

## *Online and Mobile Banking - Saving Costs & Increasing Marketshare*

Without a doubt, mobile banking is a hot topic right for community financial institutions of all sizes, even with the general downturn in the banking industry. While the large money banks were the first movers, community financial institutions are quickly realizing that mobile banking is rapidly transforming from a niche channel to a mainstream channel and becoming a competitive necessity. Specialized vendors and core processors are ramping up their solutions and modules, and this increased competition will drive traction and lower the costs of entry.

TowerGroup estimates that mobile banking usage will grow from 10 million active users in 2009 to over 53 million active users in 2013, representing a compound annual growth rate of 51.8%. This movement of mobile banking into the mainstream is being driven by more powerful handsets like the iPhone and Blackberrys, as well as the rollout of faster data networks from the mobile carriers. Plus, consumers are simply using their mobile devices for all types of data access on the go, and checking balances and moving funds is simply another way they want to use their devices.

Online bankers constitute a built-in base for attracting mobile bankers, and both channels represent much lower cost alternatives to call centers and branches. The overarching theme is self-service which saves credit unions money whether their members access them online or over the air or at an ATM. Consumers enjoy the convenience of 24/7 access, and financial institutions are relieved that they are not accessing the high cost branch and call center channels.

While many institutions will initially focus on their existing online bankers to drive the growth of their mobile banking roll-outs, they should take note of the fact that mobile banking can appeal to other segments of the population who may not currently be online bankers. The underbanked is one sector that should be considered, as well as students, highly mobile professionals, or anyone who needs more information on the go. As more functionality becomes available and mobile banking applications become more user friendly, we expect that Baby Boomers and older consumers will embrace mobile banking. Credit unions should look at mobile banking as an avenue for them to affordably reach new audiences and grow their business.

Mobile banking has a longer history outside the United States and many foreign institutions with a long track record of offering mobile banking have found that offering a robust mobile banking platform can reduce churn and increase product and service penetration rates. Many have discovered that an easy to use interface is critically important, as is the flexibility to offer different types of mobile access. At the TowerGroup, we recommend that credit unions strongly consider a multi-modal approach - one that includes SMS, browser access and a downloadable application. This way they can let their members choose their favored method for handling their financial management needs. Going forward, services will continue to evolve, moving beyond basic banking functionality like balance inquiries, location finders and intrabank fund transfers to more sophisticated applications that leverage the rich functionality of mobile devices.



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**Charul Vyas** is an Analyst in TowerGroup's Emerging Technologies practice, where her research examines the impact new technologies have on the financial services industry as well as adjacent markets, including retail merchants and digital commerce. Charul's primary research agenda spans the disruptive impact and opportunities associated with the evolution of mobile banking and mobile payments, workforce mobility, and information security. Charul arrived at TowerGroup with more than seven years of experience as an industry analyst. Her responsibilities have included developing, launching, and running syndicated research services incorporating both qualitative and quantitative research methods.



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