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The Banking Anti-Crisis

By Tim McElligott

For the second time in roughly 80 years, the people of the United States have come to see their banking system in a new and not so flattering light. But apart from the doom and gloom of the current financial crisis, another new light is shining on the banks. It's called mobility.

Banking, in the form of remittance, money transfers, bill payments, commerce and other financial transactions, quickly is going mobile thanks to driving forces across the financial and credit communities, software providers, e-commerce companies, device manufacturers and mobile network operators. And, oh yes, there is a growing willingness on the part of consumers to engage in mobile commerce using their wireless device of choice.

Recent research conducted by MQA Research and commissioned by Fiserv, an information technology service provider to the financial industry, shows that 75 percent of consumers surveyed in April were willing to conduct mobile banking services. That's a 26 percent jump from two years ago. Not surprising, the 21-to-34-year old demographic was even more emphatic. Eighty-three percent said they were willing. An even higher percentage were willing to receive alerts and messages from their financial institution regarding password changes and other account activity.

This week, the influence of survey data was topped by Visa's announcement that it is developing an application for Android-based mobile phone devices. Android is the operating system and software platform developed by Google and the Open Handset Alliance for mobile devices. Visa's application will allow Chase Visa cardholders track account transactions and receive offers on their mobile devices.

Along with the Visa announcement, Sprint Nextel Corp. released free mobile banking software on an mFoundry platform, which will run on a variety of Web-enabled handsets. With the MyMoneyManager application, Sprint customers with accounts at BB&T, Citibank, IBC Bank and PNC Bank can send payments through PayPal, access multiple accounts, make payments, send cash to friends and transfer money. Sprint is the first mobile operator to enable PayPal on the wireless handset.

Juniper Research issued its forecast today that more than 100 million mobile users globally will be making international money transfers by 2013. For companies providing national and international money transfers, the market will exceed \$5 billion by then. Seventy-five percent of those transactions will come from three regions: Western Europe, North America and Africa & the Middle East.

Howard Wilcox, the author of the Juniper report, said the mobile phone will become a vital enabler in developing countries because more people have phones than bank accounts.

To help move these markets along, the global microfinance resource center known as CGAP (Consultative Group to Assist the Poor) made a new four-year commitment last week to identify, fund, research and champion technology that enables banking services for more than 25 million people across 20 countries. CGAP will provide \$10 million to microfinance groups, banks and mobile phone providers to find business models that succeed in this endeavor. The Bill and Melinda Gates Foundation has co-funded this work since 2006.

“The brick and mortar bank branch system can only go so far. With cell phone service and a local shop handling the cash, mobile banking can reach every village and barrio in the developing world,” said Elizabeth Littlefield, CEO of CGAP.

In addition to Sprint, AT&T Mobility increased its efforts in electronic bill payment recently with its deal with CheckFree to offer the same online bill viewing and payment experience to online customers whether they are using AT&T’s Web site or one of the 3,000 or more sites supported by CheckFree.

“The goal was to get them more integrated with our products and services,” said Brian Daly, director of payment strategies at AT&T Mobility.

Fiserv, the parent company of **CheckFree**, said 23 percent of mobile phone users were using their phones to conduct financial activities. Earlier this month the company launched its Fiserv Mobile Money platform, an all-in-one mobile banking and payments solution that supports short message service (SMS), wireless application protocol (WAP) and downloaded mobile applications for conducting transactions.

The system is powered by technology from New Zealand-based Mobile Commerce Ltd. (M-Com). It is designed to allow financial institutions and billing organizations (such as service providers) to drive enrollment of offline customers to a more profitable mobile banking relationship. It can integrate with various core banking systems, online banking systems and electronic payments systems. It also leverages a financial institution's or biller's existing online security infrastructure, including existing credential management capabilities.

To show its commitment to the Fiserv partnership and to promoting mobile banking in the U.S. market, Serge Van Dam, vice president at M-Com, has relocated to Norcross, Ga., home of Fiserv’s Southeast regional headquarters.

In New Zealand, only about 4 percent of people pay their bills with a paper check. In the United States, approximately 51 percent pay by check. By partnering with CheckFree, the companies feel they are changing the game in the U.S. market.

“Looking for the best way to approach this market, we came to the strong conclusion we needed a company like M-Com who not only understands the nuances of the mobile space, but more important, the future of mobile,” said Calvin Grimes, mobile product manager at Fiserv. “By reaching outside the U.S. to a market leader like M-Com in the New Zealand and Pan-Asia markets, we can take advantage of the knowledge and capability they have today while the U.S. market develops.”

That experience includes mobile wallet and near field communications, which are in play today in New Zealand. “There are challenges in near field communications, because the merchant terminals aren’t broadly supported,” Van Dam said. “But the real question is, ‘Are the consumers ready for this stuff?’”

Surveys say, yes. However, other surveys say security is still a concern. “Data from our consumers says security remains the No. 1 concern even over cost, which was second,” he said.

Still, a survey by an Australian banking group said 93 percent of its New Zealand customers thought mobile banking was the most convenient channel. “There is always a security and convenience trade-off and consumers have to make that choice every day,” Van Dam said.

The platforms Fiserv has been building and deploying in the United States already support Mobile Wallet and near field communications technology. “It’s just a matter of turning it on,” Grimes said.

Grimes added that while no system is perfect, the security concerns of consumers can be overcome. He said mobile banking was pretty secure and that it is only a matter of educating the public. “We did the same thing with online banking and now we have an opportunity to do it with mobile,” he said.

To that end, Fiserv provides marketing support to financial institutions and mobile operators in order to drive adoption. Fiserv provides something else necessary for widespread adoption: customer care support.

“We find as financial institutions look to broaden their reach in the mobile space and implement multiple delivery methods, they have to go to multiple vendors and therefore don’t have the customer care tools across the platform to support the customer,” Grimes said.

So the company provides a single platform with appropriate customer care channels. It lowers the cost to service the mobile channel for financial institutions. It also gives the customer a single company to call for a service that is deceptively complicated.

While mobile banking picks up momentum and is touted by everyone for its convenience, what's in it for the mobile operator? That's still up for debate. However, Grimes and Van Dam don't believe mobile operator revenue will be transactional, meaning operators won't be able to dip into each transaction for its small but cumulatively meaningful cut.

"They will get revenue, but it may not be transactional. It may be on a per customer basis," Van Dam said.

Grimes said his company's goal is to make both the financial institution and the operator successful in mobile banking. However, he said, mobile operators and financial institutions need to consider a broader picture and be progressive with what consumers are demanding and not continue to posture to meet their own needs.

"If all parties are stubborn and difficult, they'll never get off the ground," Van Dam said.