

Wireless gains usage, one project at a time

Now that the initial hype of wireless has worn off, banks are left facing some unanswered questions about mobile banking. Among them: Which of the many configurations of wireless networks and devices should they support? and What is the return on investment of “m-banking”?

Yet, waiting for all the questions to be cleared up could jeopardize your competitive advantage.

For that reason, ABN AMRO is paving its own path toward mobile banking. The bank is involved in a number of wireless projects, including mortgage servicing over wireless devices, says Matthias Autrata, senior vice-president of ABN AMRO Services Company Inc, a subsidiary of ABN AMRO North America, Inc. While lack of standards and diverse devices is a challenge, Autrata believes that ABN AMRO needs to move forward with its wireless initiatives. “You can’t stay in pilot for six months,” he says, advising other bankers to experiment and roll out services quickly. The good news, says Autrata, is that since wireless is new, banks don’t have to deal with a legacy of wireless systems. For ABN AMRO, this “clean slate” enables them to devise the type of architecture that fits the bank’s needs, without worrying about retrofitting already existing technology.

Harris Bank, a subsidiary of Bank of Montreal, is another early adopter of wireless. Available for more than a year, Harris Wireless allows customers to view transactions, transfer money, get stock quotes and receive news alerts. In August, 2001, Harris rolled out real-time mobile trading with Harris Investor Line. Mark Dickelman, vice-president of m-com-

By Lisa Valentine, a freelance writer based in Ballston Spa, N.Y.

merce and wireless for Harris Bank/Bank of Montreal, admits there were challenges with moving into an early market, including managing security and what he calls the “WAP gap.” And, because of 3G hype, customers had unrealistic expectations of wireless that the bank needed to temper.

Other early adopters are rolling out wireless banking on a small scale, offering services to a subset of customers and limiting the devices and carriers they will support. This is a wise move, says Jeanne Capachin, senior analyst with Meridien Research. If banks tried to support all the variations of devices, or worse yet, take a “lowest common denominator approach,” the customer may suffer from a less than positive m-banking experience. However, picking and choosing devices and customers is hampering the growth and adoption of wireless banking, she says.

Still other banks are in no hurry to offer wireless, but this is a mistake, says Ed Kountz, senior analyst for m-financial strategies, TowerGroup. “Now is the time for banks to assess where they need to be,” says Kountz. He suggests banks approach wireless with “aggressive hedging” to both gain experience as well as enhance their brand for technology innovation and multi-channel support.

Where will wireless customers come from?

Anyone involved in wireless will admit that the penetration of mobile banking is low and will probably be low for the near term, even though the number of wireless devices is growing steadily (see graphic above). Where wireless has really taken hold is in the brokerage arena, says Kountz. “Mobile banking takes a back seat to m-brokerage,” he says, and that trend doesn’t look like it will reverse in the very near future.

According to Kountz, while all the large banks have signed agreements with wireless providers, there are few customers signing on to use those services.

But big banks won’t be the only institutions hoping to drive customers to wireless banking. VIFI, an internet and wireless technology vendor in Indianapolis, Ind., boasts 23 customers live on their wireless services, all community banks or credit unions with less than \$5 billion in assets. The reason, says Mike Winter, VIFI president, is that smaller banks tend to be more customer service oriented and view m-banking as a way to improve their customer relationships.

Winter believes that banks will see the biggest increase in wireless customers coming from the retail and small business

U.S. mobile phone shipments:
81.7 million in 2001
183.8 million in 2006

U.S. handheld mobile device shipments:
24 million in 2001
64.9 million in 2006

Source: Datamonitor

improving access



sides of the bank, especially cash-flow sensitive small businesses who see the advantages of wireless services such as low account balance alerts. ABN AMRO's Autrata puts his money on retail customers as the first group to adopt m-banking, saying that commercial customers will lag behind due to perceived risk factors. But Michael McNamara, managing analyst, Datamonitor, is less enamored of m-banking. Says McNamara, "With ATMs on every corner, consumers can get account updates at the ATM. What's the real value add to have it appear on your wireless device?"

He believes the growth of m-banking within the next few years will happen in niche markets and expects to see targeted deployments of portfolio management services to high net worth individuals. Another growth area for wireless will be in internal bank operations, says David Cutler, president and CEO of Curious Networks, Chicago, Ill. For example, loan officers can lock in interest rates on their m-device while out in the field with a customer.

Next step: moving beyond information

Today, most wireless banking revolves around providing information such as account balances or in issuing alerts. For ex-

ample, a bank may send an alert to a customer's PDA telling them that a credit card is reaching its limit. But information such as alerts are of limited value if customers don't have the ability to act on that information. "How valuable is an alert that a bill is due if I can't pay the bill?" ponders Datamonitor's McNamara.

The next phase of m-banking will allow customers to complete transactions over wireless devices. Some banks are already offering services such as bill pay and account transfers and this trend will continue. Within several years, banks will offer a proliferation of transaction-based services over wireless devices, including the ability to post and view messages from financial advisors, apply for loans, open accounts, and extend credit lines at the POS.

Other technological advances

3G has been hyped as the end-all to wireless banking. But, it's anybody's guess when 3G will be available in the U.S. Datamonitor estimates that banks will see only a small number of customers using 3G devices starting in 2004.

One of the basic differences between the 2G networks of today and 3G is that 3G is always on, whereas a customer has to turn on his or her 2G device to send and receive messages. 3G also boasts higher transmission rates, allowing these devices to display more complex, graphical content including music and video clips.

In addition to greater bandwidth brought on by 3G, the biggest news in wireless will be device convergence. That's happening already, with devices such as the Kyocera Smartphone series that include PDA functionality. The Nokia 5510 has a keyboard, screen, phone, FM radio and MP3 player. HP is shipping Bluetooth-enabled printers. (Bluetooth is a wireless messaging standard for LAN communications.)

Will wireless usher in a slew of new banking products? Not likely, says ABN AMRO's Autrata, pointing to internet banking as an example. Internet banking did not introduce new products but made it easier for customers to access banking services. The same will be true for wireless, he believes.

However, TowerGroup's Kountz believes that within three to six years banks will begin to offer what TowerGroup calls mobile lifestyle services. Customers will be able to preprogram mobile agents that monitor conditions and alert them when parameters are met. For example, a customer who carries high balances on credit cards could have mobile agents search for alternative credit card options.

Even with its multiple standards and low customer usage, wireless banking is poised to take off and reach or surpass the penetration numbers of internet banking. "Wireless banking will easily be as significant as internet banking," predicts VIFI's Winter. "In the long run, wireless will be an important delivery platform." ●