

## The Return of Mobile Banking? – Part 2

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### Visiting the Past

Five years ago, I wrote the article "The Return of Mobile Banking?" <sup>(1)</sup> after OCBC Bank announced that it will offer Mobile Banking service when other banks such as DBS, UOB Standard Chartered Bank, Citibank in Singapore had "switched-off" their mobile banking services citing poor demand as the key reasons.

Besides poor demand, industry observers noted that there were various reasons for banks to discontinue their mobile banking services then. Besides the limited screen size and clumsy navigation interfaces, other key reasons include the challenges for banks to keep up with the frequent introduction of new mobile phones by the equipment manufacturers that come with different operating systems, the lack of common security standards for mobile platform and limited bandwidth notwithstanding the promise of higher speed with 3G infrastructure.

Another major roadblock was the difficulties for banks and telcos to collaborate to offer multi-bank and multi-telco mobile banking services that benefit the customers. As a result, different business models evolved from banks going solo by operating their own mobile portals, telco such as NTT DoCoMo offering the single telco model and mobile phone manufacturer, Nokia developing its own mobile wallet.

### Recent Interest in Mobile Banking

Notwithstanding these challenges, OCBC continued to be the lone champion of this mobile channel and over the next five years, the bank has seen customer adoption growing from tech-savvy early adopters to mass market users. The most popular mobile banking service is the payment for shares with "amounts up to hundreds of thousands of dollars transacted on a regular basis". According to a survey conducted by OCBC, the bank noted that 30% of its customers used its mobile banking application once a week while 40% used it fortnightly and 10% on a monthly basis.

With the availability of smart phones (8 in 10 phones shipped in the last quarter are smart phones), adoption of open mobile operating systems such as Android by equipment manufacturers and lowering of price plans for voice and data services due to intense competition, the mobile phone penetration exceeded 140% in Singapore as at end-Jun 2010 in Singapore, up from 57.7% 10 years ago in Jun 2000 <sup>(2)</sup>.

Under these favourable market conditions, banks begun to jump onto the mobile banking wagon starting with Citibank a year ago when it launched the Citi-Mobile and Citi-Alert that leveraged on the popularity of iPhone and sms. Learning from the experience of other banks, Citi's mobile offering does away with the need to download any software. Next was Standard Chartered when it introduced "Breeze" in Jul this year that was designed with the iPhone in mind. Some of the features customers found useful include using the same internet banking log-in credential so there is no need to remember another set of log-in ID/password, the ability to locate the bank's ATM using the location-based services, sending of e-cheque while on the move and the ability to pay any credit card in Singapore. It was reported that an Android version of "Breeze" will be introduced later. DBS Mobile Banking launched in Apr offered a similar suite of services it had back in 2001 and this pale in comparison to what are being offered by the other 3 banks. At the point of writing, UOB however, remain as the only local bank in Singapore that does not have a mobile banking offering.

### **Banks are lagging behind?**

While lots of mobile applications are developed on the larger screen and multi-touch smart phones, little innovation in terms of mobile banking applications has been offered by banks. However, one should also note that since the inception of internet banking in 1996, the three most popular banking services till these days still centered on account enquires, funds transfer and payment services <sup>(3)</sup>. Despite the emergence of payment intermediaries such as PayPal and Obopay, banks have not been able to extend its payment legacies on the mobile infrastructure.

On the other hand, telcos, mobile operators and equipment manufacturers which are facing ever more intensive market competition and lowering of margins are seeing mobile payment service as not only a new revenue stream but a necessary facility that will complement its mobile contents, mobile entertainment and mobile lifestyles businesses.

In line with this strategic approach, NTT-DoCoMo has through its strategic investment in Mizohu Bank, the second largest bank group in Japan implemented mirco-payment services under its Osaifu-Keitai service (aka mobile wallet service). According to NTT DoCoMo, it now has more than 10 million regular users of its DCMX contactless credit card phones. Not to be outdone, Nokia planned to introduce smart phones that will be embedded with Near Field Communications (NFC) chips in 2011 together with Symbian 4. China Mobile, the world's largest mobile operator, however has taken on a different route and used a technology that competes with NFC called RF SIM. In the US, AT&T, Sprint, T-Mobile, and Verizon are reportedly working on a joint-payments initiative. Recently, Singtel, SE Asia larger phone operator announced that it will partner MasterCard, the world's second largest electronic payments network to pursue mobile-commerce project.

While the mobile payment initiatives appear to be dominated by mobile operators, carriers and equipment manufacturers, there are too many differing standards and business models that make collaboration across regions, different systems and stakeholders a major challenge. Even when key players agreed to co-operate to work on a standard as in the case of Singapore industry players agreeing to collaborate on the NFC <sup>(4)</sup>, little have moved since it was announced 18 months ago.

### **What Next?**

Recognising the popularity of the iPhones, banks have recently begun to develop banking applications that capitalized on the phone features and usability. As a reprieve for banks, the availability and rapid adoption of open mobile operating system such as the Android, Symbian 3 open-source OS (According to the latest report from Gartner, the Android and Symbian platform are projected to be the number 1 & 2 mobile platform by 2014 with 40% and 30.2% global market share respectively) will provide banks the opportunity to develop financial and payment applications leveraging on these open Oses and popularity of iPhone and iPad to regain their standing in the mobile banking and mobile commerce arena.

However, for the benefits of their common customers, banks, payment intermediaries, content providers, mobile application developers, mobile operators and equipment manufacturers must collaborate as the mobile devices that will be equipped with a wider range of advanced features including location based capabilities, video streaming, social networking, predictive responses, etc are going to play a key role centred around the lifestyles of individuals from commuting, working, education, travelling, shopping, entertainment, health, banking to payments. Consumers like you and me however, will have to be patient as events in the past years have shown that even to get banks and mobile operators to collaborate will not be a walk in the park.

**References:**

- <sup>(1)</sup> "The Return of Mobile Banking?" at: [http://www.innovar.com.sg/Archives/The\\_Return\\_of\\_Mobile\\_Banking-28Oct05.pdf](http://www.innovar.com.sg/Archives/The_Return_of_Mobile_Banking-28Oct05.pdf)
- <sup>(2)</sup> Statistics on Telecom Services (IDA) at: <http://www.ida.gov.sg/Publications/20061205165739.aspx>
- <sup>(3)</sup> "Mobile Payment-The Next Big Thing" at: [http://www.innovar.com.sg/Archives/Mobile\\_Payment-the\\_Next\\_Big\\_Thing.pdf](http://www.innovar.com.sg/Archives/Mobile_Payment-the_Next_Big_Thing.pdf)
- <sup>(4)</sup> "Will NFC revives mobile payment?" at: [http://www.innovar.com.sg/Archives/Will\\_NFC\\_revives\\_mobile\\_payment\\_27Feb09.pdf](http://www.innovar.com.sg/Archives/Will_NFC_revives_mobile_payment_27Feb09.pdf)

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