Mobile Banking: Evolution or Revolution

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Master in Procurement
Crete, Sep. 12, 2013
Challenging Environment ... The 6Cs

Customers
Empowered and demanding
Complex and confused
Sometimes Malicious

Competition
Non Bankers

Computers
New Technology
Network

Costs
ROE (EU 0% vs AS 17%)
Europe (68%=>46%)
Outsourcing

Compliance
Security and Frauds
Laws and Regulations
GRC

Culture
Customer-oriented
Balance the interests of shareholders and society
Lean and agile

Achieving financing processes in a leaner and more digitized manner
Evolve or Die

“It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.”

Attributed to Charles Darwin

How important have innovations been to meeting revenue targets over the past 1 to 3 years?

<table>
<thead>
<tr>
<th></th>
<th>For my company</th>
<th>For my competitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely important</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td>Very important</td>
<td>40</td>
<td>52</td>
</tr>
<tr>
<td>Somewhat important</td>
<td>29</td>
<td>28</td>
</tr>
<tr>
<td>Slightly important</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Not at all important</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>

1 Figures do not sum to 100%, because of rounding.

Source: January 2007 McKinsey Quarterly survey of finance executives
Possible Innovations

- Products
- Processes
- Distribution
- Business Models

To date, how has your company distributed its activities and investments among these categories of innovation?

<table>
<thead>
<tr>
<th>Distribution of innovation activities and investments</th>
<th>Most important category of innovation for next 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product: 34%</td>
<td>40%</td>
</tr>
<tr>
<td>Process: 24%</td>
<td>21%</td>
</tr>
<tr>
<td>Distribution: 14%</td>
<td>14%</td>
</tr>
<tr>
<td>Business model: 13%</td>
<td>24%</td>
</tr>
</tbody>
</table>

1. Figures do not sum to 100%, because respondents who answered “don’t know” or “equal investment” are not shown.
2. Figures do not sum to 100%, because respondents who answered “don’t know” are not shown.

Source: January 2007 McKinsey Quarterly survey of finance executives
Quite a Few Opportunities+ in the Mobile Arena

**Market**: 1b un/under banked
Need a low cost payment solution

**Media**: 6b cellphones and smartphones
No dominant payment structure

**Govt.**: Progressive Authorities
Growing need for cashless

**Credit**: Fragmented retail sector
Gift for top tier only
Marriage between Mobile and Banking

Mobile banking is a banking service that operates outside the boundaries of traditional infrastructures (physical branches, distributors, and so on), by using mobile digital devices.

It can take different forms to support:

- Retail Banking
- Commercial Banking
- Wealth and Private Banking
- Payments
# Mobile Banking: A Disruptive Innovation

<table>
<thead>
<tr>
<th>Product</th>
<th>Combines All types of Banking (Deposits, Payments, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process</td>
<td>Combines different modes: biometrics, pictures, voice</td>
</tr>
<tr>
<td>Distribution</td>
<td>Branchless and Everywhere</td>
</tr>
<tr>
<td>Business Model</td>
<td>Partnership bx Telco and Financial Institutions</td>
</tr>
</tbody>
</table>
Vision for mobile Banking:

Objective

Giving customers faster, safer ways to bank on mobile devices

and by 2020

By 2020

1.5b Mobile Banking transactions*  
50% of Visa transactions** will be made via a mobile device
<table>
<thead>
<tr>
<th>Setup</th>
<th>Payment Initiation</th>
<th>Processing</th>
<th>Clearing &amp; Settlement</th>
<th>Reporting</th>
<th>Customer Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>User Logs In</td>
<td>Application</td>
<td>Information verification</td>
<td>Format Validation</td>
<td>Data Management</td>
<td>Alerts</td>
</tr>
<tr>
<td>Confirmation</td>
<td>Tapping Mobile phone</td>
<td>Encryption</td>
<td>AML &amp; Fraud Detection</td>
<td>Reporting</td>
<td>Password generation</td>
</tr>
<tr>
<td>Money transfer option</td>
<td>WAP browser</td>
<td>Decryption</td>
<td>Distribution &amp; Routing</td>
<td>Notifications</td>
<td>Account Balance</td>
</tr>
<tr>
<td>Authentication</td>
<td>Sending SMS</td>
<td>Message conversion</td>
<td>Return Handling</td>
<td>Analytics</td>
<td>Offers</td>
</tr>
<tr>
<td>Authorization</td>
<td></td>
<td>Repair</td>
<td>Financial Settlement</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Customers
- Network Service Provider
- Merchants
- M-Payment Enablers
- RTGS
- Network Service Provider
- M-Payment Enabler
- Local ACH
- Card Processor
- Aggregators
- Network Service Provider
- Banks

Source: Dell
Swot Analysis for Mobile Banking

**Strengths**
- Everywhere
- Always with you
- Privacy

**Weaknesses**
- Coverage
- Size of the screen
- Multiple OS

**Opportunities**
- Young People
- Unbanked
- Underbanked

**Threats**
- Device Lost or Stolen
- Latency
- Integration
Enabling new Banking

Core Assets
- Security
- Data
- Network
- Brand
- Expertise

Enhanced Consumer Experience

New Capabilities
- Technology
- Process
- Product
A Disruptive Innovation: The "Mobile Banking Experience"
Innovation for the m-Generation

Simplify

Add Value

Consolidate and Virtualize

Product

Process

Technology

“Financial Services Organization can no longer let BPM pass…” Michael Hammer
Contactless payments are growing across Europe

- 50 million cards
- 26 live mobile NFC programmes
- 64 acquirers
- 83 issuers
- 15 markets
- 500k terminals
- Transaction volumes x5 in last year
NFC Enabled Smartphones are becoming visible

European mobile phones installed base, million\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>NFC Smartphone</th>
<th>Feature phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>675</td>
<td>91%</td>
</tr>
<tr>
<td>2012</td>
<td>750</td>
<td>67%</td>
</tr>
<tr>
<td>2017</td>
<td>825</td>
<td>47%</td>
</tr>
</tbody>
</table>

Global Mobile Data Traffic, Exabytes per Month\(^2\)

- "Mobile connection speed to increase 6-fold with 4G impact by 2016"
- "2011's mobile data traffic was eight times the size of the entire global Internet in 2000"
A Great Opportunity: Cloud Computing
Cloud Computing

A New Paradigm. Providing ICT Services:

- Infrastructure, Platform, Application, Business Processes
- On Demand in a dynamic way
- Over Internet
- On Pay per Use
- Everywhere, Every Time, On Every Device

CIOs’ adoption of a “cloud first” strategy will double to 70% by 2016 as CIOs define architecture standards and service management processes.

SAP IT Trends for 2013
Change of Culture

Concentrate on the Core Business

Lower your costs

Lean and Agile Solution
  • to your Business

Delight the Customer
Managing Risks and Security

We have the experience and technology to manage:

- Security: Access Control, Transmission
- Fraud
- Anti-Money Laundering

Important to take a Security Process Portfolio approach
Security Process Portfolio Approach

Protection Processes

- Vulnerability Management
- Intrusion Prevention
- Network Access Control
- Identity and Access Management

Risk and Policy Management

Security Architecture

Business Continuity

Relationship Management

Strategic Processes
The (Near) Future

Integrate
Mass Private Banking
Mobilize

Product
Process
Infrastructure

Mobile Banking Will Grow 300% Over the Next Four Years Says Aite
Which Technology will Emerge as a Winner?

Source: Gx Emerging Payments Survey, February 2013
The Final Message To Beat Your Competition…

… Strive For Perfection

- Continuous improvement
- The policy of the Bonsai, small steps at a time
Bernardo Nicoletti

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Professor at the Master in procurement at the University of Rome, Tor Vergata, Rome, Italy.
Consultant and Coach
Worked in 10 Countries in several companies
- MIS and CTO in Alitalia
- Project Leader in Airplus
- Program Leader in Galileo
- CEO in Sigma Plus
- CTO in GE Money
- CIO in GE Oil & Gas
- CIO in AIG UPC Latin America
- Management Consultant for Pinion with projects in several countries, Europe, Saudi Arabia, Bahrain

Master Black Belt

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