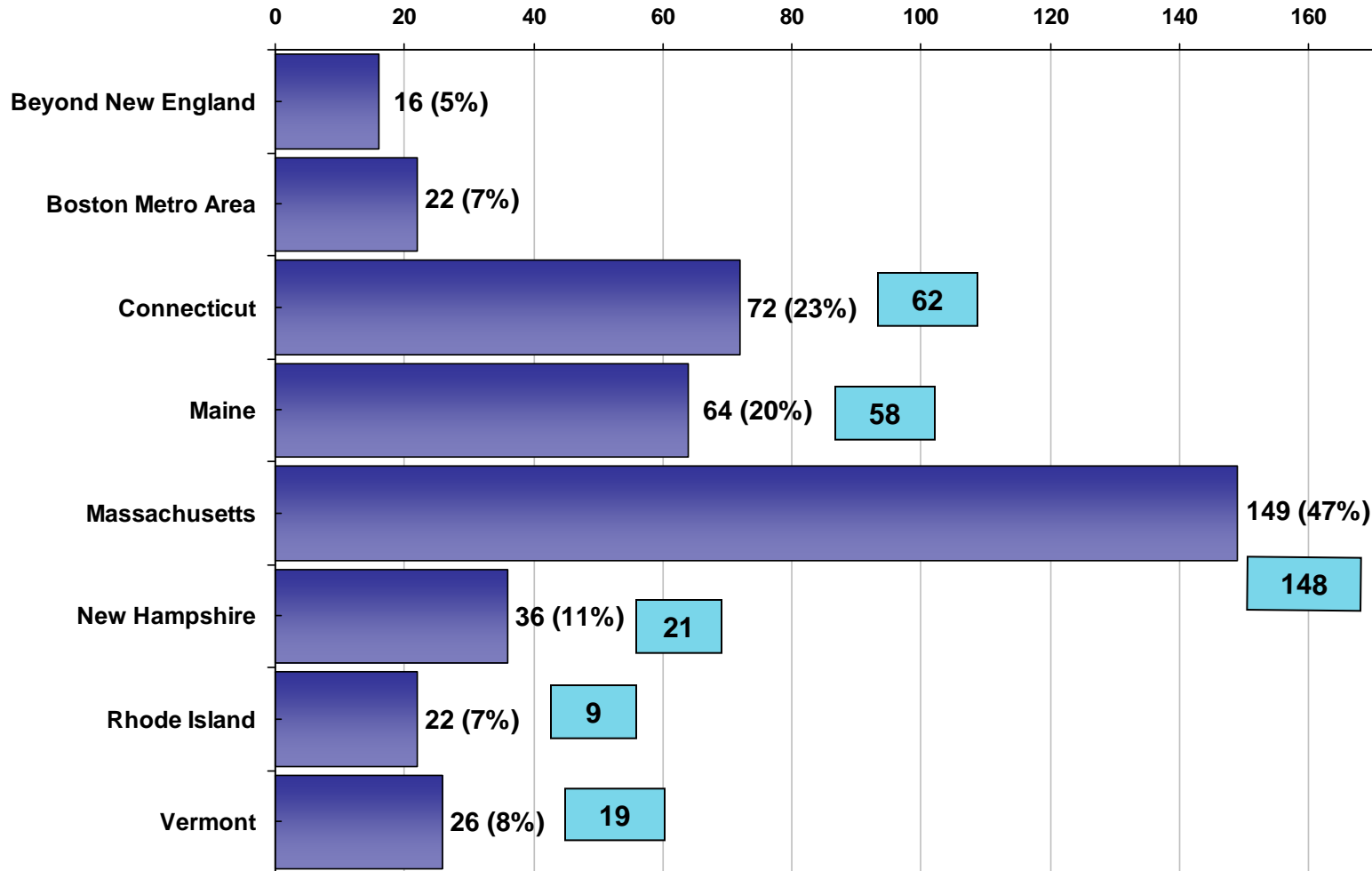
Respondent Type and Asset Size



Q28: What is your FI's asset size?

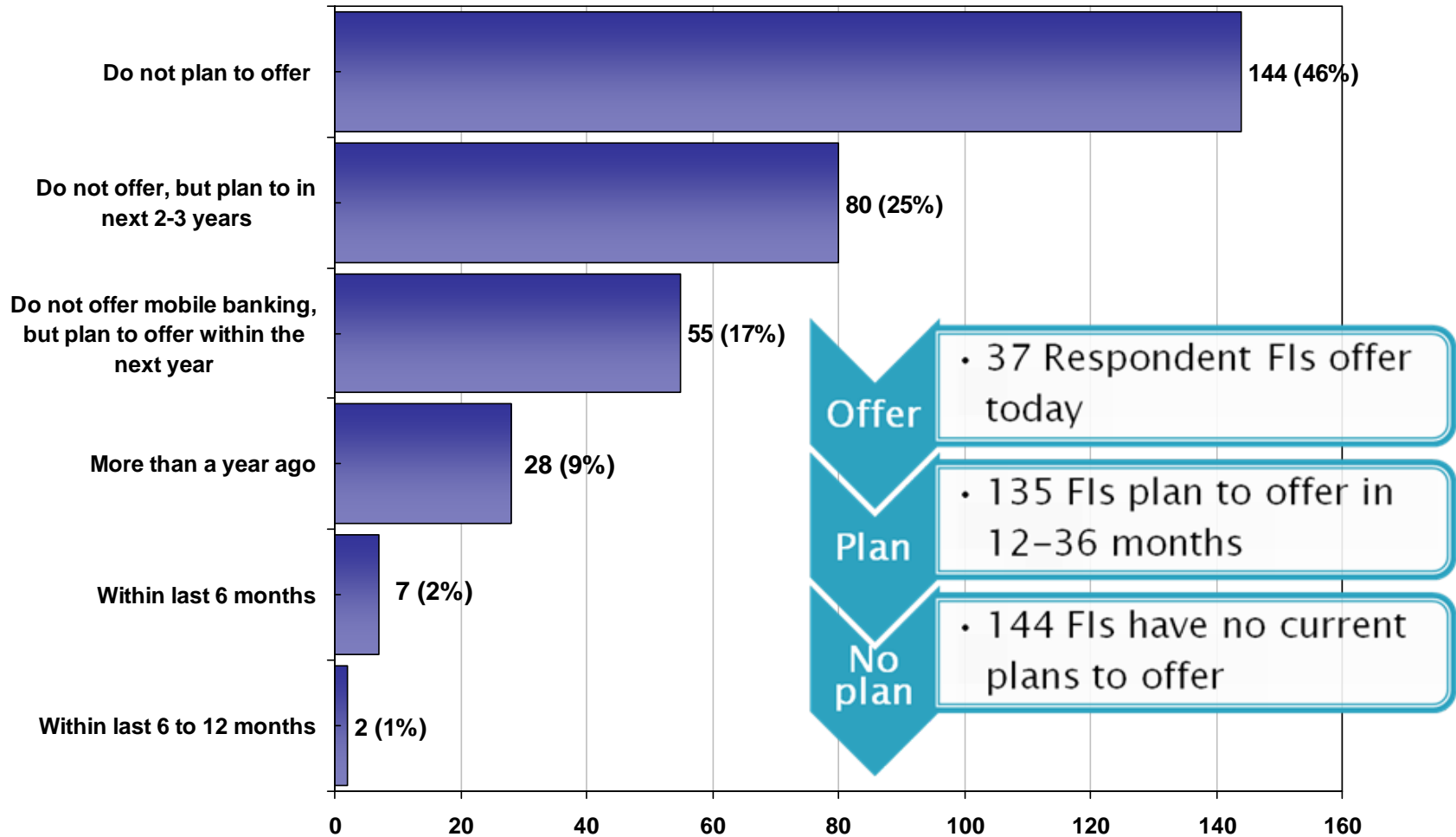
N = 314

Geographic Regions of Respondent Locations (Headquarters in Blue)



Q30. Where to you operate? N = 314

Most Respondents Have Yet to Offer Mobile Banking



Q3: When did you start offering mobile banking to your customers?
N = 316

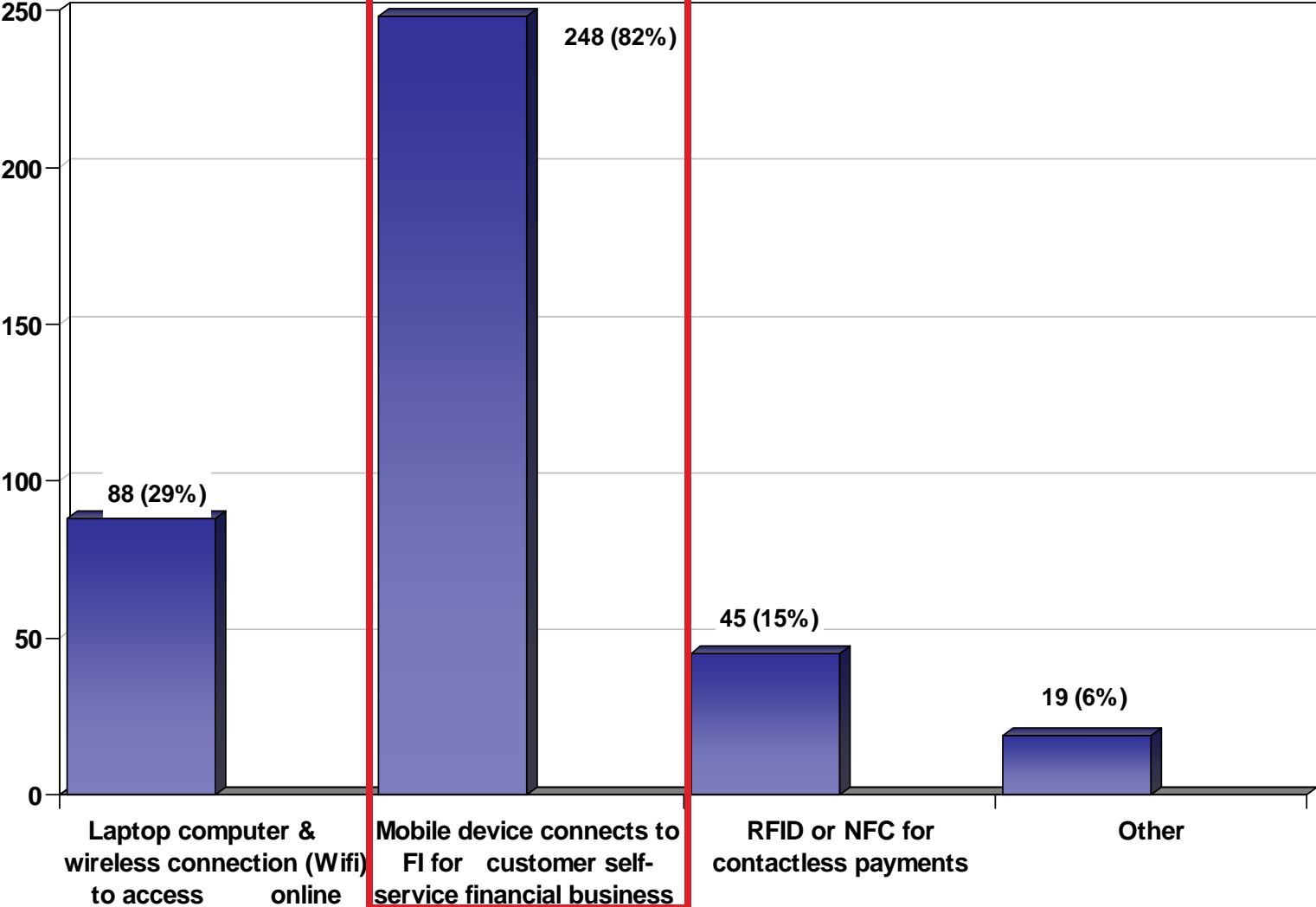
Why Some FIs Have No Plans to Offer

- ▶ Unclear business case
- ▶ Security concerns
- ▶ Lack of customer demand
- ▶ Poor or no connectivity to support services
- ▶ Lack of resources
- ▶ Low priority relative to core business
- ▶ No fit with FI business model



PRODUCTS and SERVICES

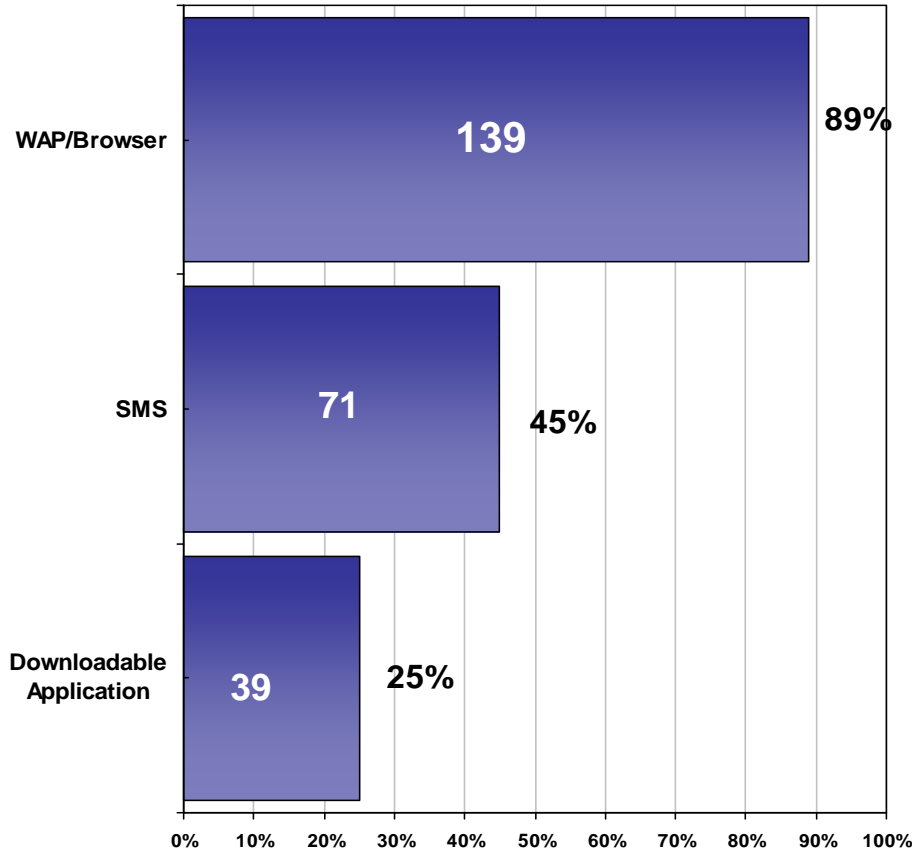
How Respondents Define Mobile Banking



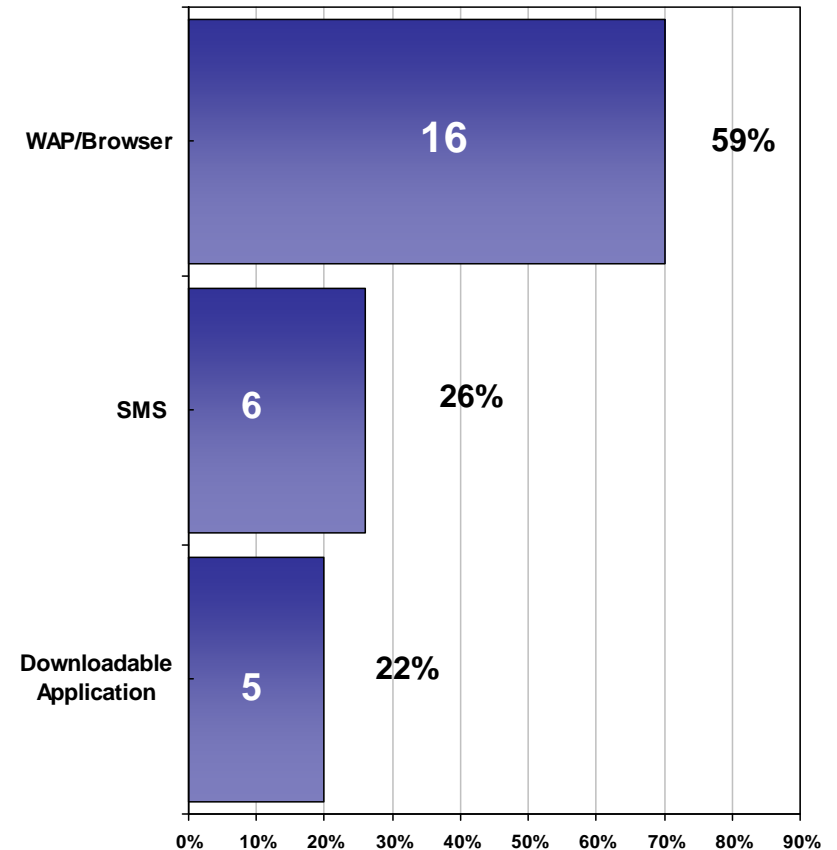
Q2: How does your Financial Institution define mobile banking?
N = 286

Most Respondents Plan Browser-Based Services

New England FI Results



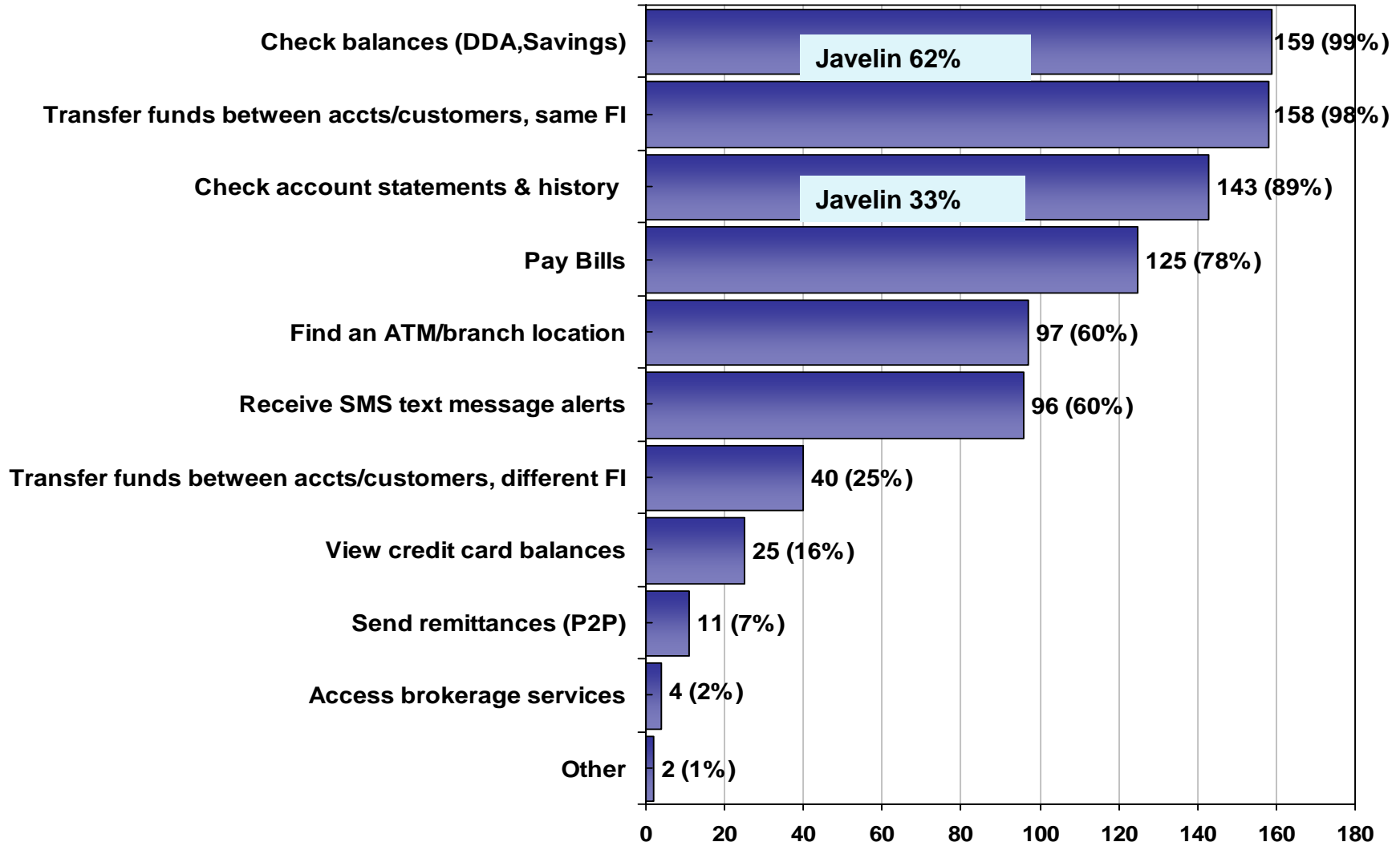
Javelin Results



Q6: What mobile banking technology methods do you use or plan to use in the future? N = 157

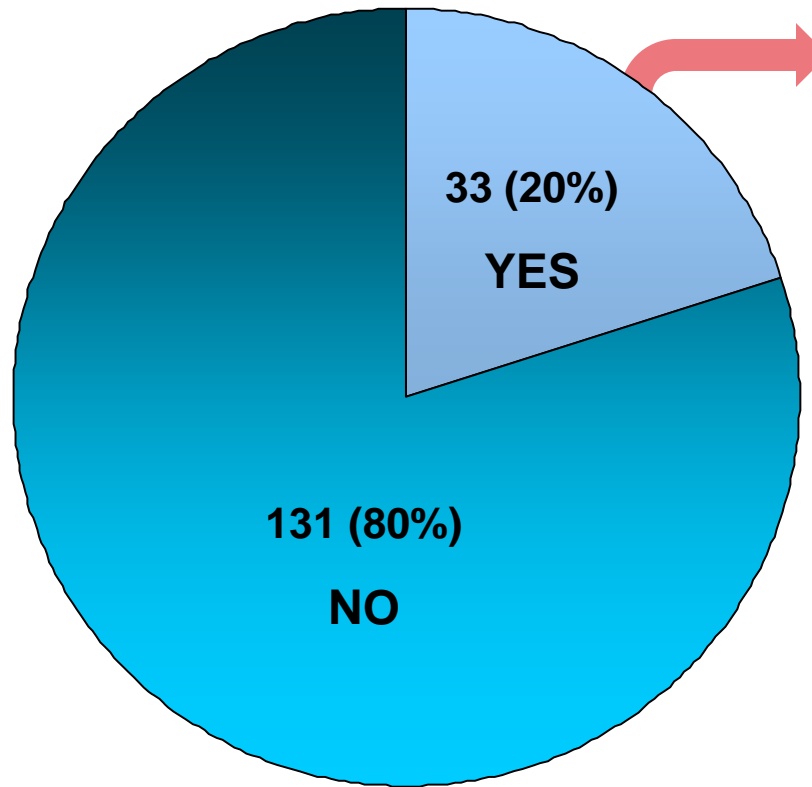
Source: Javelin Strategy & Research. US Mobile Banking Benchmark study, 2008. N = 23

Initial Service Offerings Relate to Account Information



Q4: Which mobile banking products & services do you offer or plan to offer in next 3 years?
N = 159

Multilingual Mobile Banking Service is a “Nice to Have,” But – Most Banks Don’t Plan to Offer



Only 33 FIs offer or plan to offer language other than English

FIs currently offering:

MA – 9%

CT – 3%

NH – 3%

FIs planning to offer:

MA – 48%

CT – 24%

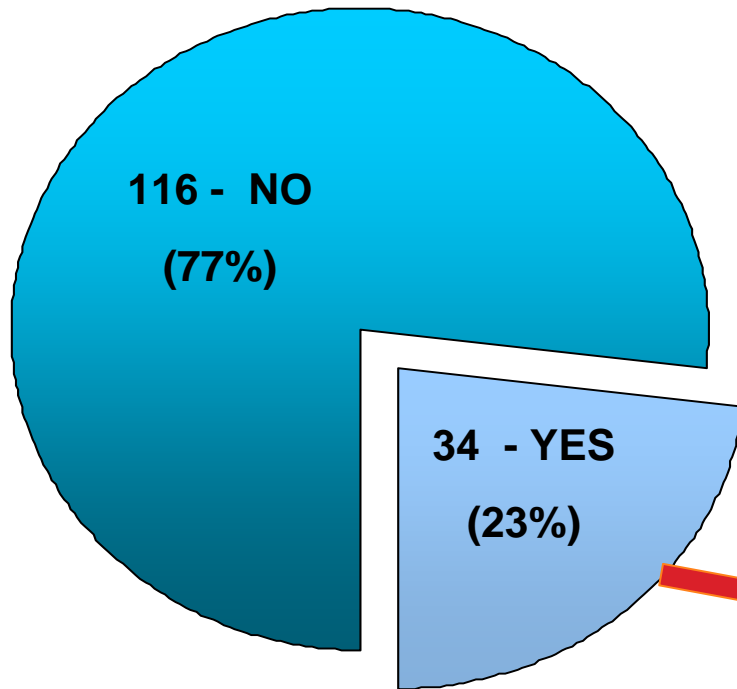
ME – 9%

RI – 3%

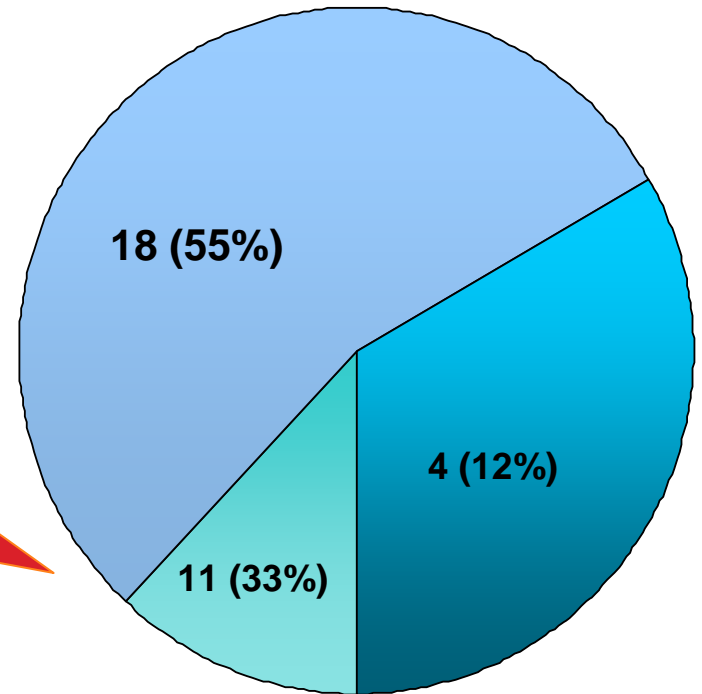
Q5: Do you or will you offer multilingual mobile banking services?
N = 164

Writing on the Wall– Another Free Service

Pricing is mix of fees & transaction charges for the 23% that (plan to) charge for services



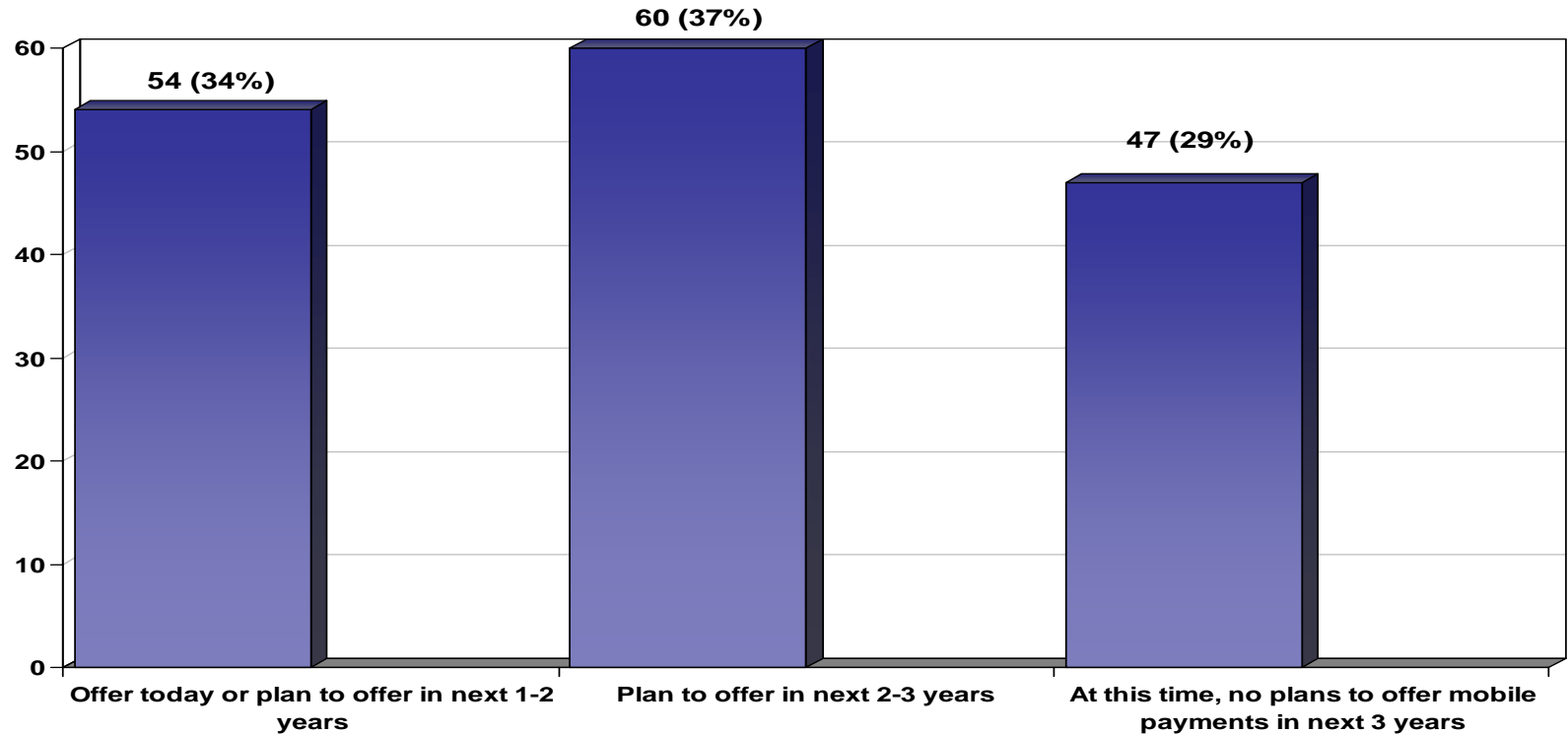
Q20: Do you or will you charge a fee for mobile banking services?
N = 150



■ Per transaction ■ Monthly subscription ■ Other

Q. 21 If you answered yes to question 21, how do you charge?
N = 33

Mobile Payments Are Phase 2 (or Beyond) for Most FIs

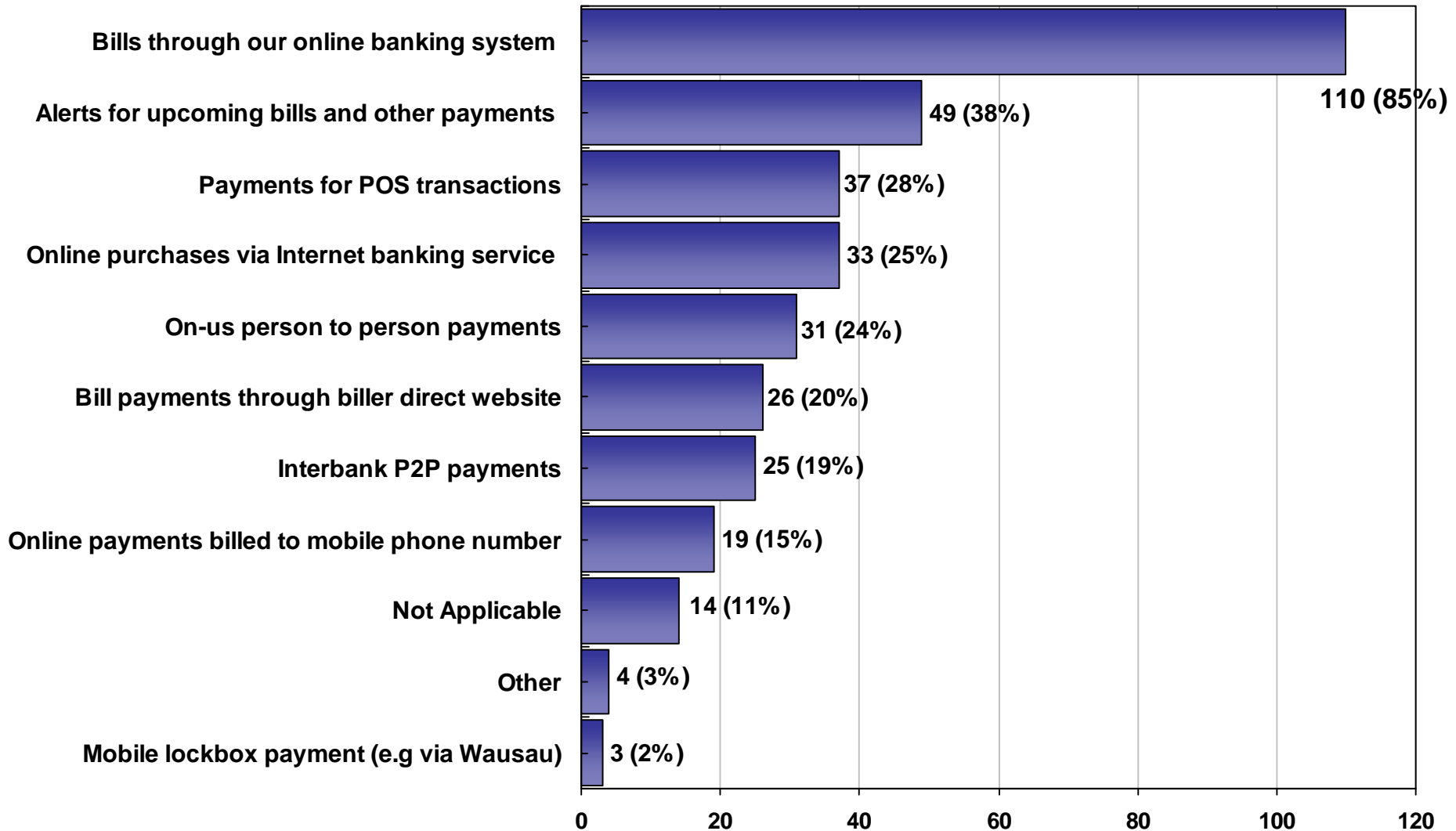


71% plan to offer mobile payments at some point

43% plan to charge for mobile payments services, while just 23% charge for mobile banking services

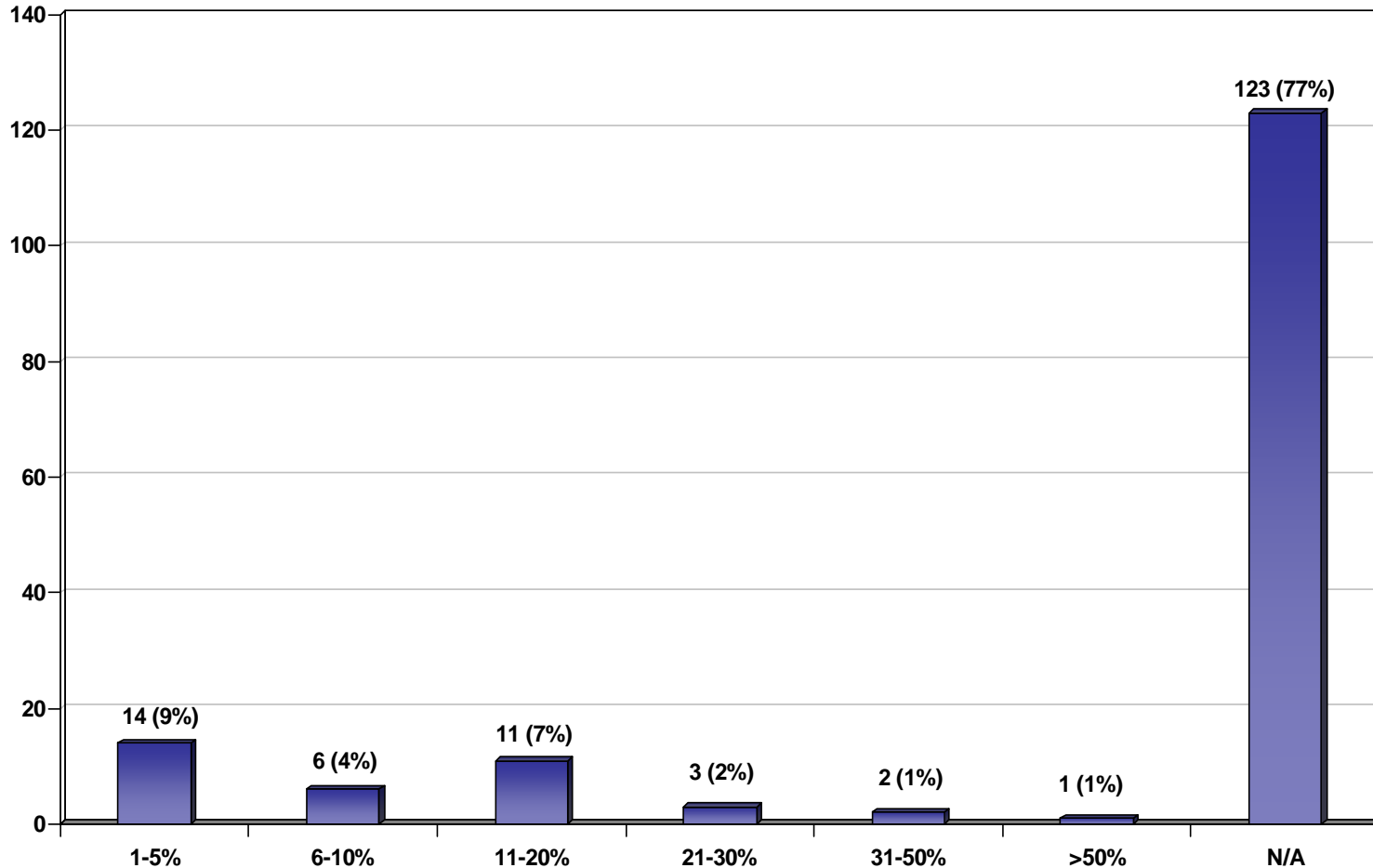
Q23: Are you offering or do you plan to offer mobile payment services to your customers?
N = 161

Most Planned Mobile Payment Services Are Bill-Pay Related



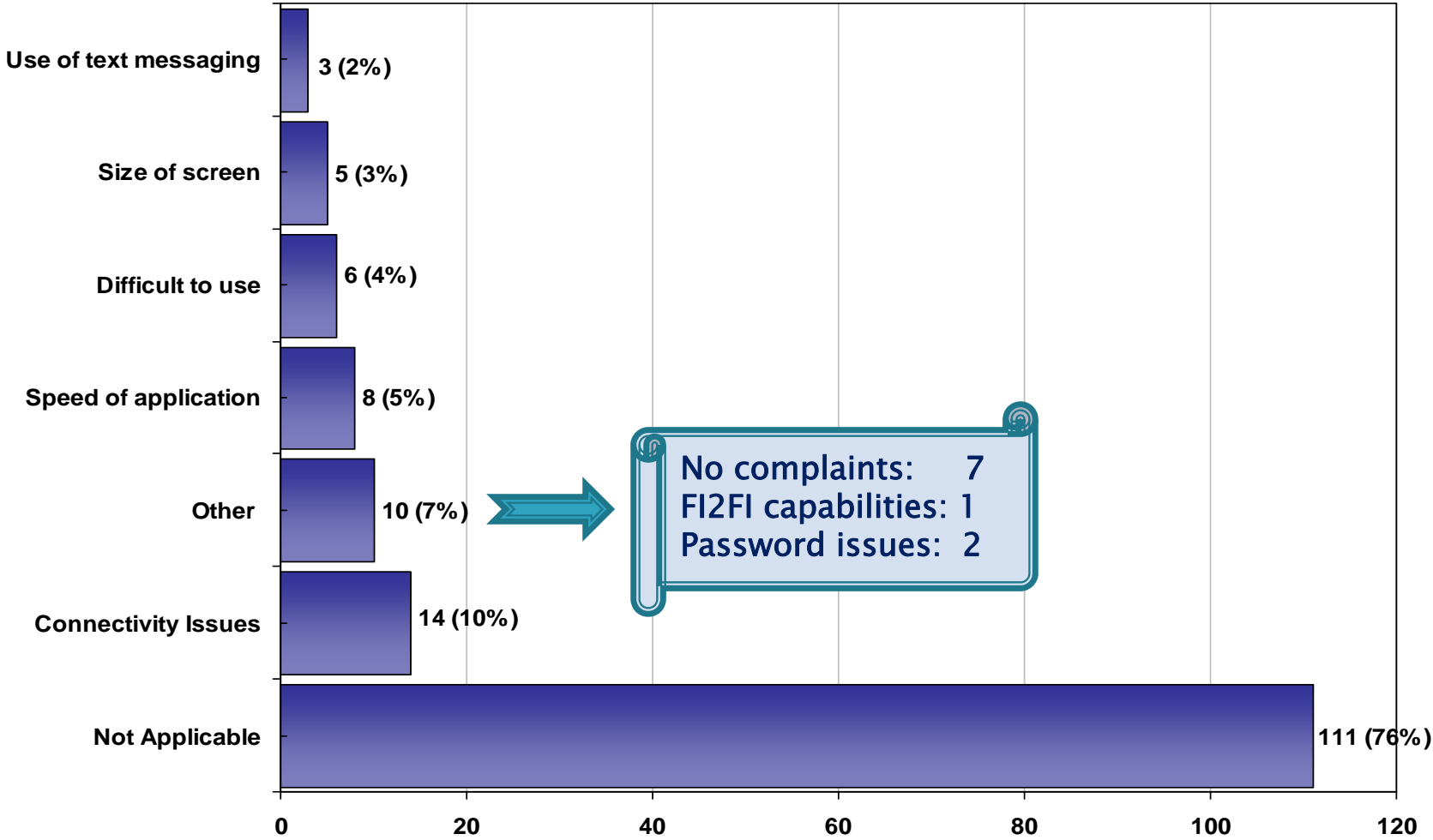
Q. 24 If you offer mobile payment services, please select all features that your FI is considering? N = 150

Customer Adoption Mirrors FI “Cautious” Rollout



Q17: What percentage of your current customers have signed up for or are using your mobile banking? N = 160

FIs Are Seeing Few Service Complaints

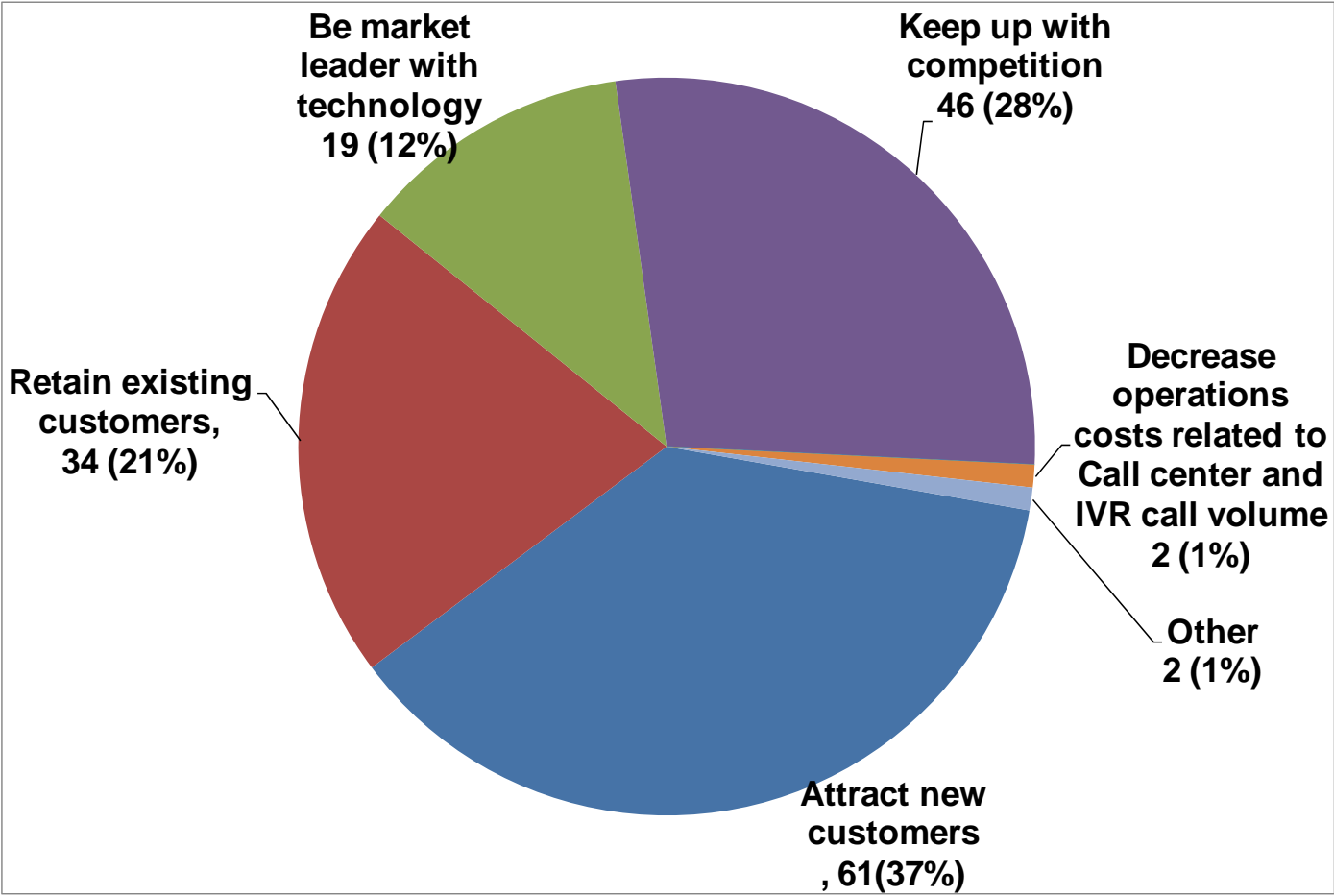


Q13: What are the most common customer problems and/or complaints about your mobile banking services? N = 157



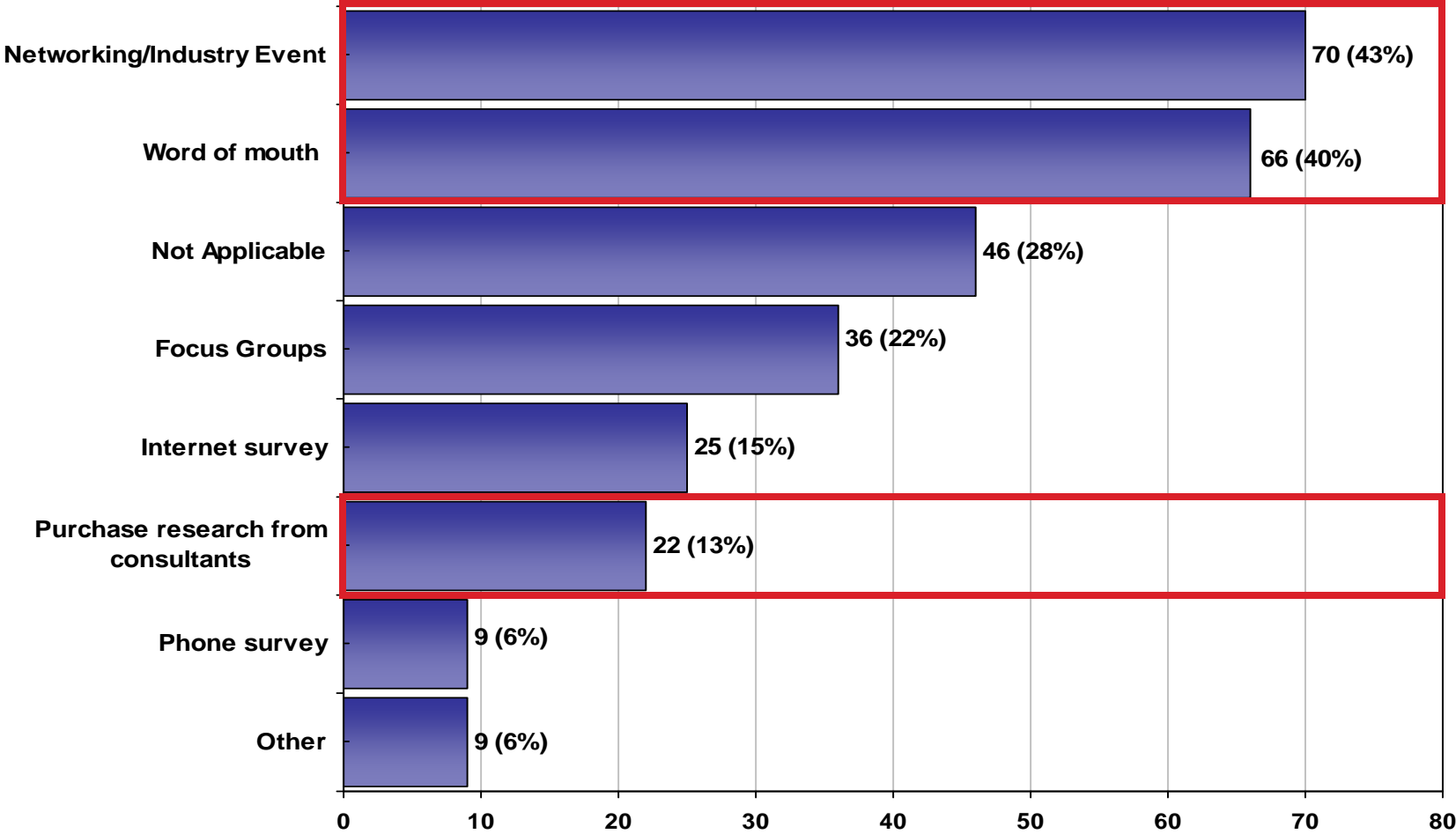
BUSINESS DRIVERS and STRATEGIES

Key Drivers for Offering Mobile Banking Services



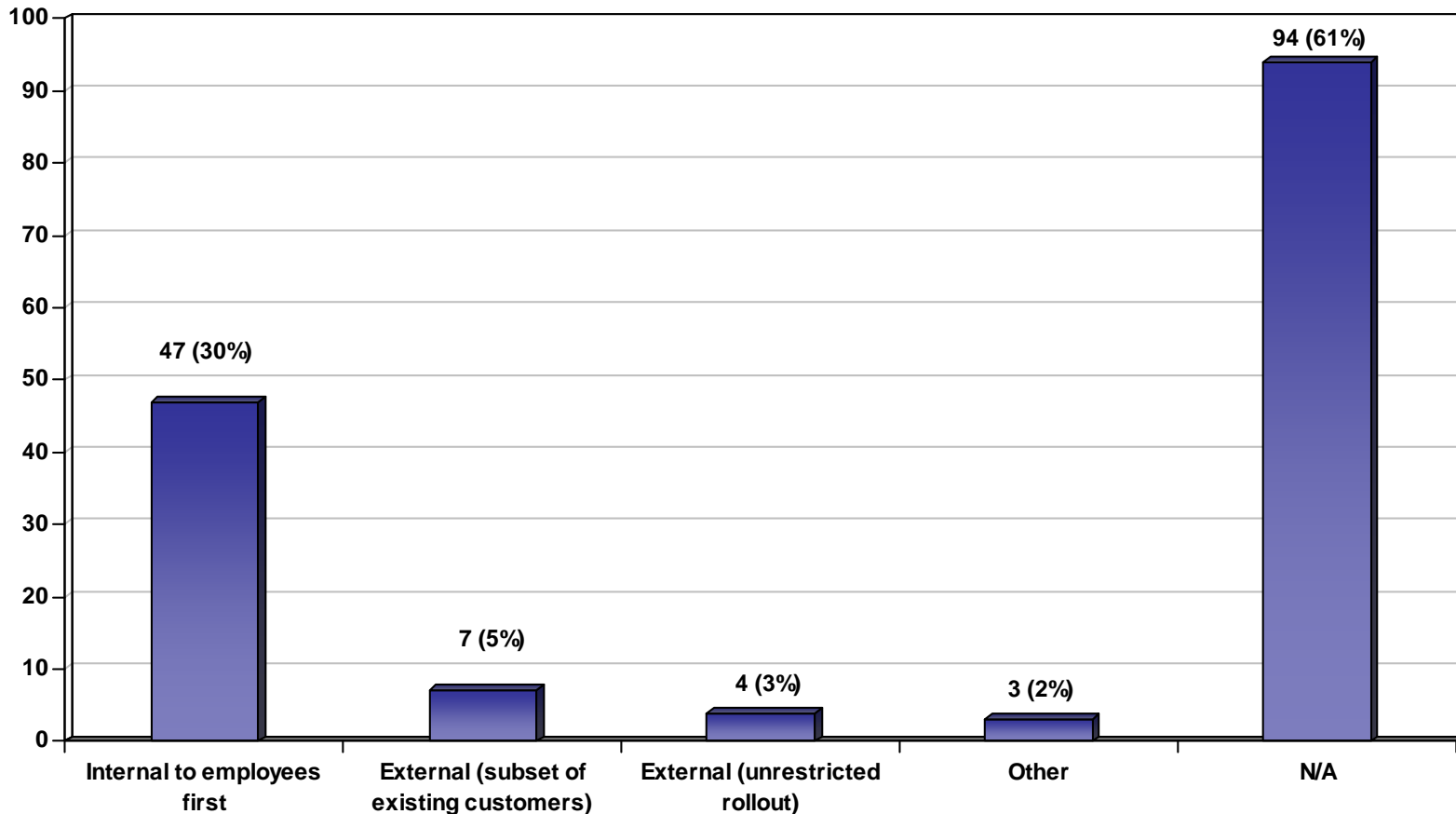
Q14: What is your primary business reason for offering mobile banking? N = 164

Evaluation of Customer Preferences is Generally an Informal Process



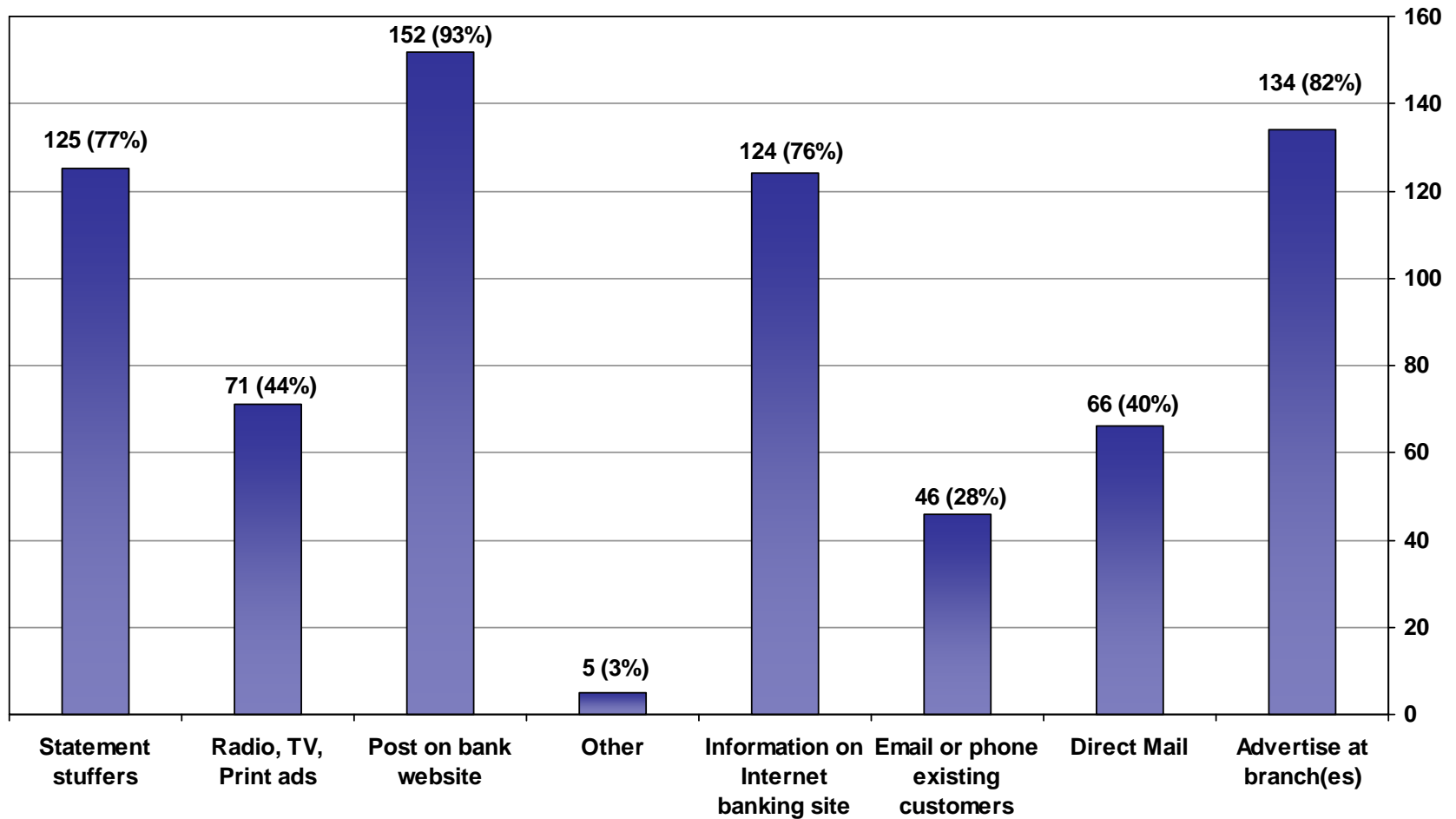
Q15: How do you collect and evaluate customer preferences or demand for mobile banking services? N = 162

New England FIs Start With Soft Rollout Offer Mobile Banking to Employees First



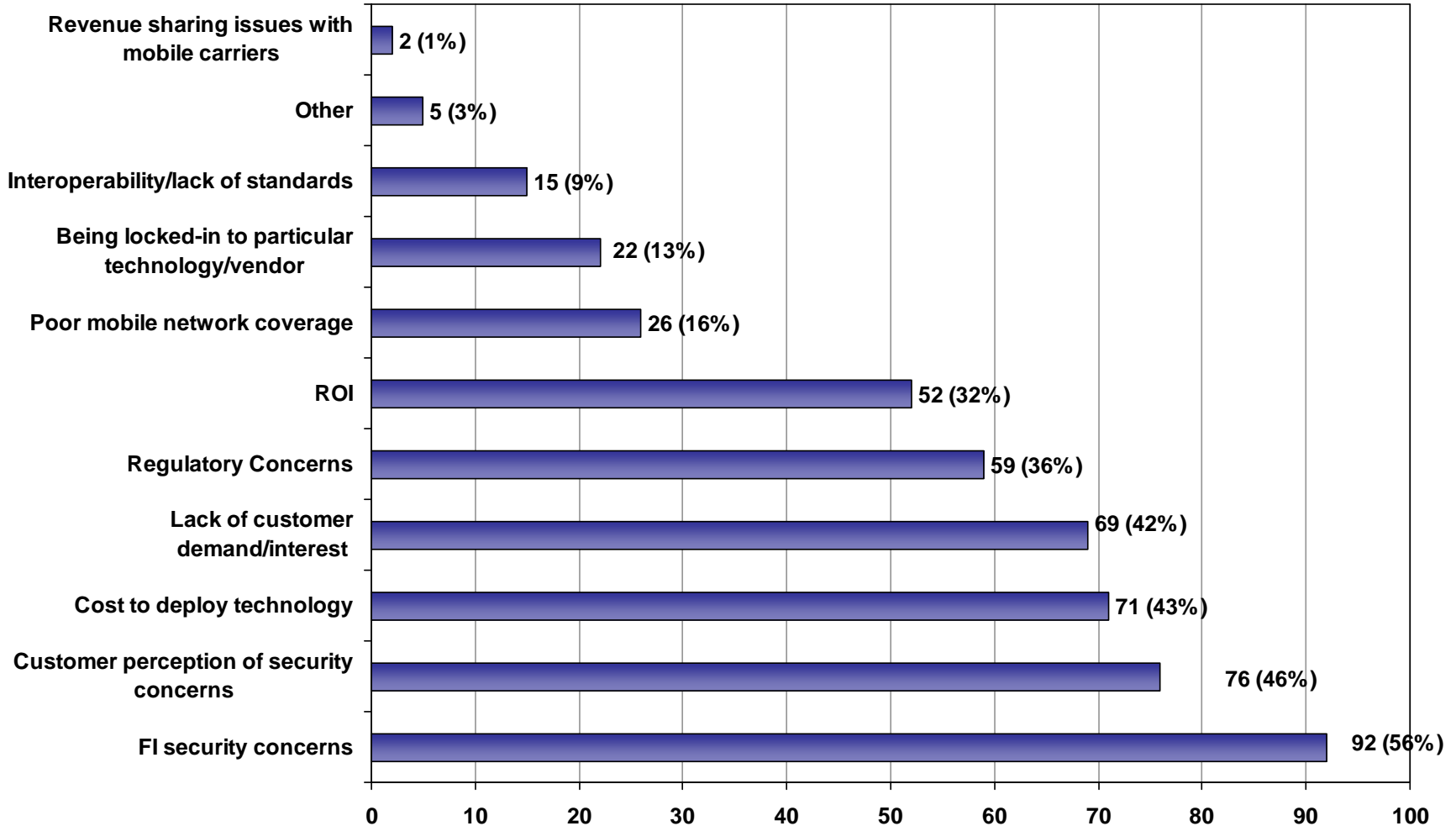
Q19: What was your initial roll-out strategy? N = 155

Supported by a Mix of Marketing Tactics



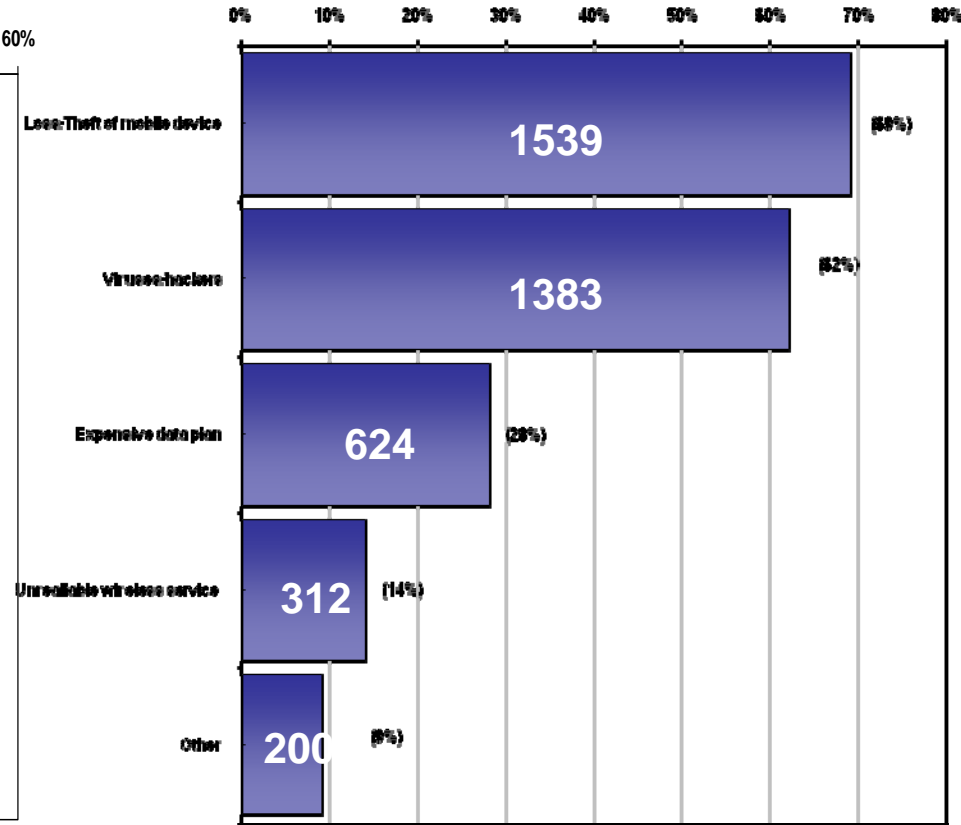
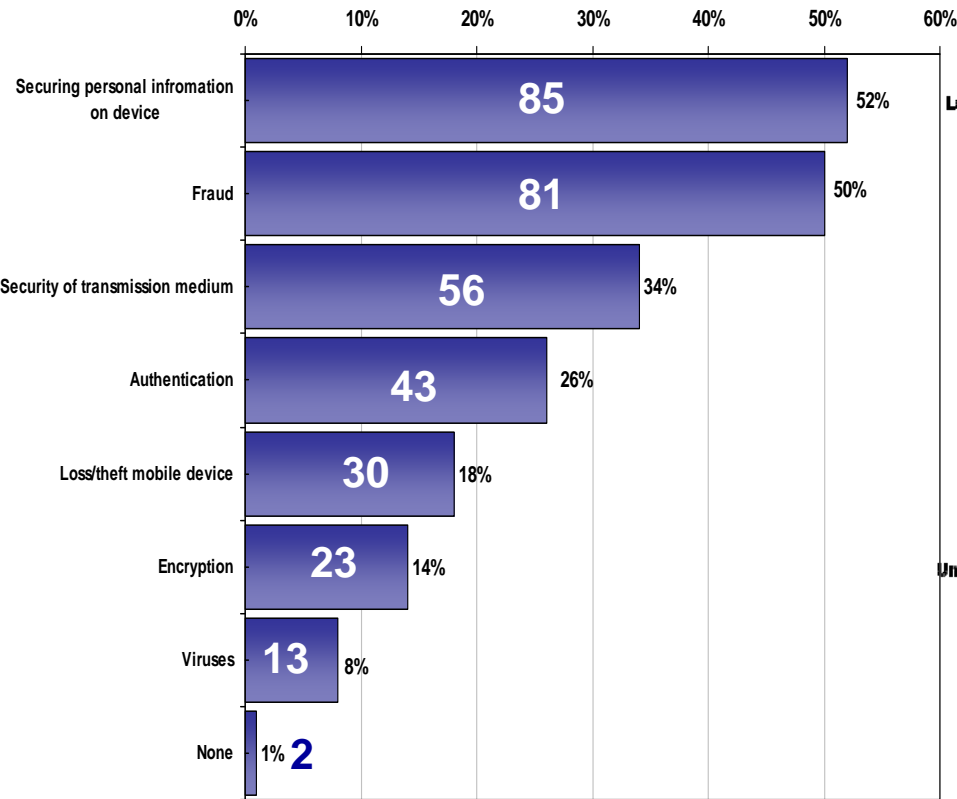
Q16: How do you (plan to) market your mobile banking products and services? N = 158

Barriers to Implementation



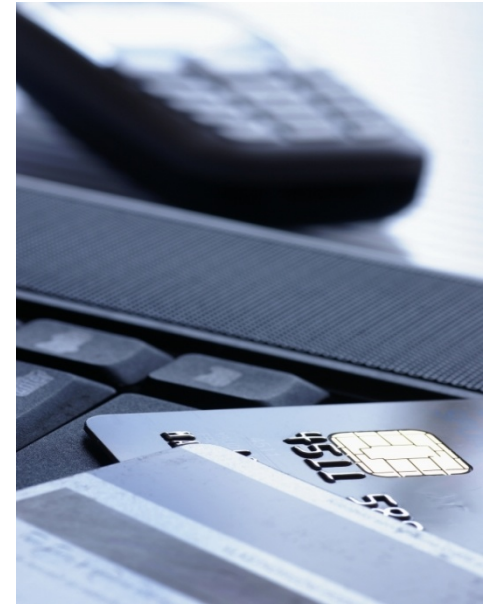
Q11: What do you perceive to be the top three barriers to banks implementing mobile banking?
N = 164

Fraud and Securing Person Information are Primary Security Concerns



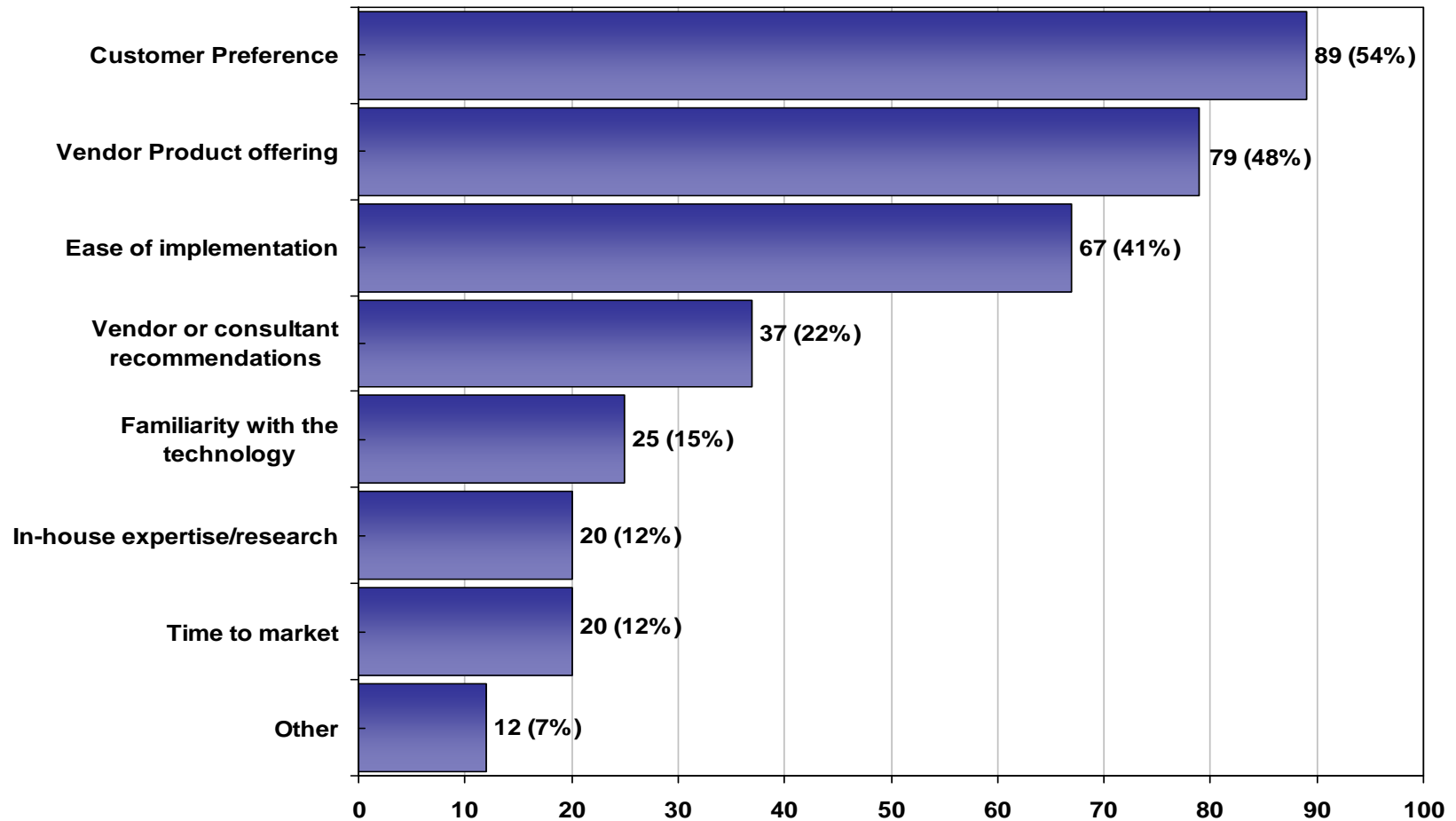
Q12: What are your top two security concerns related to mobile banking?
N = 162

Source: Javelin Strategy & Research. US Mobile Banking Benchmark study
n = 2,230



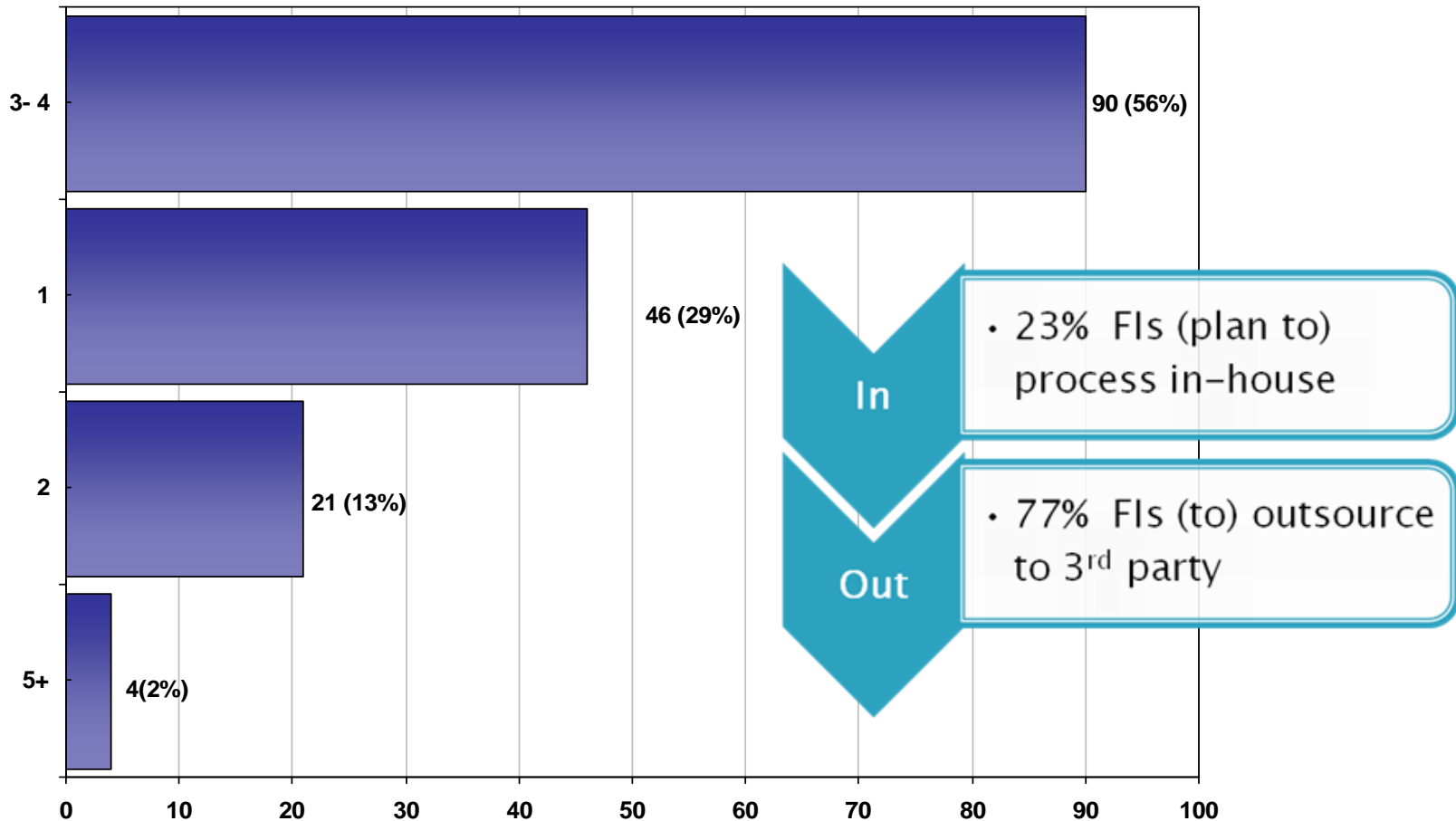
TECHNOLOGY/VENDORS

Primary Factors Influencing Mobile Technology Decision



Q7: What are the primary factors that influence your decision about which mobile technology method to use? N = 165

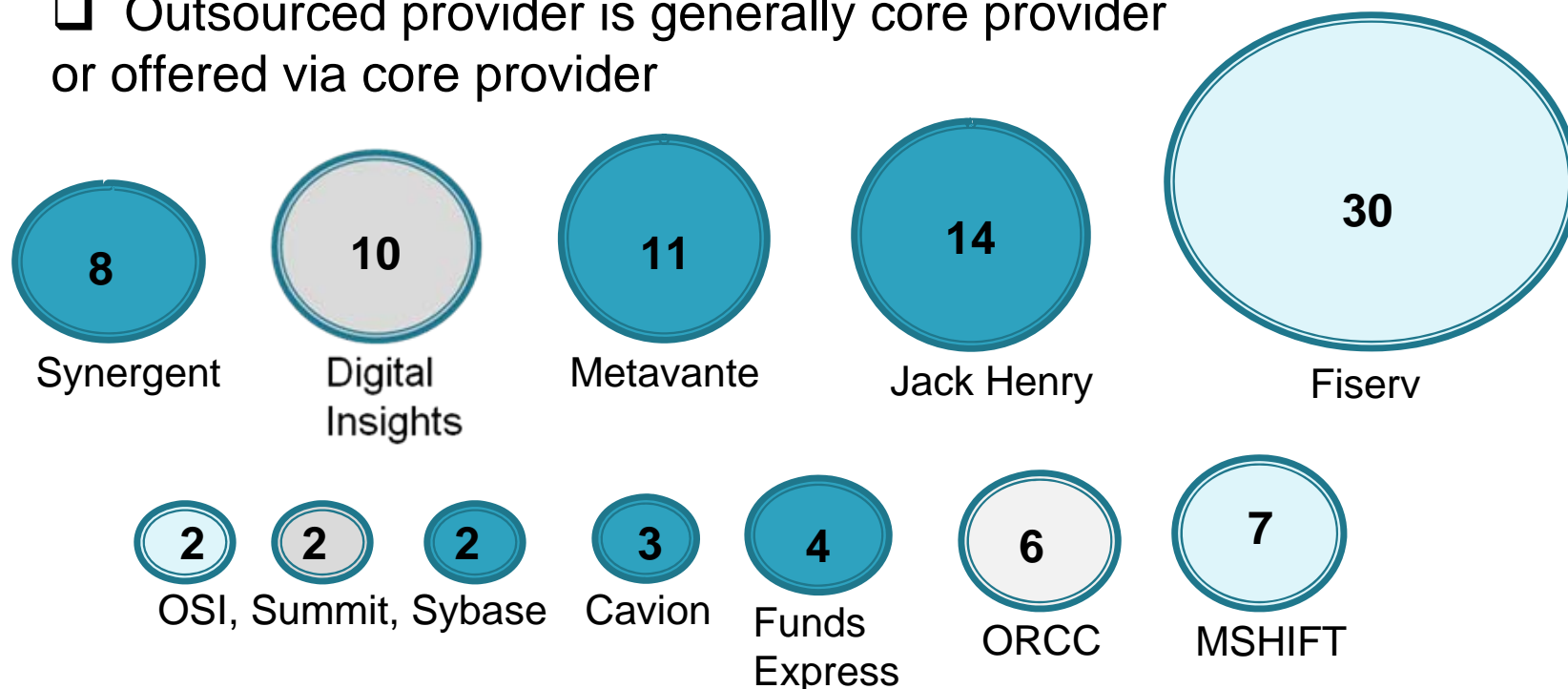
Due Diligence Indicates FIs Looking at 3-4 Providers



Q9: How many vendors/providers did you (will you) consider? N = 161;
Q10: How do you (plan to) manage your m.b. system (in/out)? N = 101

Key Application Vendors and Providers

- ❑ Clear difference by FI size / type
- ❑ A wide range of providers are considered
- ❑ Outsourced provider is generally core provider or offered via core provider



Q8: Who is your mobile banking application vendor or service provider? N = 85;

Q10: Current or planned outsourcing partner. N = 78



FINDINGS and CONCLUSIONS

Key Findings

- ▶ Only 37 FIs (12%) have started or fully implemented a mobile banking solution
- ▶ Almost half of respondents have no current plans to implement mobile services
- ▶ ... but the pace of adoption is accelerating over the next 12 months
- ▶ Most FIs are rolling out services in stages
- ▶ ... and most have not done a formal market analysis of customer needs
- ▶ Competitive forces (+) and cost (-) are key part of the decision process

Key Findings

- ▶ Phase 1 services are information/alert related, with larger FIs offering more sooner
- ▶ Payment services will be built around bill payment
- ▶ FIs use a wide range of vendors based on type and asset size
- ▶ Survey respondents often use a combination of technology platforms
- ▶ Security is a leading concern for both FIs and their customers

Recommendations

- ▶ Build your business case around your customers and their needs
 - Different customer segments desire different services
 - Consider age, risk tolerance, income, business size
- ▶ Consider a “soft launch” starting with your staff
 - Assess what works and what doesn’t work in a controlled environment
- ▶ Implement technology and product/service capabilities in phases

Four Steps to Determine your Financial Institution's Mobile Banking Strategy

Step 1:

Identify your customer base

- Demographics
- Desired mobile banking functions
- Preferred mobile access platforms

Step 2:

Define your mobile strategy

- Budgeting
 - Implementation
 - Infrastructure
 - Support
- Mobile Banking
 - In- House vs vendor
- Long-term vs short-term investment

Step 3:

Choose an access solution

- SMS
- WAP
- Downloadable/ Embedded Application

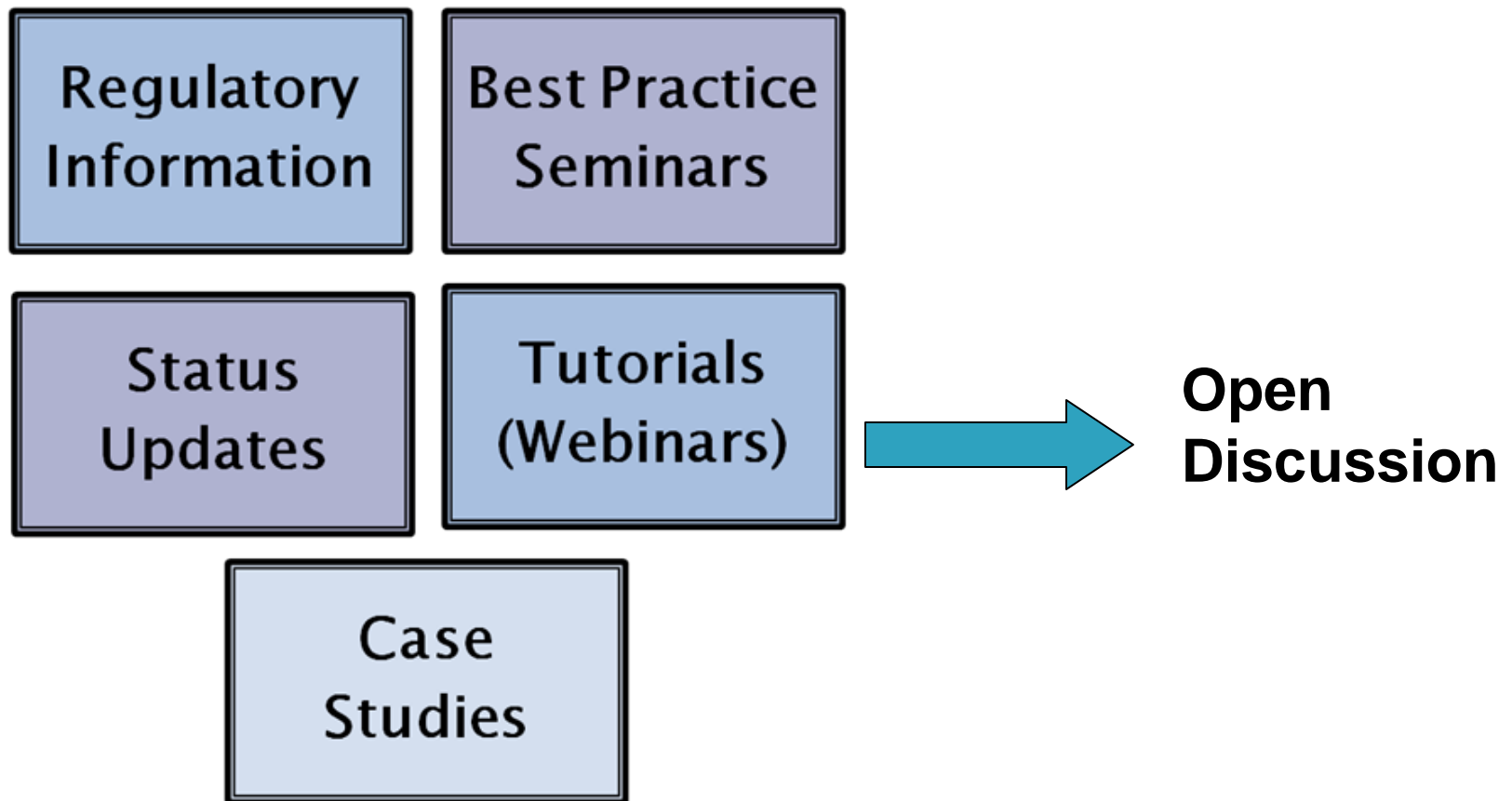
Step 4:

Select a vendor

- Different packages
- Implementation costs
- Vendors target your specific type of FI
- Vendors aligned with your mobile banking strategy

Source: Javelin Strategy and Research. Mobile Banking Vendor Analysis, August 2008, Boston Federal Reserve Internal August 2008.

Next Steps – What You Requested



Q:26: Please share your ideas on what role(s) the Federal Reserve Bank of Boston can play in helping to increase your knowledge of mobile banking and/or that NEACH can play in increasing your understanding of mobile payments N = 45