

Smartbanking

A new dimension of mobile banking

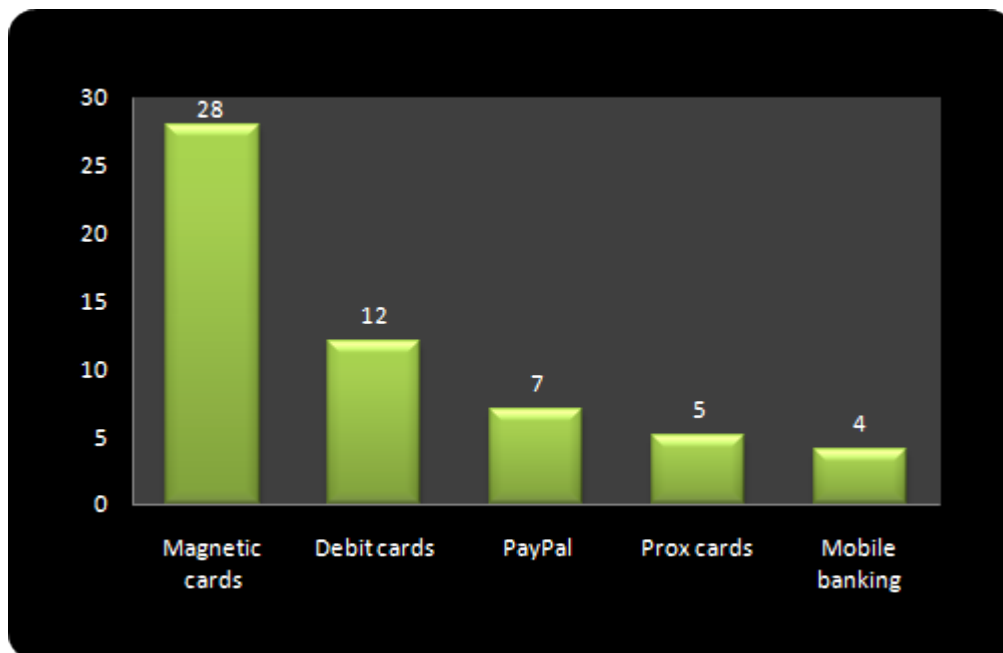


Mobile banking services are undergoing a revolution. Technological development, and above all the emergence of smartphones have completely changed the paradigm of mobile distribution channels. Smartbanking, or mobile banking services operating on the basis of smartphones, greatly expands the distribution possibilities.

The growing importance of smartphones

Due to the convenience they bring, increasing opportunities and declining prices, smartphones will soon become the most user-desired service channel. In the next few years the mobile channel will become as popular as the traditional web channel. The users are already more and more aware of the convenience, flexibility and high level of security that is ensured by smartbanking. Nowadays, a smartphone is not only an effective business tool, allowing account management or monitoring the financial markets in real time. It is also a tool for young, active users, who want to keep control of their finances.

According to Gartner, smartphones constitute 14% of all mobile devices owned by consumers. The number is estimated to reach 37% by 2012. The sale of smartphones in 2009 is several times greater than that of standard mobile phones. The same study shows that the number of smartphones is equal to the number of laptops available on the market, and will exceed it twice in 2010.



Time in years needed to reach 100 million users

A survey carried out by Mercatus LLC in June 2009 measuring usage of mobile banking among the U.S. consumers revealed that the number of people using this channel tripled compared to 2008 and amounts to 21% among the 18-25 age group. Respondents of this group regularly use their phones to monitor their banking accounts, make payments or transfer money. Older users also often benefit from the advantages of mobile banking. In the 25-34 age group the number of smartphone users was 16% (annual increase of 9 pp) and 12% in the 35-44 group (an increase by 2 p.p.). A correlation between users' age and the tendency to use mobile access becomes apparent. The authors of the study predict that in the coming two years the availability and form of the offered mobile channel will appear, especially among young customers, as one of the most important criteria in choosing a bank.

Broad spectrum of possibilities

Smartbanking makes it possible to transfer money, pay off credit cards, establish deposits, pay off loans and locate the nearest ATMs and bank branches. There are also such features as checking the account history, ministatements or statements of credit card operations. The user can also change the PIN, block lost cards and change passwords. Therefore smartbanking comprehensively implements the popular concept of “My bank in my pocket”. However, what distinguishes smartbanking solutions from the current mobile channels is a huge potential to provide value-added services: from the implementation of marketing operations to providing the users with advanced investment platforms.

Smartbanking provides services based on geolocation such as finding the nearest bank branch or ATM. Smartbanking platforms enable users to actively invest in the financial markets, as 24/7 portfolio management tools work from any location (e.g. while traveling). Smartbanking redefines the concept of electronic customer service, ensuring convenience as well as remote real-time service. It also gives institutions the possibility of providing personalized private banking services to every customer.

	Availability	Convenience	Cost for the user	Security	Functionality
IVR	••••	•	••	••	••
SMS	••••	•	•	••	•
WAP	•••	••	••	••	••
Smartbanking	••	••••	••	••••	••••

•••• very high ••• high •• average • low

A comparison of mobile access methods

Mutual benefits

The potential of smartbanking gives benefits not only to the user, but also to the institutions implementing the service. Smartbanking is not merely a new channel of communication (as in the case of failed experiments with WAP-access). It is a powerful tool of dialogue, active customer support as well as providing timely information, great convenience and problem solutions right at the time of their occurrence. The greatest benefit of the application of smartbanking for financial institutions is primarily a drastic reduction in the costs. The costs of mobile channel service compared to service costs at a cash desk or via IVR are incomparably lower. Smartbanking means matching the offer with the customer more precisely. It is an excellent tool for collecting valuable statistics. It is also possible to immediately inform customers about events or new offers. Thanks to this, smartbanking allows for implementing a mass customization strategy, which leads directly to an increase in customer loyalty and brand awareness.

Private banking for everyone?

Smartbanking is an access channel which is the ideal information carrier for both individual and mass customers interested in the banking services. Thanks to smartbanking it becomes possible to provide personalized content, and the research on user preferences becomes an ongoing process. It means personalization in a dimension, which until recently was still a futuristic concept. Finding the nearest facility or an ATM using a built-in GPS module is just one of many examples of modern customer service possible with smartbanking. For example, when using the application, the customer wishing to obtain a loan is being informed about the required documents on his way, while the application estimates the time of arrival, which allows the bank staff to prepare all the paperwork on time. Mobile banking is a fast

access channel both for the present and potential customers. Smartbanking is a convenient way to inform the customer about new services, current interest rates, or promotional campaigns.

New opportunities emerge in the field of modern loyalty programs and campaigns which are the least expensive form of customer retention. This can be made through coupons, which are special bar codes sent to the customer that can be read by standard POS terminals. Such a coupon can actually be a ticket to the cinema, discount coupon or a gift voucher.

Operation security

Mobile banking is accompanied by concerns about security, similarly as in the case of the first systems providing account services in the Internet. But as it turns out those worries seem to have a purely emotional ground. From a technical point of view the security level is at least as high as that of the operations carried out using a computer. The very diversity of available platforms has a very beneficial effect on the security of this type of applications. In the risk calculation the greatest threat is still lack of caution. A phone left in a taxi or a hotel can pose a potential danger to the interests of the bank's customer.

However, today this problem is not so serious. Most applications provide the possibility to remotely erase key data from the phone. In addition, the device manufacturers themselves, bearing in mind the fact that smartphones contain large amounts of personal data, implement the functions of remote security. Growing capabilities of smartphones, especially their increased computing power, makes it possible to implement modern, multi-step techniques for access control and authorization.

Most applications running today have advanced authentication mechanisms; there is a number of data verified, such as: a unique device number, mobile access account ID, phone number stored in the database, the identification of the SIM card, and finally the user's PIN number. Thanks to smartphones the whole complicated procedure takes fractions of seconds and from the user's point of view is practically imperceptible.

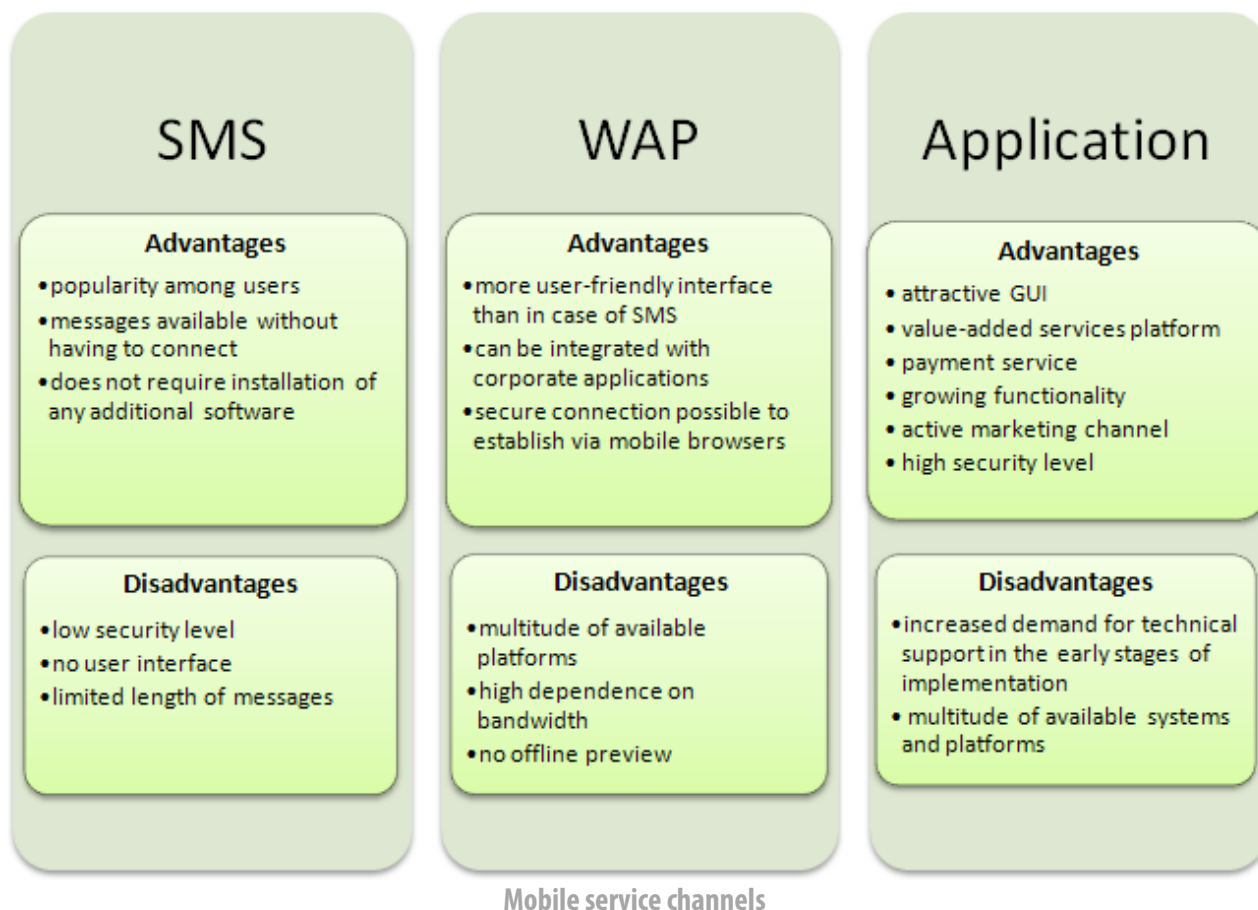
In the next few years there will be an increase in the number of devices equipped with fingerprint readers providing faster and more convenient authorization. There are also ongoing works to create mechanisms based on voice and visual identification of the user.

Choosing the right solution

A common mistake made by financial institutions implementing the mobile channel is copying the functionality of the Internet channel to the field of mobile devices. An implementation carried out in such a way is doomed to failure, because it strips the mobile channel of its most important feature – convenience. Customers are looking for fast and convenient ways to handle and monitor the state of their finances.

The aim of smartbanking is to reduce customer service costs while increasing efficiency and customer satisfaction. Implementation of the mobile channel has to be focused on offering value-added services. The most important aspect is that the channel should be converged, combining the three main categories of access: SMS, WAP and a client application, integrated into a coherent whole.

One of the key issues in this case is scalability and open architecture. Because of the nature of financial services, the application design must allow for a rapid implementation of new functionalities and mechanisms of distribution (the availability of the functionality for each category of customers). The construction of a modern smartbanking application should guarantee the possibility to follow the growing demands of the customers



Complex solution

The choice of a supplier of such a vital system should be confined to those with experience in implementing projects for the financial sector. A tool developed by Verax Systems implements a comprehensive vision for a modern mobile channel. Verax Smartbanking consists of a collection of applications; a front-end for mobile devices (e.g. retail banking) and a back-end, acting as a secure gateway between the banking system and the GSM / GPRS / HSDPA, as well as front-end applications. The application designed by Verax Systems enables financial institutions to quickly implement a secure mobile channel in a relatively short period of time at a reasonable cost. Thanks to a wide range of value-added functionalities Verax Smartbanking helps to increase customer loyalty by improving the convenience and availability of services. The system supports a wide range of commercially available mobile devices and its functionality is focused on five main functional areas:

- Active functions, such as: money transfers, credit card payments, establishment of deposits, loan repayments and the location list of the nearest ATMs and branches.
- Passive functions of monitoring, such as: checking the account history, ministatements or statements of credit card operations.
- Functions providing an investment platform.
- Features based on geolocation such as: navigation to the nearest branch or ATM.
- Features to support implementation of activities and marketing strategies, including loyalty programs, collection of statistics or maps of customer preferences.

The emphasis has been placed on service ergonomics and user experience. Verax Smartbanking works with other applications from Verax eBanking Suite, but it can be also integrated with any other systems through SOA. The open architecture used provides a scalable solution and the possibility of quick expansion with additional functionalities.