

Making Sense of Mobile

BY KEVIN TRAVIS

Banks need to do far more homework on customers before rushing to market with mobile applications. A strict appeal to Generation Y sensibilities may not be enough.

Will the rapid adoption of smart phone technology assure the success of mobile banking? Is mobile banking just an extension of the Internet, or does it offer entirely new venues to interact with banking customers and generate revenues?

These are critical questions at a time when many banks are gearing up to enter the mobile space. Amid all the buzz about features and functionality, it is important to keep sight of potential revenue-enhancing offerings and the customers who might actually use them.

Banks face a critical balancing act. On the one hand, if they fail to invest adequately, they risk being left behind as the mobile device joins the Internet as a central conduit for the consumer banking relationship.

On the other hand, scarce resources could be wasted on features and functionality that ultimately do not improve customer acquisition, retention or relationship profitability.

In the second scenario, mobile would join a long list of “transformative technologies” (automated teller machines, interactive voice response, online banking) that, while significantly improving customers’ access and banking experience, produced little discernable uptake in banking revenues. Many banks seem resigned to that fate.

While it is too early to declare that mobile will be a definite source of new opportunities for fee income, a recent Novantas consumer survey does provide some positive indications. Within the growing ranks of mobile aficionados, for example, we identified a select group of “ultra-connected” customers who defy the Generation Y stereotype.

Having a more affluent profile and spanning the age brackets, the “ultra connected” customers are adept with all forms of consumer communications technology and are far more willing to undertake complex financial services transactions through remote channels. It puts a fresh slant on what an iPad could do, given the right banking apps and set of hands.

There is a significant risk of undermining this opportunity by over-focusing on the Gen Y crowd. A marketing and configuration scheme that strictly appeals to the transient tastes of the young could be a turn-off for a more experienced, mature audience who potentially could make more extensive and financially meaningful use of mobile banking.

One example is with financial advice. The Gen Y segment may be quite happy to seek guidance from “the cloud,” based on ratings, user comments and feedback from friends.



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But in providing and promoting this arrangement, for example through a social network link, the bank could be turning off the ultra-connected, a group that is hungry for more expert advice and that would be much more trusting of a personal advisor at the bank.

The upshot is that banks need to do far more homework on customers before rushing to market with mobile applications and innovations, particularly products that are expensive to build and complex to manage. In some cases, there is more ground to be gained with a generic, transaction-based offering that also appeals to people with the greatest potential to use mobile for high-value transactions.

Once banks go beyond basic transaction capabilities and start looking at more complex mobile initiatives — such as partnering with third parties for social media-based offerings — there is a heightened risk of colliding with customer expectations if initiatives are not guided by accurate customer segmentation and targeting.

Finding the “right” customers requires the bank to consider several different factors. Along with analyzing the current composition of the mobile customer base, the bank will want to anticipate future waves of customers drawn from different segments, most notably the broad group of people who currently remain wedded to branch/online banking but who could embrace mobile at some point. Then there are questions of brand positioning, competitive differentiation and a tailored marketing outreach.

Such customer-informed navigation will only grow in importance as banks venture further into the new world of mo-

bile banking and payments. Even for the bank that prides itself on innovation, that kind of stand alone pull is only part of the equation.

As more customer transactions flood through electronic channels, banks increasingly will be collaborating with merchants and other financial services providers, as well as new players such as social networks and online affinity groups. In turn, success again will be heavily influenced by an ability to configure and position offerings in line with the needs of prime customer segments.

To be sure, customer analytics may seem like overkill at a time when mobile banking seems to cost more than it earns for everyone except smart phone manufacturers (and they definitely have their ups and downs as well). Steadily, however, more high-value transactions are migrating online, as underscored by Novantas research showing that nowadays, more than a third of consumers first seek financial advice via remote channels.

From this perspective, it is not too early to begin preparing for the day (inevitable, in our view) when the volume of high-value remote banking transactions goes from a trickle to a flood. For the many banks just now getting into the game, this calls for building a customer-informed mobile foundation that looks beyond features and functions du jour.

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