

## MOBILE BANKING AS A RESULT OF TECHNOLOGY ADVANCEMENT

Orkida Ilollari (Findiku)<sup>1</sup>, Kreshnik Bello<sup>2</sup>

<sup>1</sup>European University of Tirana, Tirana, Albania. E-mail: orkida.ilollari@gmail.com

<sup>2</sup>Canadian Institute of Technology, Albania. Tirana. E-mail: kreshnik.bello@cit.edu.al

### Abstract

Following the studies in the field of technology and banking, in this study we want to shed some light on how the use of the mobile phones impacts banking. The introduction of the smart phones open the door to a whole new world to explore from the palm of one's hand. It open the door to more creativity, innovation and changed the way people do things and use the technology for. It did not take very long for the smart phones to replace the personal computers for so many operations, thus making the mobiles not only an important tool in their hands but also the main mean to satisfy their needs. In the same way as in social media, emails, video calls and many more, the mobile phone started to be used for banking needs as well. Mobile banking was provided not long after the smart phones were introduced. It became a necessity for the banks to provide such a service to their customers; an application for instant and reliable access. Some questions are still raised in relation to mobile banking as to which extent it affects the future of the banking as well as the direct impact to banks' profits. It still needs to be assessed the competitive advantage that the banks will gain in the market and in what way. The image of retail banking would be impacted by the technology and more specifically from mobile banking; this is what the banks claim. The main feature of the mobile banking is that it affects three important areas of banking marketing such as the banking transactions, the open of the bank in new markets and in the e-commerce. The sooner a bank implements these features, the sooner that bank will gain market share and not only. It will benefit banks customers and impacts its profits. The new technology, implementation and keeping up to date with its innovations is the challenge of the banks in our days.

### Keywords:

*Mobile Banking, Bank, Innovation, Technology, Customer, Opportunities. **Innovation**  
The creation of new products and/or services.*

### **Cross-sell**

*The strategy of pushing new products to current customers based on their past purchases. Cross-selling is designed to widen the customer's reliance on the company and decrease the likelihood of the customer switching to a competitor*

### Mobile banking

For the previous generations the cheque book was the outcome of their relationship with their bank, but with the changing of the technology and the way the banks operate all that is changing. It is less likely that the coming generation will ever use cheques.

With this expansion in technology the way people communicate has changed. Nowadays the mobile phones have become an important asset when doing online shopping, chatting, etc. This has also changed the way people satisfy their banking needs. Mobile banking is the new trend. This has changed the relationship the people have with their banks but also with their mobiles.

New brands are acting as 'money vaults' for consumers. The providers of financial services make sure that they are the first ones to change the future of the Mobile Money i.e. the banking location, shopping and

make payments. These financial service providers play an important role and they should ensure that they are not losing ground in this sector. There is a clear consumer appetite for such services. As it is previously forecasted in some journals in 2018 the people in the major part of Europe will be using smartphones for their daily activities including mobile banking. As mentioned in the Forrester Research (April, 2013), the banks have the chance to use a number of unique strengths in m-commerce and they can act as a trusted advisor and as a secure way of making payments.

While the demand is growing, the consumers' trust and engagement will increase even more in mobile banking payments and commerce. The British financial services can prove how Mobile Money can and should function as a result of their experience in this industry. The banks should have strong services and security by enabling the technology platforms that are universal, secure and easy to use.

The two common models are the closed loop and the ones not supporting an open ecosystem. The first model will be pursued by many operators. The customers need to have a particular handset, predetermined bank account or access to a specific network for example. On the second approach often find it difficult to get key stakeholders to their business model on board. The mobile channel has created new opportunities. It has become necessary for banks to reinforce their position in the mobile technology.

## **Retail banking development**

The new technology developments have forced the banks to act on how to act better to the new opportunities and demands. The beneficiaries of these services, the banks' customers have a better access and service to their banking activities remotely. The main features of the mobile access are that is accessible and portable anytime with the unique username and password for each customer. Even the offers received are based on the location of the user.

The e-commerce is when one makes their purchases online. This gives a real feel as if they were purchasing the items in a normal retail shop. One thing that encourages the e-commerce even more are the smart phones by giving access to the consumers anywhere they are. The ads used by different websites and keywords on various search engines make it even easier and smarter the way people shop online. As part of the innovations, banks should ensure that their services provided for the customers are safe and up to date with the recent developments. The services offered by the banks are such as checking account balance, making online transfers, reviewing transactions, purchasing new banking products, transferring funds, etc. These are the same actions as when going to a bank but done in a more convenient way, through a mobile app designed for the phone. The number of the customers doing online banking over the phone has increased even more. Another benefit of the mobile banking is that it is done remotely and is competitive.

M-Pesa is a mobile phone based money transfer system in Kenya, created in 2007 and got even more popular and grew bigger. This system was the first one to make possible the transfers from one person to another. The benefits of this system is that promotes banking and increases the number of transfers. Albania like the other markets players offers since 2013 mobile services to savings accounts for people that were not included in the banking system.

## **Forrester mobile banking strategies**

Mobile banking has become very quickly the point of differentiation and a potential source of revenue for progressive banks. The customer expectations are increased by the entrance of smartphones in the market. It is vital for the banks need to create new solutions as well as to be up to date with the best mobile banking strategies. In this way the customer needs are addressed. We should understand that online banking is not just using the smartphones but it is the center of the customer relationship. Mobile Banking Strategy Playbook published by Forrester gives insights for banking channel strategy professionals and e-business by highlighting the stages that should be followed by the banks in order to successfully implement the mobile banking strategies including governance and organization, continuous improvement, the technology to be used, etc. ([www.forrester.com](http://www.forrester.com)).

<b>DISCOVER</b>	<b>PLAN</b>	<b>ACT</b>	<b>OPTIMIZE</b>
Vision	Assessment	Organization	Performance management
Landscape	Strategic plan	Processes	Benchmarks
Business case	Road map	Tools and technology	Continuous improvement

*Source: Forrester Research*

Organizations were judged on the following criteria:

- Characteristics of the service
- The type of the devices and platforms supported
- The enrollment and login process
- Overall usage
- Account information and money management capabilities
- Sales and acquisition capabilities
- Cross channel functionality
- Transactional features

There were 15 banks of USA and Cana included in the Forrester Research against the above criteria. None of the banks scored the maximum for each of the categories. According to the research the large banks evaluated scored low on sales and service features that are important and high on account information. What was evident on the study was they were not even trying to cross-sell products and services through the mobile channel. Also, only a few banks were using effectively the information made relevant to the customers and without a clear assessment of where business objectives match customer expectations.

### **Increasing the number of the customers**

One of the outstanding issues today with the mobile banking is that many banks still require mobile banking customers to have an online banking activation first which limits mobile banking usage to a number of online banking customers compared to the number of all the customers that would benefit from using mobile banking. Signing up for the online banking was not easy for the customers as the whole process was not very easy and straight forward. Not all the banks give the option of online banking from the smartphones.

According to the Forrester Research (2013) the digital banking teams must develop processes that allow the customers to subscribe through as many ways as possible, including bank branches, ATMs, online, mobile and customer service centers on the phone. The latter should be prepared to offer support even for the mobile banking platform.

### **Cross-channel integration**

Customers can interact with their bank through many ways. A good example of cross-channel support is the ability to contact the customer support from the phone app. Other banks provide the functionality of locating the nearest ATMs. The use of social media is also related with the mobile banking by showing live status updates on Facebook, Twitter or any other social media means.

### **Apps and SMS**

Even though the apps for smartphones and tablets are getting more popular, there is still importance left for the SMS banking. This can be seen in the bill payments, transfers, alerts, etc. There are also alternative delivery methods such as phone apps, tablet apps and mobile website. This is as a result of the increase range of mobile platforms. Apps have been developed both for Apple and Android products. With the wide range of products in the market, the variety of the apps offered and the competitiveness, the banks should be able to support all touch points.

## Marketing through mobile banking

Banks have not developed much the marketing through mobile and need to custom the information displayed on a mobile device. There is a big marketing opportunity for mobile banking channels regardless of the limitations on the information that can be shown there.

Banks have started to promote mobile banking to their customers and should pay special attention to those who don't appreciate the profits of the channel.

Forrester research (2013) gives the below strategies to be used in marketing:

- Usage of social media like Twitter, Facebook to promote mobile banking
- Integration of mobile banking at all marketing campaigns
- Promote apps for functions and features
- Provide incentives for subscription and usage
- Explaining the costs involved
- Email to support targeted efforts leverage traditional media such as ATM messaging, POS, direct mail
- Help customers overcome security concerns with guarantees
- Leverage video within the mobile banking site to explain the benefits of mobile banking and ways to use the service that are unique to the channel
- Encourage current mobile banking users to recommend services to friends and family
- Providing devices in branches that can show how mobile banking works

## The future of mobile banking

Mobile banking is the next big thing in the retail banking industry what the majority researchers say.

As most of us know, over the next five to 10 years, it is expected to become as the routine of using ATMs. In fact nowadays the successful customer experiences will require powerful technology investments, collaborations with competitors and owning the client strategy.

There could be great benefits for the banks if they will be open minded, eager to learn, provide security lessons and marketing, drawn from developing markets. Some economist analysts have stated that taking the industry as a whole, the upside from mobile banking will be limited and value creation may be neutral at best.

On the other hand, at the individual banks level, the profit and revenue opportunities are considerable. Opportunities of mobile banking may have approaching on the prospect, but these opportunities can create worth value if banks consider three prospective:

- A. **The broader 'mobile' industry.** Mobile is already creating value for a range of non-banks, mobile phone manufacturers, and online pioneers. Banks may want to tap into these new sources of value or at least find partners that will give them a slice of the action. These users are able to produce new services and apps, to create more data traffic, to offer social networking and afford marketing services.
- B. **Bank profits.** Banks will need to develop an accurately differentiated ultra-convenient mobile banking user experience in order to gain share in home markets. This is the reason that will expand relationships with customers, permitting banks to cross-sell risk-based and liability products.
- C. **Banking industry.** It will be wise for the banking industry to generate value from the new profits sources (new customers, new products) by charging for mobile's greater opportuneness and by lowering costs.

The value of retail banking when Mobile banking is implemented are listed as below:

- *Increasing loyalty and satisfaction*
- *Driving usage and enabling targeted marketing offers*
- *Cross-selling deposit products and core banking risk*
- *Generating a new mobile “home” portal*
- *Increasing uptake of savings*
- *Strong relationship with their clients*

## Conclusions

Online banking already seems to be hitting a threshold of acceptance, with some consumers skipping over this stage of financial engagement and moving directly to mobile banking. This service is already requested due to the fact that the customers' requests increase at the same time of the technology developments.

Most banks already offer some mobile banking functionality; the challenge going forward will be to execute a strategy that is a differentiator both from a customer experience and revenue perspective. So that the banks are more competitive with each other they are aware that they should be offering the latest products and functionalities. Furthermore to gain competitive advantage they should bring and implement innovation. New devices and new tools provide an increased level of engagement and contextual interaction to those banks that seize the opportunity.

As more innovative Smartphone applications are developed within and outside the financial services sector, the ability for banks to keep pace becomes both more difficult and more important. As the penetration of Smartphone increases, customer expectations are increasing as well. So, as it is stated above the banks are forced to follow the technology developments to respond to their customers' needs.

By building an agile, best-in-class mobile infrastructure, the impact can be realized through increased differentiation, lower cost customer acquisition, improved channel efficiency, improved customer retention, and greater revenues through up-selling and cross-selling of services and products and through merchant-funded rewards.

By executing and optimizing a successful mobile banking strategy that is integrated with a wider multi-channel strategy, banks will be better positioned for the future mobile banking.

Nowadays almost every service, request or need is turning into a virtual service. As a consequence the banking services are in the hands of the customers through their smartphones where they make their mobile transfers. The bank cash desks are not as crowded as they used to be thanks to the innovations in the area.

## References

1. Bernacchi A., (2007). Sportelli bancari virtuali, decollo lento in Europa.com. Italia, Score Media Metrix.
2. Eaton, J., & Kortum, S., (1999). International technology diffusion: theory and measurement, *International Economic Review*.
3. Keller, W., (2000). Geographic localization of international technology diffusion, *NBER Working Paper*.
4. Lundvall, B. A., (1988). Innovation as an interactive process, *From user- producer interactive to the national system of innovation*.
5. Porter, M. E., (1990). *The Competitive Advantage of Nations*. New York, Free Press.
6. Pirto, J., (2004). *Understanding Creativity*.
7. Pavitt, K., (1999). *Technology, management and systems of innovation*. Northampton, Edward Elgar.
8. The future of face to face, how to make the transmission a reality. (May 2012). EFMA Studies.
9. Trajtenberg, M., (1990). *Patents as Indicators of Innovation, Economic Analysis of Product Innovation*. Cambridge, MA, Harvard University Press.

10. Vertova, G., (1999). Stability in national patterns of technological specialization: some historical evidence from patent data, *Economics of Innovation and New Technology*.
11. Zucker, L., Darby, M., & Brewer, M., (1998). Intellectual human capital and the birth of US biotechnology enterprises, *American Economic Review*.