



**White Paper**

Mobile Moving Forward in 2012: Insights from Top-Tier Financial Institutions



# Mobile Moving Forward in 2012: Insights from Top-Tier Financial Institutions

The proliferation of smartphones, changing consumer expectations and the entrance of non-traditional competitors has sparked a mobile banking revolution that is an urgent call to action for financial institutions. With the majority of top-tier financial institutions already offering basic mobile functions such as account access, ATM/branch locators and bill payment, plans for 2012 are focused on mobile deposit capture, person-to-person payments and actionable alerts. When it comes to mobile point-of-sale payments, however, a wait-and-see attitude remains common. Leading financial institutions have a solid understanding of what it will take to move these payments forward yet seem to be stuck in a “chicken or egg” scenario – waiting on consumer demand and merchant acceptance before triggering their own investments. With competition continuing to mount, stepping up the execution of mobile banking and payments strategies will allow financial institutions to remain competitive in this rapidly evolving arena.

To assess financial institutions’ perspectives on mobile banking and payments and gauge the momentum of investment in the channel, Fiserv commissioned Forrester Consulting to administer a survey to 10 top-tier banks and credit unions. The September 2011 survey respondents included mobile banking strategists and decision makers from:

- Three institutions with assets > \$100 billion
- Three institutions with assets between \$11 billion and \$100 billion
- Four institutions with assets between \$1 billion and \$10 billion

The surveyed institutions’ combined assets total in excess of \$2.5 trillion and account for one-third of all U.S. deposit accounts. The survey was conducted as a follow-up to a similar survey of the same financial institutions conducted in October 2010.

Although for several institutions, implementation of some capabilities shifted outward during the past year, the majority of respondents revealed that their institutions have plans to implement a broader range of mobile capabilities than they reported in October 2010. Notably, institutions see fewer obstacles to mobile payments than they did a year ago, and eight of the ten institutions surveyed said they plan to invest in some type of mobile payments in the coming 12 months.

## Mobile Banking is Rapidly Maturing

Nine out of 10 of the financial institutions surveyed have a mobile banking offering that provides basic account access, and almost all provide ATM/branch locators, transfers between accounts and bill payment. Among the financial institutions, the ones with assets of \$100 billion or more are leading the way in the adoption of

next generation technology such as contactless/point-of-sale (POS) payments, person-to-person (P2P) payments and remote deposit capture (see Figure 1).

None of the respondents currently offer remote payments, in which a mobile phone is used to make a purchase from a non-physical location, such as online shopping via mobile browser, or trading securities as an element of mobile banking.

**Figure 1: “Which of the following services does your financial institution offer via mobile devices today?”**

	\$1-10 Billion (4)	\$11-100 Billion (3)	\$100 Billion+ (3)
Transfers between accounts at your institution	3	3	3
Bill payment	3	3	3
Contactless / Point of Sale (POS)*	0	0	2
Self-servicing**	0	1	1
Transfers between institutions	0	0	1
Person-to-person (P2P) payments***	0	0	1
Remote deposit capture	0	0	1
Remote payments (including social media)	0	0	0
Trading	0	0	0

\*For POS: Pilots only

\*\*Self-servicing includes: Search transactions; Respond to messages in secured inbox; Send messages to customer

\*\*\*For P2P: payments can be routed through email or mobile phone number (downloadable app only).

Base: Ten Mobile Strategists at top tier U.S. banks and credit unions.

Source: Mobile Banking and Payments Update, a commissioned study conducted by Forrester Consulting on behalf of Fiserv, September 2011

**Mobile Services are Focused on Retail Banking Customers and are Reaching More Devices**

Nine out of the 10 financial institutions surveyed now offer at least basic mobile banking services to retail banking customers and the same number support mobile services for credit card account holders.

In contrast, only seven offer some type of mobile offering to small business customers and only one institution provides mobile financial services to its corporate customers. These responses are consistent with findings from the October 2010 survey, indicating that retail customers remain the primary focus for financial institutions when it comes to mobile banking and payments.

Financial institutions are supporting or plan to support a greater number of mobile devices than they were a year ago. Seven respondents currently support Android and six support iPhone. As one survey respondent stated, “[We are] most concerned about Android, iPhone and iPad; the firm is doing Blackberry for business customers but this is not a primary focus.” Half of those surveyed plan to support the Blackberry.

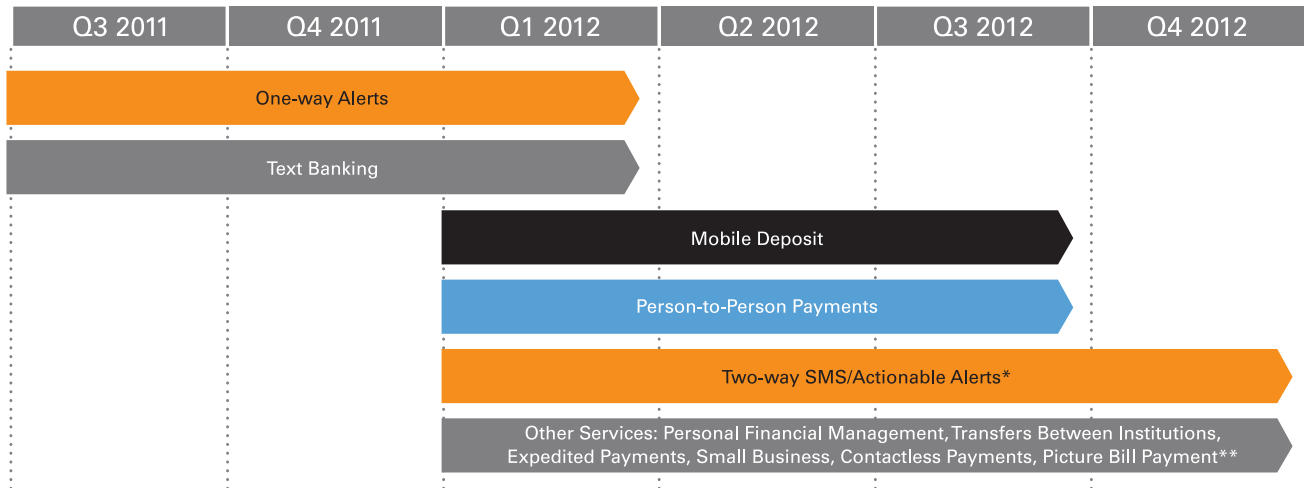
Offering support for Android is a top priority moving forward, along with support for the iPhone and tablets. While none of those surveyed currently offer support for tablets, this is now on the priority list for many institutions, with several respondents planning to support the iPad tablet.

**Mobile Banking Roadmaps Now Include More Robust Functionality**

The surveyed financial institutions are steadily offering new services. Plans for 2012 include enhancing the value of existing mobile banking offerings by covering all the basics and adding more robust functionalities, (see Figure 2) such as:

- Mobile deposit capture
- Person-to-person payments

Figure 2: Mobile Banking Functionality Roadmaps: 2011-2012



\*Two-way SMS/Actionable Alerts allow users to respond in real-time to alerts received from their financial institution  
 \*\*Picture bill payment allows users to take a picture of their bill via mobile device and then pay

Base: Ten Mobile Strategists at top tier U.S. banks and credit unions.

Source: Mobile Banking and Payments Update, a commissioned study conducted by Forrester Consulting on behalf of Fiserv, September 2011

- Two-way SMS (text)/actionable alerts (which allow users to respond in real-time to alerts received from their financial institution)
- Personal financial management
- Picture Bill Payment (which allows users to take a picture of their bill via mobile device and then pay the biller)

Transactional capabilities represent the largest concentration of planned investment in the mobile channel into 2012 and beyond.

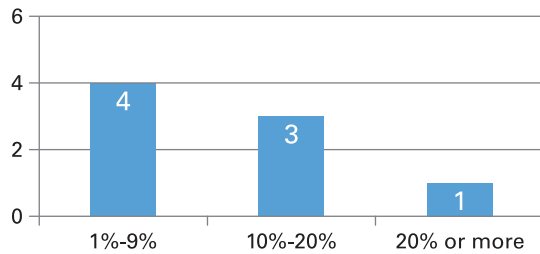
**In 2012, Mobile Payments Takes Mobile Banking Beyond the Basics**

There are [four dimensions of mobile payments](#) that financial institutions can offer:

1. Payments of bills (bill payment)
2. Payments to people (person-to-person/P2P)
3. Payments to remote retailers (online purchases)
4. Point-of-sale payments to merchants (POS)

Now considered to be a basic mobile banking service, nine out of the 10 banks and credit unions surveyed already support mobile bill payment. While only one institution currently supports person-to-person (P2P) mobile payments, adding the functionality was identified as the biggest mobile payments priority for 2012, cited by seven of the 10 respondents.

**Figure 3: “What percentage of your department’s digital technology budget is being spent on mobile payments in the next 12 months?”**



Base: Ten Mobile Strategists at top tier U.S. banks and credit unions.  
Source: Mobile Banking and Payments Update, a commissioned study conducted by Forrester Consulting on behalf of Fiserv, September 2011

All but two of the financial institutions plan to invest in mobile payments in the next 12 months. One institution has 20 percent of its digital technology budget earmarked for mobile payments while another four plan to invest more than 10 percent of their spend on mobile payments (see Figure 3).

### Respondents Split on Point-of-Sale Payments

Of the four dimensions of mobile payments, POS payments have grabbed the bulk of the headlines. Media announcements about mobile wallets and contactless payments have captured the attention and imagination of consumers. It seems that using a mobile device to pay for goods or services at a merchant location has a certain caché among technology-centric consumers.

According to the respondents, technology limitations are no longer a deterrent to financial institution investment in mobile POS payments. Recent industry developments have demonstrated that the technology for mobile payments is functional and that in many cases existing assets, such as payment networks, can be leveraged to support these transactions.

With technology limitations out of the picture, merchant acceptance is now the leading concern for financial institutions, followed by uncertainties about consumer demand.

While a wait-and-see attitude remains common when it comes to providing support for mobile POS payments, that view may be changing among top-tier financial institutions. As one bank executive stated in regard to POS, “Right now, we are a follower, but we are trying to do a bit more by doing some pilots. (We) want to put a foot into the water to see what consumers are going to do.”

One of the reasons financial institutions may be more focused on mobile POS payments than they were a year ago is because they have a better understanding of what is required for these payments to reach the mainstream. The primary parties in the mobile POS payments equation are consumers, merchants and financial institutions (or another payment provider), and each has a distinct role in driving mobile payments adoption. When the bankers were asked what they believe is prohibiting – as well as what will motivate – consumers and merchants to more rapidly embrace mobile payments, the survey participants offered educated responses that demonstrated a solid understanding of what is required for mobile payments to proliferate, as well as an awareness of new capabilities that are becoming more widespread.

### Meeting Customer Needs is a Powerful Driver

Financial institutions see consumer demand for enhanced convenience as a major driver of mobile payments for consumers. One executive suggested that the paradigm shift from physical to electronic payments is easiest to make with a mobile device, “the mobile device is a personal device; the closest thing to

transferring the wallet to the digital wallet.” The financial institutions surveyed recognize that mobile payments must be faster and easier than current payment options, and more ubiquitously available. As smartphone usage increases and mobile payment capabilities become more widespread, interest in mobile banking and payments is likely to grow. Financial institutions have an opportunity to capitalize on consumer interest in mobile payments by not only providing these services but also educating consumers on their potential to deliver enhanced convenience and security.

For one respondent, the end state objective was particularly clear, “[Our] goal is to get the point that mobile becomes the wallet for [our] members. We see the capability to enroll and promote through the device. We see mobile as the ‘relationship’ portal into our membership.”

### **Merchant Acceptance Seen as a Stumbling Block**

Merchant acceptance of a mobile POS payment option is a primary concern. However, banks and credit unions believe merchants will be compelled to accept mobile payments if:

- The costs to implement and support the POS technology are affordable
- There is a potential to reduce costs to serve customers
- There is significant consumer demand

Financial institutions believe that mobile payments offer distinct competitive advantages and a new way for merchants to deliver coupons and promotions, which could be readily tied to mobile payments capabilities. Despite this opportunity, the survey respondents believe merchants may still be hesitant to support mobile payments because they are unsure about the value,

reluctant to shoulder technology costs, and concerned about unforeseen barriers to usage, such as a lack of consumer interest.

With such concerns, it is not surprising to discover that the surveyed institutions are split; just 50 percent have plans or pilots in place for POS payments.

### **New Entrants Pose New Threats**

On the whole, the surveyed executives see payments on the mobile channel as an opportunity for financial institutions. Banks and credit union focused on ROI believe the business case for mobile payments will be proven by reduced cost to service, increased interchange by moving more payments to card accounts and the ability to reach otherwise untapped markets and segments that carry cell phones, including unbanked consumers.

When asked about the media attention given to recent developments such as Google Wallet and ISIS (see “The New Threats in Town”), the surveyed financial institutions acknowledged that these entities and others are on their radar. One of the interviewed executives expressed that the activities of these entrants, “Puts more urgency on the need to move in the mobile payments space.” Another executive described the non-bank participants by referring to them as “smart people that understand that the evolution is at hand.” A few of the respondents saw moves by non-traditional payment providers as external validation that mobile payments will reach the mainstream. As one respondent summarized, “these announcements bring a lot of optimism that mobile payments are really going to happen with leaders like Google [behind the channel].”

### The New Threats in Town

Google has partnered with Sprint Nextel to offer Google Wallet, an application that will enable consumers to use their smartphones to pay for services with a credit card remotely and at the point-of-sale. And with Google's pending acquisition of Motorola, a variety of mobile handsets may soon come pre-equipped with Google Wallet.

ISIS, the mobile commerce joint venture between AT&T, T-Mobile and Verizon Wireless, announced in early 2011 that it will pilot the ISIS mobile payment program in partnership with the Utah Transit Authority (UTA) in 2012. This deployment of ISIS will mark the first commercially available mobile transportation fare payment program in the U.S.

While financial institutions view the progress others are making as a validation of mobile payments, and as a promotional tool to build consumer and merchant interest, the majority of those surveyed stated that such announcements have had no or minimal impact on their mobile payments strategy.

Certainly, financial institutions need to separate the fact from the media hype surrounding mobile payments. However, the threat posed by non-bank competitors in the mobile payments space should not be underestimated. There is a danger that as consumers become accustomed to using mobile payments capabilities provided by third parties that they will disassociate their bank from transactions and as a result, lose affinity for their financial institutions of record.

Therefore, falling behind or being left behind in the rapidly evolving mobile payments market can prove costly for banks. Companies such as Google, Square Up and telecommunication providers that are willing and able to provide consumers with the mobile payment options they want could very well steal transactions and customers from financial institutions that do not move quickly. If financial institutions do not provide the mobile payments services desired by consumers they will turn to another provider and will be unlikely to return, even if their financial institution offers the service in the future. As third parties aggressively pursue the mobile payments space, it may be time for financial institutions to become more proactive in pushing forward with their own mobile payment strategies.

### Telling Friends from Foes

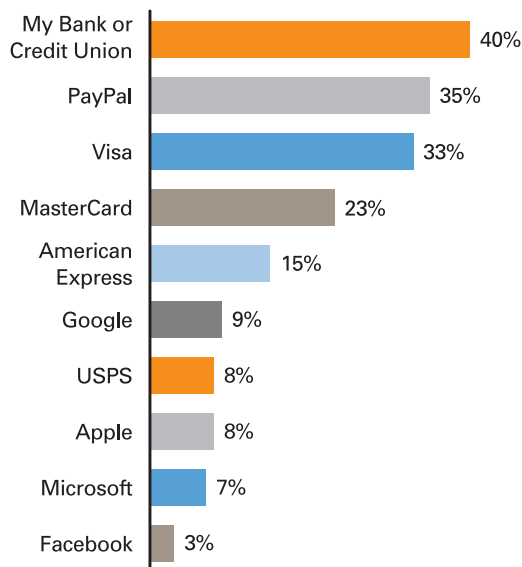
In terms of partners that can help financial institutions execute their mobile payments strategy, again, there are a multitude of players jockeying for position. Along with card associations, payments processors and mobile banking vendors, as well as banks and credit unions, there are also internet companies and telecommunications providers involved in mobile payments offerings. When selecting a mobile payments partner, financial institutions should consider how well an organization is positioned to help in both the short-term and the long-term. Given the mobile payments landscape is still developing, it is important for banks and credit unions to choose a partner whose goals do not conflict with those of the financial institution and that can adapt and grow as business needs and objectives change.

**Financial Institutions – Taking a Leadership Role in Mobile Payments**

Financial institutions possess many valuable assets when it comes to mobile payments, the most important of which is consumer trust. According to the 2011 Fiserv Consumer Trends Survey, 40 percent of consumers trust their financial institutions to handle mobile payments, outpacing all other entities including PayPal, Visa and MasterCard.

Because consumers trust their financial institutions to provide secure financial transactions, consumers will look first to their financial institution for mobile payments. Financial institutions are in a position now to put the advantages they have to good use and give consumers what they are demanding – mobile banking services that enable transactions, particularly mobile payments.

**Figure 4: Financial Institutions Most Trusted Providers of Mobile Payments: “Which of the following do you trust for handling mobile payments?”**



Base: U.S. online households.

Source: 2011 Consumer Trends Survey, Fiserv, Inc., August 2011

## About Fiserv

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