

# The Future of “Mobile Phones” in Financial Services

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Edinburgh

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From Logica:

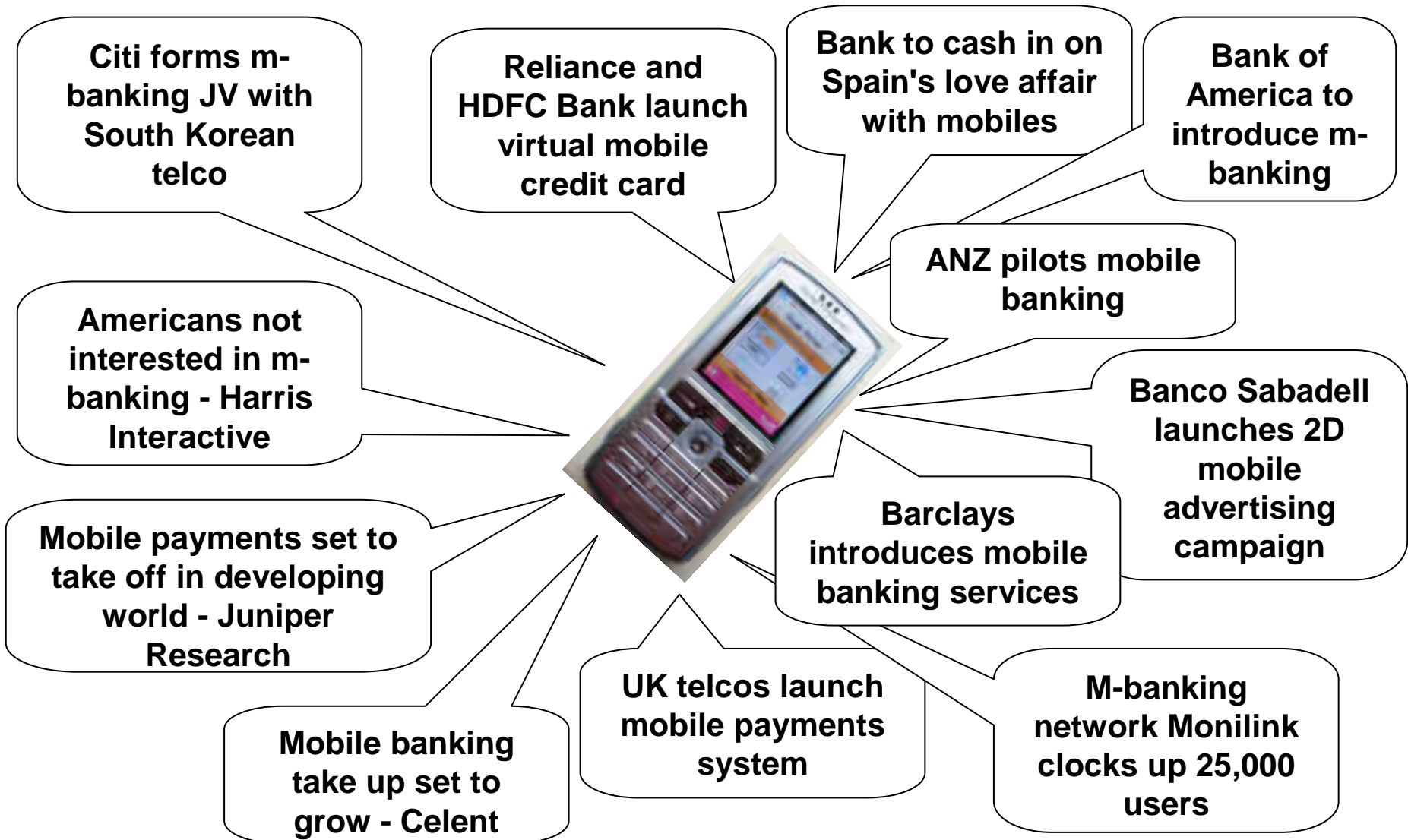
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# The Mobile is happening in Financial Services.....



## But exactly what is happening ?

The hypothesis is that there are four discrete categories within Mobile

### 1. Mobile Banking

= balance & transaction reporting, payments,

### 2. Remittances

= person-to-person payments or transfers of value (e.g. expatriate workers sending money home)

### 3. Merchant Transactions

= consumer to merchant payment (retail, transport etc.) using for example NFC technology or as per C1000 pilot in NL.

### 4. Service, Sales, & Marketing

= alerts, offers, promotions



# What Models are being implemented ?

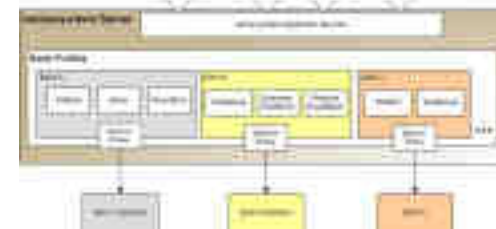
## Which Technology ?

- SMS
- **Java**
- Browser



## Which Approach ?

- **In-house**
- Hosted
- Utility / Eco-system



## **Agnostic v Tied ?**

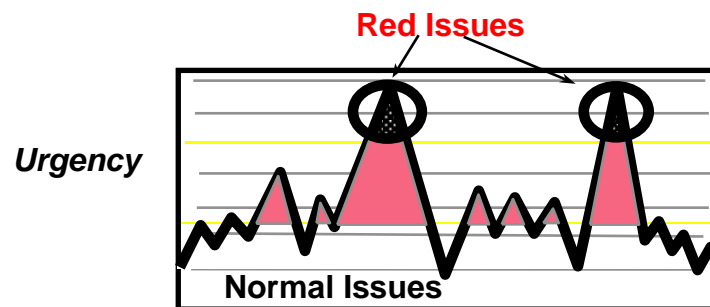
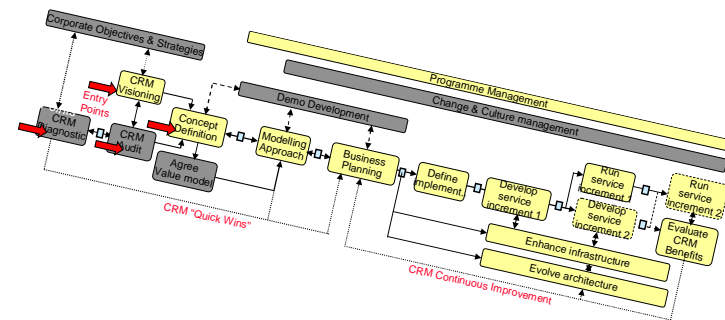
- Operator specific
- Manufacturer specific
- MVNO ?



# What are the Risks..... ?

## The Risks

- Choose wrong approach
  - Damage customer experience
  - Loss of control of customers
  - No differentiation
- Security
  - Regulatory compliance
  - Poor user experience
  - Low customer take up
  - Channel cannibalisation
- Do nothing
  - Loss of market share
  - Non-traditional players take market



## .....and the Opportunities

### The Opportunities



- Enhanced Brand perception & position
- Improved Customer satisfaction & convenience
- Higher service standards
- Strengthened segmentation value proposition
- Open up new segments
- New geographies
- Increased cross-selling leveraged by timely and relevant offers via a convenient channel
- Realise value from lower cost of sales and service
- Differentiate
- New model e.g. MVNO
- Communication with customers !

## What do consumers want ?

- Interest in mobile banking services is strongly influenced by
  - Segment - affluence
  - Age – youth centric
- Confidence that security measures work
- Reliable and cost effective services
- Ease of use
- Simple mobile banking tasks are of most interest to most consumers
  - Check account balance
  - Alerts
  - Transfers
  - Pay bills
  - Remittances



## Channel Innovation: the mobile Challenge

### **Objectives**

- To deliver rapid ROI and sustainable costs
- Increasing share of wallet
- Enhanced customer relationships
- Security – for customer confidence
- Convenience – for use any time, any where by anyone
- Consistency of data across all channels

### **Challenges**

- Acquiring and retaining profitable customers
- Improving customer trust
- Delivering consistent reliable service
- Relevant and timely communication
- Delivering product and service innovation
- Ease of technical integration and maintenance / support

### **Channel Innovation**

**Profitable customer relationships through cost effective and secure distribution of products and services across all physical or electronic channels**

### **Mobile Banking Brings**

- Opportunities to reduce costs and improve self-service satisfaction
- Extra income through new customers using a convenient and always present channel
- Increased loyalty / enhanced customer relationships
- Improved customer trust through a secure and reliable service
- The opportunity to offer, via their personal channel, timely and relevant tailored products and services

## Consumer Scenarios

- The Small / Medium Enterprise Client

•Wants	•The mobile channel supplies
•To keep track of invoices they have sent out	•A convenient reminder and messaging system
•To know when their own bills are due for payment	•Directed reminders from a managed service
•Ability to pay and receive funds when they are away from the office	•The means to do this through “the bank in your pocket”

## Consumer Scenarios

- The SME business user
- **A key area where income can be generated.**
- **Already used to paying for their service**
- **Has to keep track of invoices, wherever they may be, and would value a managed service that incorporates:**
  - Invoice tracking and automated payments
  - Bill reminders
  - Timely, directed & valuable information
  - Knowledge of payments received when on a client site (improved levels of information)



## Consumer Scenarios

- The Mass Market Personal Customer

•Wants	•The mobile channel supplies
•To track their current balance and any recent entries.	•The means to do this through “the bank in your pocket”
•To see all bills before paying in order to keep track of funds, also, avoid missing a payment	•The ability to present bills & reminders direct to a phone for review <u>and</u> payment
•Easy to use payment capability	•Coupled with a NFC chip, a direct payment from their bank account or, pre-stored funds
•A service that offers PrePay Top-Up for family and services, without visiting a specific outlet	•A payment capability that is quick and easy to use

- Currently uses cash or debit card. Knows where the local ATM is.
- Does not necessarily have access to a PC.
- Is already a PrePay Top-Up user (Phone, utility bills, travel cards).
- May value targeted marketing – e.g. travel insurance, when at an airport.

## Consumer Scenarios

- The Middle Income Customer

•Wants	•The mobile channel supplies
•To review their bills before payment	•A convenient way to deliver <i>interactive</i> paperless billing
•Ability to pay and receive funds when they are away from home or, the office and - reduce the chance of missing a payment.	•The means to do this through “the bank in your pocket” •Directed reminders from a managed service, A convenient diary and messaging system
•To make payments to family and friends, on demand	•The means to do this through “the bank in your pocket”

- Has bank account and Dr/Cr Cards, prefers Direct Credit to direct debit, but is comfortable with using modern technology
- Uses Web for shopping and Banking services
- May value extra services (and might pay for them) e.g.
  - bill payment reminders
  - targeted marketing (e.g. travel Insurance – or other Location Based Services)
- Uses a travel card, has family with PrePay phones

## Consumer Scenarios

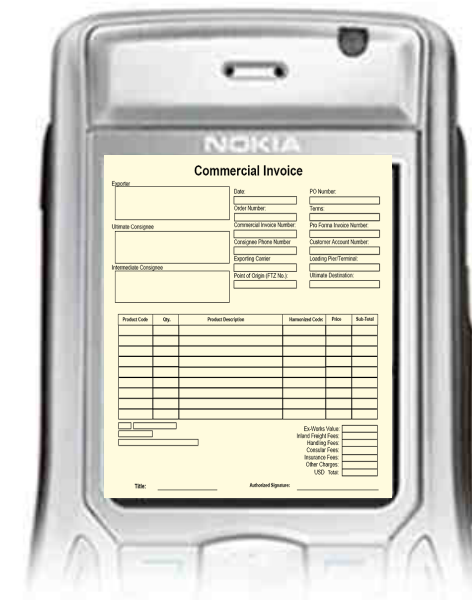
- Premium / High Value Clients

•Wants	•The mobile channel supplies
•Timely and relevant information for/about their account portfolio	•Directed reminders from a managed service
•A complete view of their entire financial relationship(s)	•The means to do this through “the bank in your pocket”
•Make payments on demand	•The means to do this through “the bank in your pocket”
•Reduced chance of missing an opportunity.	•Directed reminders from a managed service

- **Already pay for their account (with privileges)**
- **Very comfortable with using the web for banking and shopping**
- **Uses D/D**
- **Wants ability to contact/ ask for services from a bank (or Utility) via mobile (travel, insurance, other services) or to communicate with their personal relationship manager**
- **Could value extra services from the mobile channel (LBS, share services, etc)**

## What's in it ...

- for the Financial Institution?
  - where will this bring me improved financial performance?
  - What is the cost to implement and run?
- for the consumer?
  - What does this do for me?
  - Is it useful enough to warrant the cost?
  - How do I know it is secure?
- for the retailer?
  - as above and
  - how much does it cost me each time it is used?
- FOR ALL FINANCIAL INSTITUTIONS
- The most obvious benefit is in cost reduction
- Income can be generated from:
  - › cross-sales through the marketing channel it represents
  - › via premium pricing for PrePay Services or
  - › a share of revenue with utilities



## Mobile Payments – in use - C1000

One of the first European mobile payments applications that is directly linked to online debit accounts.

The solution uses the existing online PIN payment infrastructure, with the debit card replaced by a mobile phone

The pilot has been developed by Logica and the C1000 supermarket chain, in close cooperation with Rabobank, KPN, NXP Semiconductors and RFID Platform Nederland.

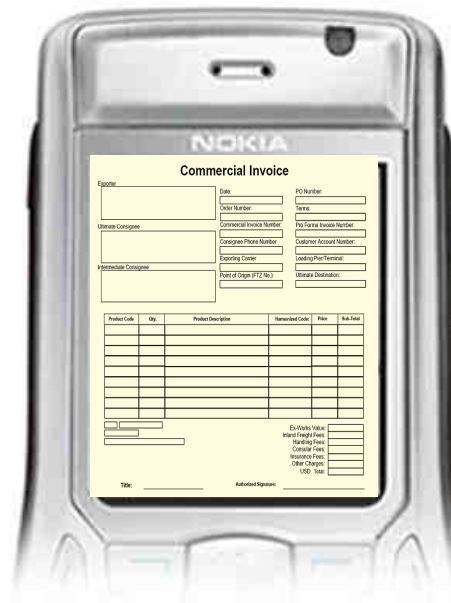


# Banking on your mobile phone

## More convenient than a laptop

Always carried around

New brand management possibilities



## More accessible than the Internet

Greater penetration of mobiles c.f. PC's

View and manipulate retrieved data offline

- Secure
- Simple
- Complete functionality
- The branch in your pocket

## Safer than voice

Strong security

All security related aspects covered  
(PIN, encryption, https...)

## Your questions and answers



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SCOTTISH FINANCIAL ENTERPRISE

## Your questions and answers

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