

## Mobile banking - near future of banking

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**Abstract** *Banks are now being prepared to take advantage of another profit opportunity which is another product usable by all of us, the "Mobile phone ". The interest over "Mobile Banking" product is becoming increasingly intense. Applications and new technologies are spreading through European banks mobilized to embrace this profitable product. It is common knowledge that many users of mobile telephony are actively shifted from PC to mobile devices. It still remains to understand: to what extent this new banking product will represent a gradual evolutionary shift or a revolution that will radically change the landscape of this new industry? How will the competitors react? How aggressive will this new product be on the market? What distinguishes those banks that tend to benefit most from mobile technology? Skeptics believe that the impact of the mobile banking transactions usage will have a negative effect. But, the optimists, who are the most numerous part of the group, see that the use of mobile investments would lead to a significant increase in the income of some bank products. We think that the banks in order to capture these opportunities should begin to believe that: there is a potential to revolutionize personal experience of customers in non-banking financial services. Banks claim that "Mobile banking" would transform the image of Retail Banking. The unique characteristics of mobile device appear in three distinct areas of marketing innovation: in appropriate banking transactions, in digital commerce, in opening new markets and segments.*

*Opportunities that will create space for these individual "players" to gain (and lose) market share. Banks will gain market share only if they will pursue a smart strategy and take proper action accordingly to the situation created. Banks are clear that they have left "behind" in this technological innovation. Recent analyses underscore the need for banks to actively respond to this new challenge and recent polls show that Mobile Banking will fundamentally change retail banking in the next five years. They predict that the penetration of mobile technology will not only grow, but also will bring significant benefits to customers. In this regard mobile offers good opportunities to meet consumer preferences, increase loyalty, strengthen relationships and it will bring a positive impact on bank profits.*

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## 1. Mobile money future

Money is changing as we become more mobile.

For many parents and grandparents, the chequebook was a tangible symbol of their primary relationship with their bank, but that is changing, particularly as many children will never write a cheque.

We know that the young of today become banking customers of tomorrow; the approach adopted to banking previously, irrespective of whether paper was preferred over plastic or chip and PIN codes, is not likely to be the future success template. There are generational shifts taking hold.

We move money, connect with friends, and explore brands digitally via the phone in their hands. What we are witnessing is a fundamental change in our relationships with not only banks and financial institutions but payment processors, merchants and handset manufacturers. New brands are emerging that are acting as 'money vaults' for consumers.

They are not banks. A lot of financial services providers are ensure that they are leading the new way in shaping the Mobile Money – where you bank, pay or shop via mobile. Such financial service providers have an important role to play and they must make sure that they are not losing ground in this sector. This focuses on defending and extending their role in the payments industry via an integrated, collaborative and networked approach to Mobile Money.

So for such services it is a clear consumer appetite. In some study was mentioned that by 2018 the majority of people in Britain, Spain and Germany will have a Smartphone. And also found that European Smartphone shoppers are even more confident engaging in mobile commerce if they can do so using services provided by their bank.

As Barry Clark<sup>3</sup>, the author of the Future Foundation report<sup>3</sup> wrote: "Banks have an opportunity to flex a number of unique strengths in m-commerce; from highly repetitive, information checking activities like balance checking through to a more advisory role in recommending brands and offering consumers promotions. Banks can act as a trusted advisor and as a secure route for payments."

The demand is growing consumer trust and engagement will rise further beyond mobile banking into payments and commerce. The UK financial services can industry demonstrates how Mobile Money should and can work because they have a rich heritage in this industry. The bank must be at the forefront - security and services via enabling technology platforms that are secure, ubiquitous and easy to use. While some operators will and do experiment with closed-loop approaches – requiring customers to have a particular handset, predetermined bank account or access to a specific network for example – that does not help the UKs financial services industry protect and promote its position.

Models which do not support an open ecosystem approach often struggle to get key stakeholders fundamental to their business model on board. It is so much more conducive to creating value for all if a collaborative network approached.

The mobile channel has created new opportunities. Now is the time for banks to strengthen their hand in the mobile space and cement their position in the growing ecosystems in and beyond.

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<sup>3</sup> 2013 Global Mobile Banking Functionality Rankings: Forrester Research (April 2013)

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## 2. New opportunities for Retail Banking

Banks has start thinking about how best to respond to the opportunities of mobile banking. It is worth if retail management understand the nature of what they are dealing with.

Bank customers can ‘meet’ their bank every day, albeit remotely.

The mobile device has several, distinct characteristics that collectively turn it into a unique value proposition. The mobile is portable and accessible 24/7, it is simple and even exciting to use with its increasingly user-friendly interfaces it has a unique

ID which means its use and identification is specific to each customer, it allows

geographical positioning which in turn permits products and services to be tailored to different territories, and in the panoply of electronic devices it is the one that consumers most frequently use.

These features plus a flexible cloud and ‘app’-based technology platform enables more rapid development and integration with third party products.

### - **Mobile Banking – convenient and innovative**

Banks must create differentiating and distinctive bank propositions to customers in their existing markets through Mobile Banking.

This means consumers going about the usual everyday business of checking account balances, reviewing transactions, transferring funds and purchasing new banking products – but in a dramatically more convenient way.

In the areas of payments and overlay services, new mobile apps are facilitating peer to peer transactions, providing value-added money management services and speeding up payments. Innovation in personal financial management has been a prominent activity of non-banks but banks can still catch up.

Banks are already seeing a step-change in the number and frequency of interactions they have with their customers via mobile; something that was once a monthly experience is now happening daily with a mobile device.

### - **Virtual commerce**

Consumers still made the majority of their purchases offline as they wanted to see and feel what they were buying in the store; however the internet has done a revolution in customer commerce.

Smartphone are the catalyst for the next revolution in virtual commerce – they allow customers to take the internet with them into stores. There are a lot of opportunities to capture the customers through Google, PayPal, Facebook, Amazon etc.

Banks must ensure they are part of this revolution and they should develop strong consumer digital commerce propositions for merchants and third parties.

This means banks acting as the engine that drives digital commerce from the pre-purchase phase, to purchase financing, to transaction processing, and finally through to consumer post-purchase activities.

### - **Low cost- win market**

To access under-banked and under-served customers in developed, the banks can use the low-cost mobile channel and innovative partnerships.

For instance, non-incumbent ‘attacking banks’ may more easily be able to build a low-cost proposition in partnership with an established telco. Mobile banking as part of a remote-only business model could prove to be a very competitive strategy in both emerging and mature markets.

M-Pesa has led the way in Kenya, making possible for the first time person-to-person transfers and facilitating international remittances. A lot of customers are using this system making it the most successful mobile money deployment worldwide.

Several markets players are now offering suites of mobile services or links to savings accounts for people who were previously outside the formal banking system. A good example is Albania that it is offering this service from January 2013.

New players in such markets are integrating existing mobile payments platforms with online merchants, bank accounts, and microfinance platforms. The serving of ‘un’ and ‘under’ banked is still in its infancy.

### 3. A successful mobile banking strategy

Mobile banking has moved quickly and become a point of differentiation and a potential source of revenue for progressive banks. Smartphone penetration continues to increase also consumer expectations too. Banks need to continuously review the best mobile banking strategies to keep up this trend and must find new solutions that address customer needs and leverage the benefits of the channel.

Online banking is not simply using a Smartphone but it is at the hub of the customer relationship. “Forrester Research” has developed a Mobile Banking Strategy Playbook in order to assist banks with the development and implementation of a successful mobile banking strategy.

As part of this playbook Forrester just released their 2013 Global Mobile Banking Functionality Rankings ranking the mobile offerings from 15 of the largest banking organizations in the U.S., Canada and abroad.

DISCOVER	PLAN	ACT	OPTIMIZE
Vision	Assessment	Organization	Performance Management
Landscape	Strategic Plan	Processes	Benchmarks
Business Case	Road Map	Tools And Technology	Continuous Improvement

Fig. 1: 2013 Global Mobile Banking Functionality Rankings

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Organizations were judged on the following:

- Range of touch points (devices and platforms supported)
- The enrollment and login process
- Account information and money management capabilities
- Transactional features
- Service features
- Cross channel functionality
- Sales and acquisition capabilities
- Overall usability

No any bank was the best in every category; the evaluations provide insight into the strategic challenges and opportunities available to banks of any size. Overall, the large banks evaluated scored best on the range of touch points and account information, but poorly on sales and service features that are important to customers.

Peter Wannemacher [4], analyst for Forrester, says, "The most obvious missed opportunity among the 15 banks reviewed is that few are making effective use of context to make information more relevant to customers. Sales is another big missed opportunity, with many banks not even trying to cross-sell products and services through the mobile channel."

Based on Forrester study one<sup>4</sup> of the key findings was that, while there are definitely examples of successful mobile banking implementations, far too many banks are not doing much more than meeting the basic needs of the consumer, rolling out apps and features without a clear assessment of where customer expectations and business objectives align. In fact, even though some of the larger banks were lauded for new applications and functionality, the industry as a whole still seems to be missing the mark in the eyes of the consumer.

### **3.1. Increase enrollment and usage of Mobile Banking**

One of the biggest impediments to enrollment today is that many banks still require mobile banking customers to have an online banking relationship.

This requirement obviously limits mobile banking growth to only a subset of online banking customers as opposed to allowing all customers to benefit from mobile banking. Smartphone providers' have found a way to sign up for mobile banking and use the service. Online banking was more challenging the roadblocks and painful enrollment process.

Very few banks let customers enroll for mobile banking using their mobile phones. This is obviously counter intuitive from the customer's perspective. Wannemacher suggests [5]: "Digital banking teams should build processes that let customers enroll through as many channels as possible, including ATMs, branches, call centers, mobile and online." In addition, he suggests the elimination of any 'validation period' before a customer can access their account.

It is recommended a consistent sign-in process be used for both the online and mobile banking relationships if the bank is going to require multifactor authentication.

It is very important to have a customer service team familiar with the mobile banking platform and well trained to answer every question from customers.

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<sup>4</sup> The Mobile Banking Strategy Playbook: Forrester Research

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### 3.2. More touch points apps and support SMS banking

Banks have been able to provide support across all touch points also they have to across alternative delivery methods, dedicated mobile website, downloadable phone apps and tablet apps.

And all of this because of the increase range of mobile platforms. It may seem that everything is moving to either downloadable Smartphone or tablet banking apps but there are still many reasons to support SMS banking, including alerts or even the initiation of bill payments or transfers via an SMS and everyone does not have a Smartphone yet, therefore requiring support of basic mobile features through SMS text banking. While more and more banks have developed apps for the Android tablet and iPad, far fewer support either the Windows or Kindle platforms.

The offering of dedicated tablet mobile banking capabilities has definitely lagged behind Smartphone applications but provides greater promise in many ways due to the added functionality and preferable demographics of tablet users.

### 3.3. Integration of Cross-Channel

There are other ways for customer's interactions with a bank to be integrated. While being able to access customer support directly from the mobile app a great example of cross-channel support,

Some banks are helping customer locate ATMs through augmented reality functionality, providing a street level view of where branches and ATMs are located they are showing a dynamic way to integrate other channels.

It is very important the integration of social media within a bank's mobile banking application, not only to show live tweets in real time on their mobile banking platform, but their integration with Facebook and YouTube content is one of the strongest in the industry.

### 3.4. Marketing and cross-selling through mobile

Banks are doing very poorly virtual marketing through mobile. Potentially cautious about impacting the transactional focus of most mobile banking functions, banks have yet to leverage the massive amount of contextual insight available with a mobile device.

Mobile Banking channels have a strong marketing potential. While there are special and time limitations on what marketing can be done on a Smartphone or tablet compared to a computer screen, potential still remains that is untapped. We think that the market is on stage of acceptance of mobile banking by the mass market.

As a result, banks must begin to promote mobile banking to a wider audience using messaging those appeals to those consumers who don't understand the benefits of the channel.

Forrester research recommends the following mobile banking marketing strategies:

- integrate mobile banking within all brand marketing campaigns
- rather than promote mobile banking generically, promote individual functions and features ('there's an app for that')
- leverage target marketing opportunities to segments such as frequent users of online banking, bill pay, heavy atm users and/or customers who frequently do balance inquiries
- leverage traditional media such as pos, atm messaging, direct mail, email to support targeted efforts
- use social media like Facebook and gamification to promote mobile banking

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- leverage video within the mobile banking site to explain the benefits of mobile banking and ways to use the service that are unique to the channel
  - encourage current mobile banking users to recommend services to friends and family
  - help customers overcome security concerns with guarantees
  - provide interactive devices in branches that can demonstrate how mobile banking works
  - fully explain all costs involved
  - provide incentives for enrollment and use

#### 4. Retail Banking in the next .....years

Many observers say that: mobile banking is the next big thing in the retail banking industry.

Over the next five to 10 years, expect it to become as routine as using ATMs. But successful customer experiences will require large technology investments, tricky collaborations with competitors and a clear "own-the-customer" strategy.

The rewards for banks could be great if they will be open minded, willing to learn marketing and security lessons drawn from trailblazing developing markets. Some analysts said that taking the industry as a whole the upside from mobile banking will be limited and value creation may be neutral at best.

At the level of individual banks, on the other hand, the profit and revenue opportunities are considerable. Mobile banking opportunities may have looming on the horizon but these opportunities can create worth value if banks consider three separate prospective:

**1. Bank profits.** Banks will need to develop a truly differentiated ultra-convenient mobile banking user experience in order to gain share in home markets. This will deepen relationships with customers, allowing banks to cross-sell risk-based and liability products.

**2. Banking industry.** Banking industry will be able to generate value from the new revenue sources (new products, new customers) by charging for mobile's greater convenience and by lowering costs.

**3. The wider 'mobile' industry.** Mobile is already value creating for a range of non-banks, handset producers, and online pioneers. These players are able to create new services and apps, to generate more data traffic, to provide marketing services, and offer social networking. Banks may want to tap into these new sources of value or at least find partners that will give them a slice of the action.

#### **Where is the value for retail banking when they implement Mobile banking?**

*Below are listed the most important values for the banks:*

- *increasing satisfaction and loyalty*
- *deeper relationship with their customer*
- *creating a new mobile "home" portal,*
- *driving usage and enabling targeted marketing offers*  
*cross-selling core banking risk and deposit products*
- *increasing uptake of savings,*

#### 5. Conclusions

With the growth in tablet use, consumers are able to access highly graphic and sophisticated financial planning tools on the road or while multi-tasking in their home.

New devices and new tools provide an increased level of engagement and contextual interaction to those banks that seize the opportunity.



As more innovative Smartphone applications are developed within and outside the financial services sector, the ability for banks to keep pace becomes both more difficult and more important. As the penetration of Smartphone increases, customer expectations are increasing as well.

Online banking already seems to be hitting a threshold of acceptance, with some consumers skipping over this stage of financial engagement and moving directly to mobile banking.

While most banks already offer some mobile banking functionality, the challenge going forward will be to execute a strategy that is a differentiator both from a customer experience and revenue perspective.

By building an agile, best-in-class mobile infrastructure, the impact can be realized through increased differentiation, lower cost customer acquisition, improved channel efficiency, enhanced customer retention, and greater revenues through cross-selling and up-selling of products and services and through merchant-funded rewards.

By executing and optimizing a successful mobile banking strategy that is integrated with a wider multi-channel strategy, banks will be better positioned for the future mobile banking.

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