Mobile Banking Apps

A White Paper from New Access
by David Sikorsky - Head of Market Research

All research points toward the fact that mobile apps are a key need for the wealth management space, both as client-centric apps and advisors apps.

Introduction

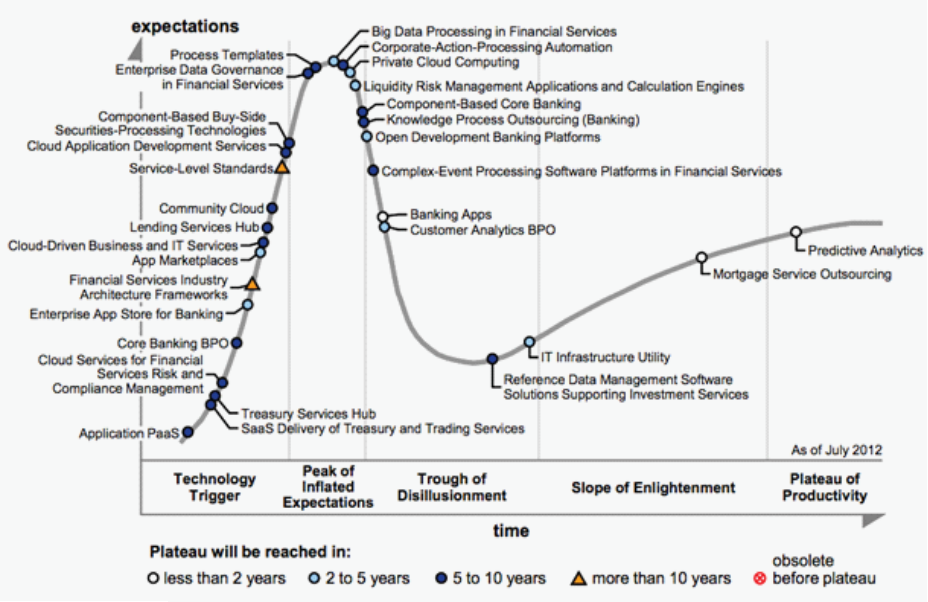
Tablet apps offered to wealth management advisors are in a transition phase right now. While all research points to the fact that it will become a transformational technology for the sector, very few software solutions vendors seem to take it seriously and very few banks, outside of the US, have a clearly defined strategy. Larger IT vendors are not yet very well organized and many banks are still defining their strategies. In terms of functionality, research shows that the tablet apps will initially be used to create a better client experience and facilitate interaction between client-adviser, during account opening and account review processes.

Current Trend Analysis

Gartner views banking apps as a key transformational technology for banking in the next two years. Banking apps are defined as: "Banking apps are software programs that are task-oriented or have narrow, focused banking functionality. Banking apps run independently; are user-centered, simple (easy to get, easy to use), and social; enable end-user control; and can support business-to-consumer (B2C), business-to-business (B2B) and business-to-employee (B2E)."

They estimate that banking apps have currently penetrated 5% to 20% of banks world-wide (smartphones and tablets). Another key point is the speed to market. Cost of development is much lower than other applications and apps can be implemented in one or two months vs. twelve months on average for web applications (or at least this is the current perception – we think it will be challenged). Large banks could save hundreds of million and mid-size banks tens of millions by implementing mobile solutions. Over time, banking apps will allow banks to reduce reliance on vendors and replace existing monolithic applications.

Applied to banking technologies, Gartner considered in their Hype Cycle report, back in July 2012, that banking apps were in the beginning stage of what they call the Trough of Disillusionment, which shortly precedes mainstream adoption. They believed then that the Plateau of Productivity (mainstream adoption) would come within two years.

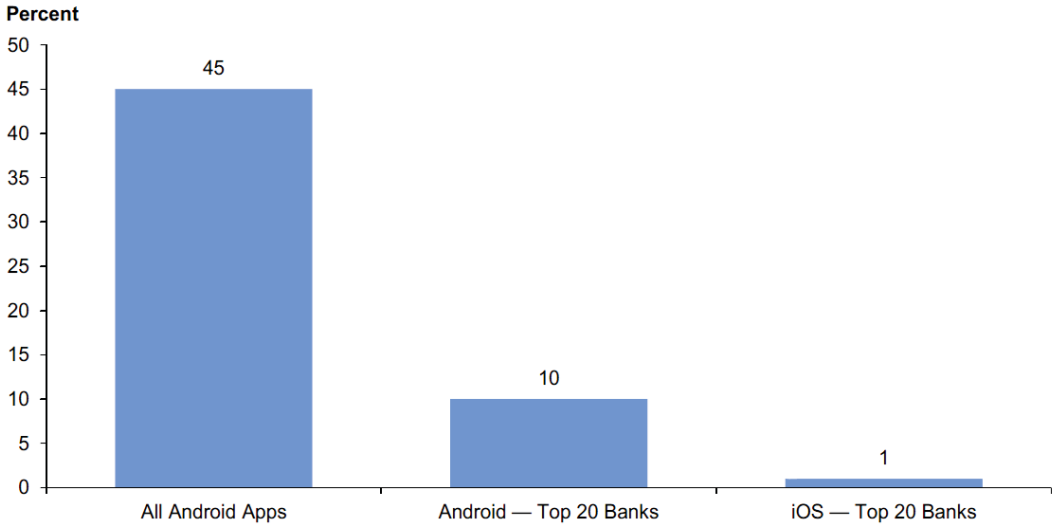


Source: Gartner - Hype Cycle for Banking and Investment Services Core Applications and Architecture Technologies, 2012 - Don Free - July 2012

Another interesting Gartner study, “Banking apps need to be awesome”, dated March 2013, argues that “Good enough is not good enough when it comes to apps. Banking apps need to be awesome or they will leave users disappointed, putting customer acquisition and retention at risk.” Gartner analyst Kirstin R. Moyer highlights several key challenges :”Banking apps are not fun. They are tedious, like a Web application with drill-downs. Banking apps do not empower users to personalize the app. Banking apps do not revolve around the customer's digital life usage patterns. Banking apps do not provide advice.” Several recommendations are given:

- Engage competent user experience design agencies, and partner with adjacent industries to build apps that are fun and meet unmet customer needs.
- Let users personalize app functionality using Pandora, Action Movie FX and others as guides.
- Execute a Banking Genome Project to collect and analyze mobile usage patterns and unmet needs, similar to Pandora's Music Genome Project.
- Build apps that provide advice and use gamification techniques to make banking apps more engaging and fun for users.

This report also looks at the current perceived quality of banking apps. Overall, 45% of all apps for Android have a 5 star rating. Looking at the apps of the top 20 banks, only 10% of the Android apps have a 5 star rating. It’s even worse with iOS where only 1% (!) of the top 20 banks’ apps have a 5 star rating.



Source: Gartner - Banking apps need to be awesome - Kristin R. Moyer - March 2013

The AITE group is arguing that the wealth management space is starting to get its ducks in a row with apps (in the US), specifically in the apps for advisor space. They argue that security has been the main pretext for not going further with apps for advisors. However, it seems that the technology is key to attract new recruits. According to their survey, AITE found that 65% of job seekers in banking viewed technology as a key role in selecting employers. They also view apps as a key to get more out of client meetings and believe adoption by wealth management firms will accelerate in the next few months.

Out of 20 financial services firm in the US covered by the research company Corporate Insight, 12 had some sort of iPad app (May 2012). However, many have reused smartphone apps for the tablet market. Fidelity, Merrill, and Charles Schwab received kudos for great iPad specific apps. Interestingly, out of the 20, only 2 had Android apps, but this was a year ago and we are sure the rate has gone up with strong Android adoption by the public.

Best practice

Banking apps are software programs that are task-oriented or have narrow, focused banking functionality. Banks apps run independently, are user-centered, simple and social; enable end-user control and can support business to consumer, business to business and business to employee.

Quick facts

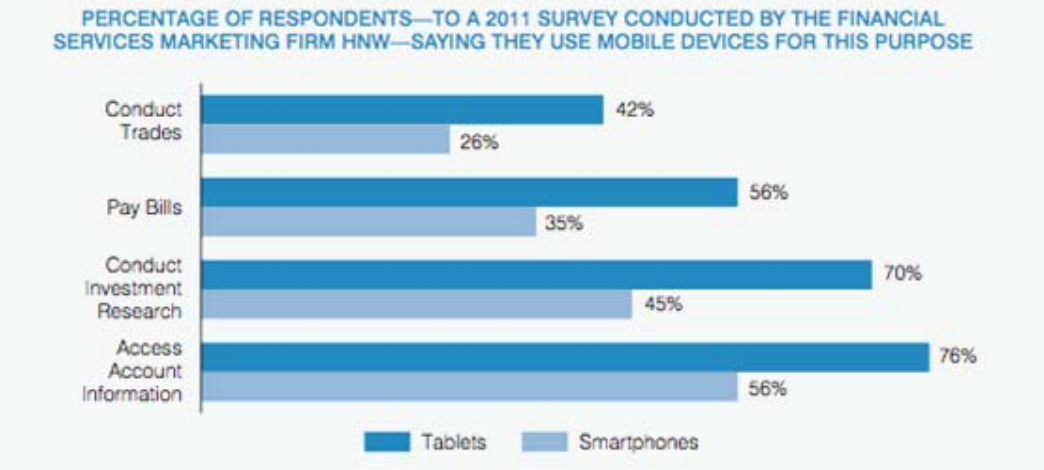
Larger IT vendors are not yet well organized and many banks are still defining their strategies.

In terms of functionality, research shows that the tablet apps will be initially used to create a better client experience and facilitate interaction between client-adviser, during account opening and account review processes.

Celent published a report in April 2012 that argues that having tablet apps for advisers is going to be critical for wealth management companies in the HNWI space. They also consider that the vast majority of clients are now considering smartphones and tablets as primary distribution channel for Wealth Management products.
Booz & Co. published a specific study for the HNWI wealth management market on tablet adoption. They argue that tablets will become the most important channel for reaching affluent customers.

According to them, the adoption rate of mobile technology by clients is already very significant:

Exhibit 1
Use of Mobile Devices for Financial and Account Management



Source: VIP Forum Webinar, "Integrating Digital Channels into the Service and Advisory Experience," May 2012

Benefits to wealth management firms are:

- Retention and Productivity of Financial Advisors
- Lower cost to serve client
- Better client experience.

Capco produced a study as enthusiastic as the others, arguing that tablet technology for both advisors and clients is a must-have offering. Qualitatively, it argues that tablets will be a key transformational technology that will allow investors to regain the trust of their client by emphasizing the human element of the relationship with face-to-face-to-tablet meetings.

One Gartner study, Mobility in Wealth Management Is Key to Operational Efficiency and Client Satisfaction. written by David Schehr in June 2012, comes with some caveats regarding apps. “Rapid adoption of smartphones and tablets require an effective response by global wealth managers. Advisors as well as clients will be hungry for the capabilities these new consumer devices provide in managing investments.” David Schehr makes the following recommendations:

- Prioritize providing advisors with an integrated desktop interface. Before you can optimize for mobile devices, you have to have a consolidated solution for more-conventional access through a PC.
- Leverage current online capabilities for advisors and clients, rather than starting an independent development effort for mobile functionality. Then migrate functionality that works in the mobile context as efficiently as possible.
- Emphasize flexibility when developing mobile solutions. Leverage mobile solution development tools to enable a uniform implementation that is device- and OS-neutral.

Android vs iOS

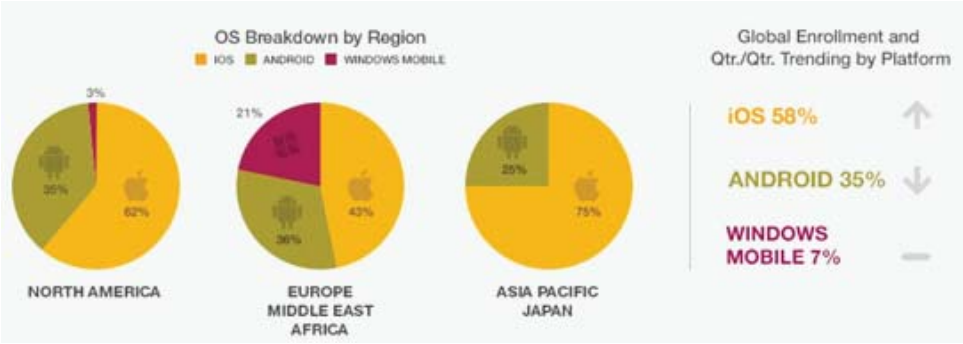
In terms of new unit shipment of tablets, Apple is still in the lead with the iPad, according to IDC:

Tablet Operating Systems, Market Share Forecast and CAGR 2012-2016

Tablet OS	2012 Market Share	2016 Market Share	CAGR 2012 - 2016 (%)
iOS	53.8%	49.7%	20.9%
Android	42.7%	39.7%	21.0%
Windows	2.9%	10.3%	69.2%
Other	0.6%	0.3%	7.7%
Grand Total	**100.0%**	**100.0%**	**23.3%**

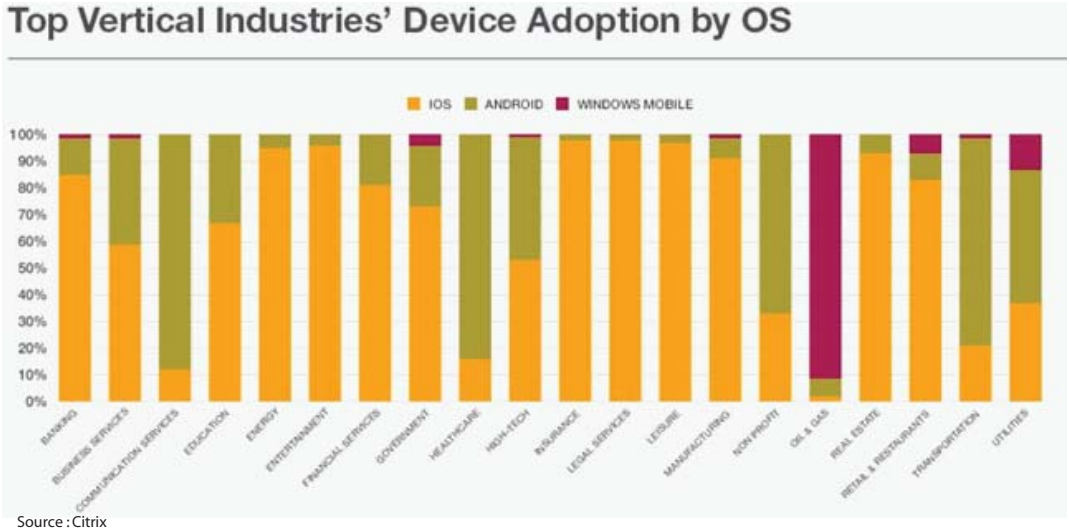
Source : IDC

However, looking at the smartphone business, Android is clearly gaining traction with more than 70% market share of new shipments in Q4 2012.
Citrix has published a very interesting study of enterprise adoption of mobile OS. It shows that iOS is still very much in the lead in the enterprise sector. In Q4 2012, the breakdown was as follows:



Source : Citrix

Even more interesting, by sector, it shows that in banking, iOS had around 85% market share, Android around 14% and Windows Mobile around 1%.



Source : Citrix

One can easily conclude that for advisors apps, iOS is still the way to go, at least as a priority, while Android cannot be ignored in the apps for client space.

Contact information

For more information
please contact:
Emilie Lassausaie
New Access SA
Phone : +41 22 879 99 11
emilie.lassausaie@newaccess.ch