TATA CONSULTANCY SERVICES

Making Mobile Banking a Way of Life

Abstract

With customers readily adopting emerging technologies and smartphone penetration reaching a new high, the use of mobile banking services continues to gain traction across the globe. In keeping with this trend, banks are investing heavily to expand the scope of their mobile banking services to lower the cost-to-serve, deeper customer engagement, and increase revenues. However, adoption is not uniform across geographies, with some regions significantly lagging behind. There are a plethora of reasons for this skewed adoption. This paper examines the key barriers to adoption of mobile banking services in European countries, and suggests measures to improve the uptake.

Introduction

Mobile banking is on the rise the world over, and particularly in developed economies. To tap into this trend, most banks have made considerable investments in reorienting their systems to offer a wide range of mobile banking services.

However, consumer adoption of mobile banking varies across geographies. For instance, some European countries have seen impressive adoption, but that is not true for all regions as people are generally reluctant to make the switch from cash to virtual money. Another point to note is that in some regions, adoption has not kept pace with the introduction of mobile services, while in others, there was a high uptake to begin with, but adoption levels gradually plateaued.

Barriers to Adoption

The cost-to-serve in the mobile channel is just a fraction of the costs incurred in other channels. Considering its high revenue earning potential and possibilities for deeper customer engagement, banks have invested substantially in introducing mobile banking platforms. As a result, they are looking to drive the adoption of mobile self-service banking to increase the RoI. Achieving this, however, will require banks to address the barriers that make customers reluctant to make the switch.

Some barriers that need to be overcome include:

Lack of knowledge and awareness

Customers, especially in the 50-70 age group,[1] find it difficult to understand and use technology. This makes them reluctant to make the switch to mobile services. Moreover, customers are often unaware of the mobile banking services offered by their banks.

Security and privacy concerns

Security and privacy concerns are the main obstacles to adoption of mobile banking. A slew of data breaches and hack attacks on banking systems, over the last few years, have made customers cautious, and somewhat apprehensive about using mobile services.

Negative feedback and publicity

Before adopting a new service or product, the general tendency is to find out more about it from the internet or seek feedback from friends and acquaintances. Negative mobile banking experiences that go viral on social networks influence the decision to adopt, often driving customers to opt for alternative channels.

Poor user experience

Banks generally provide all mobile banking features on a single page instead of customising it for different transactions. For customers using mobile banking for the first time, navigating through the various options can be confusing and off-putting, compromising the user experience (UX). Customers expect the mobile banking experience to be similar to what they are used to on retail ecommerce sites.

Making Mobile Banking Work

Banks have so far concentrated on the practical aspects of providing transactional facilities through the mobile channel. Now is the time to take it to the next level by including advanced features leveraging technologies like artificial intelligence (AI) and data analytics, to deliver a superior experience that encourages adoption, builds loyalty, and turns existing customers into strong brand advocates. We believe that banks should adopt a forward-looking strategy, drawing from the successes of industries like retail and telecom, while strengthening the fundamentals of data security and privacy.

Strengthen security

Multifactor authentication that combines passwords and PINs with biometric methods like a fingerprint, touch ID sign-ins, or a retina scan offers an additional layer of security. Using biometric authentication for mobile banking eliminates the need to remember passwords and PINs, and augments system security and user convenience. Though banks have made tremendous efforts to ensure foolproof processes, customers may not be aware of this. Banks must improve the security perception of their mobile banking services by educating customers about their safe usage policies and security features.

Organize campaigns and awareness programs

Running campaigns that incentivise customers to switch to the mobile channel can ramp up adoption. Customer-facing staff must participate in such campaigns by spreading awareness about mobile banking products and services. Banks must consider offering rewards to customers who refer the bank's mobile banking app to friends and relatives.

Improve service

The most commonly used mobile banking services — funds transfer and bill payments — are also responsible for a high degree of customer dissatisfaction currently. To make these processes as hassle-free as possible, they must be simplified considerably. The entire gamut of features ranging from P2P and utility payments to domestic and international funds transfer should become as simple as sending a text message. Since social media platforms are often used by customers to express their dissatisfaction pertaining to a product or service, banks must proactively scan these sites, reach out to the aggrieved customers, and resolve their issues. This will help curtail the overflow of negative sentiment and build a positive image of the bank.

Enhance user experience

Mobile apps must be designed to deliver an easy, simple, and smooth experience. The mobile banking app must have a single interface to connect with all the accounts to give customers an overview of their financial health.

Other ways of enhancing UX include creating functional offline capabilities and reinventing the traditional user interface to provide an experience that customers are accustomed to on social media platforms. Customers should be able to access a financial activity feed that can be customised to include the information they check on a regular basis. Checking financial status and catching up with the latest developments must be made as simple as scrolling down Facebook or Twitter feeds.

Introduce advanced features

In regions where adoption levels have plateaued, banks must focus on increasing engagement to build loyalty, especially as mobile banking customers are less likely to churn and generally consume more banking products. One way of doing this is to enable advanced features like live mobile chat,

spend analysis, merchant offers, and advice on personal financial management. Banks must leverage location data to push contextually relevant offers to customers' phones at the right moment. For instance, offering a temporary extension to a customer with an almost used up credit card limit as she enter a favourite apparel store, or providing information on mortgage products to a customer visiting a real estate agent's office, helps deepen engagement and build loyalty.

Banks must also consider crafting hybrid offerings by infusing digital elements into in-branch services, for instance, cardless ATM withdrawals or a mobile app for scheduling appointments. Such features will ease banker-customer interactions and encourage regular usage to drive up customer value.

Make banking fun

Banks must bring fun into financial services by gamifying the experience. Firms can look at engaging customers better by offering rewards when they use new services, post reviews of the banking experience, play an active role in various banking forums and communities, and meet their predefined financial goals.

Looking Ahead

Given that mobile banking is a key component of banks' business strategies because of its potential to grow revenues and cut costs, promoting its adoption becomes a prerequisite to realising the benefits. Banks must reshape their current strategy with a focus on taking it to the next level of enabling superior experience and deepening engagement, beyond mere transaction execution. Going forward, banks must incorporate advanced features and value-adds to radically improve the mobile banking experience in mature markets. In regions with low adoption rates, banks must focus on informing customers about the benefits of mobile banking and address their concerns around safety and security.

References

[1] Board of Governors of the Federal Reserve System, Consumers and Mobile Financial Services 2016, March 2016, Aug 2017, https://www.federalreserve.gov/econresdata/consumers-and-mobile-financial-services-report-201603.pdf

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