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# Mobile banking: What is it?

Internationally, the number of banks that offer access to their services via smartphones is growing exponentially, while in Switzerland only in the last few months have banks timidly begun to put a toe in the water.

When speaking of "mobile banking", often we simply mean the optimizing of an online banking site for display using a smartphone browser. Mobile banking is not even merely the checking of an account balance via text-messaging, which is a ten-year-old technology that never really caught on (at least in Switzerland) and is now only of interest to less technologically-advanced countries. In reality, and especially when considering the potential of modern smartphones, a mobile banking service can be thought of as a stand-alone service; a new platform for offering existing customers, and possibly even new ones, access to classic banking services and much more, without just moving customers from one low-cost channel (online banking) to another (mobile banking).

**Mobile banking: just a passing fad?** Morgan Stanley predicts that by 2015 there will be more "mobile" users than "desktop" ones: we are faced with yet another technological leap forward, comparable to the transition from radio to television. In the 1970s, there were many who saw the creation of

an ATM network only as a cost. Similarly, in the 1980s few thought it was sensible to invest in building a web site: today, how many banks do not offer an ATM network or have an online presence? To answer our question: No, mobile banking is not a passing fad but the beginning of a new way of relating to banks and using their services. Functions such as mobile payments can only help users and banks to better understand the potential.

**So, how should banks approach mobile banking?**

TowerGroup has developed an interesting model for assessing the maturity of a mobile-banking solution: in effect, it ranges from merely making information available, to the possibility of making transactions (payments, trading), to real interactivity between banks and customers. The next step would be to offer features and services not directly connected to the banking world and actually participating in the customer's social life. Intriguingly, many banks with a presence in App Stores are, in reality, only offering information about their products or branch networks without allowing their customers to check account balances: these Apps have not even reached the first level of the maturity model. It is important for banks to appreciate that the time has come to offer a complete and functional access to their services: if we examine the state of mobile banking in Switzerland, "the home of banks", compared to the rest of Europe, not to mention the United States, we're still living in the "Stone Age".

**Why are banks waiting on the sidelines?** Security, either real or perceived, is certainly one of the concerns that is delaying the offer of mobile access to banking services. "In fact, unlike surfing from one's home or office, 'mobile' is concealing additional hazards", confirms Prof. Angelo Consoli (Manager of the computer security laboratory of the Department of Innovative Technologies of the University of Applied Sciences and Arts of Southern Switzerland, SUPSI). "Access via public networks, the scant knowledge and awareness of many users or the use of devices that are not properly protected are elements that increase the risk."

APIA, in collaboration with SUPSI, has developed a solution

that reduces these risks to an absolute minimum. Banks are free to determine the level of security to apply when identifying customers and verifying transactions, while APIA's solution guarantees total security in the transmission of data from smartphones to the bank. "APIA's solution," says Consoli, "provides a connection that is even more secure than that commonly used for online banking from the home or office: it offers a data-security and encryption framework that is a step above what is used for HTTPS traffic." In effect, in addition to securing the communications channel (by using an encrypted SSL connection), APIA goes one step farther by digitally encoding and signing the message; preventing alterations and eliminating the typical risk of "man in the middle" attacks. "APIA did not stop there, but introduced additional technical/functional strategies that exponentially increase the level of security without sacrificing usability and performance, which is very important considering the limited calculation power of smartphones." Obviously, the user has to do his part by choosing, for example, a strong password and keeping the programs constantly updated.

**Customer behaviour is changing**

**If banking products are similar, how important (and possible) is it to differentiate oneself from one's competitors?**

It is true that, in recent years, we have seen a standardization of core banking systems (systems that, in the most part are invisible to customers), leaving prices and quality of service to differentiate individual banks. It is also true, however, that in mobile banking (a bank branch in the customer's pocket!) it is almost mandatory to present oneself in a unique way: obviously by providing all basic functions, but also offering a user experience that allows banks to effectively distinguish themselves from each other - not just by the color their logo. Offering a customized solution, especially in the realm of mobile banking, is thus not only possible with a modest investment, but actually very advisable.

APIA's solution, for example, allows banks to offer all basic services e.g. checking balances and transactions, making payments or topping prepaid cards, placing trading orders, authorizing e-invoice payments, accessing account statements and communicating directly and securely with the bank; all with the ability to customize services and navigation. APIA's solution is an ideal platform: it is highly customizable, flexible and secure, and offers a stable base for the future development of new functions and services.

**To summarize, why should a bank invest in mobile banking?**

Because today, offering a mobile channel will give a bank a competitive advantage that should not be underestimated; an advantage that will soon become a clear disadvantage for institutions that are unable to upgrade in time.

Customer behavior is changing: in recent years, customer independence has constantly increased, also due in part, to pressure from the banks themselves. So, banks need to offer their customers a tool which will allow them to perform as many banking operations as possible at the lowest possible cost. To repeat, offering mobile banking doesn't just mean "moving" customers from one channel to another: it means accessing new customer niches or accessing specific segments before competitors.

In this regard, to understand their true potential, one needs only think of the popularity of smartphones with young people. It is precisely the young, the so-called "digital natives", along with independents and SMEs, that are the users most interested in this technology: firstly, because they already expect that all services should be provided through smartphones and, secondly, because they don't have time to go to a branch to

**The Mobile Internet Report**



Morgan Stanley & Co. 12.2009

make routine transactions and would like to make them any time, anywhere.

**What will mobile banking be like in the future?**

Much depends on the possibilities that technological evolution will offer: smartphones and tablets are revolutionising the way we make purchases, the way we converse and interact. Increasing involvement of banks in the everyday lives of their customers is almost inevitable. We can therefore expect to see a greater integration of banking services and social networks; "non-financial" services provided by one's bank; the possibility of interacting directly with a consultant by sharing online information, and much more. To be able to respond to challenges that we face today and will face tomorrow, is precisely the reason why APIA will continue to invest in new functions. Always one step ahead. ■

**Mobile Banking Solutions maturity model**

