

Online and Mobile Banking – Using Digital Technology to Create Value for Customers

The branch is transforming into a sales center as basic level transactions have moved from the branch to self-service channels. Community financial institutions have these branch-based face to face activities down pat – they have established community affinity that the mega-banks can never equal. But that is no longer enough as consumers are rapidly eschewing branch visits for digital interactions. Community banks must prioritize their budgets and make significant investments in adding functionality to their online and especially their mobile channels. Fortunately, there are numerous smaller vendors that have robust solutions that are affordable for even the smallest institution.

The consumers that are seeking out the omni-channel experience are the most desirable to banks. That would include Millennials, Gen Y, Mass Affluent and what we call at Javelin the Moneyhawks – individuals who closely monitor their finances digitally. Financial institutions must covet — and grow — these groups who interact through multiple self-service channels and services such as online banking, P2P payments, bill pay, and mobile banking. They are profitable because they buy more financial products, they are less costly to serve, and they will shape the banking experience of the future. Creating value for these groups entails making a full commitment to real time financial interactions – delays are unacceptable to them.

Serious competition to community banks for these individuals' financial loyalty comes not only from the Big 4 money center banks, but what we call the Gang of 5: PayPal, Apple, Google, Amazon and Facebook. Case in point: Google has started to offer the ability to pay bills through Gmail and Facebook is getting into P2P payments. These huge technology leaders are actually gaining in trust as well, which is a domain that has long been reserved for financial institutions. Community banks still hold the lead in this regards, but they must continue to work hard to maintain it and work even harder to build their technology infrastructures so that they are convenient to do business with 24 x 7.

Successful community banks going forward will be the ones that enable consumers to monitor and manage their money more smartly through technology such as online banking, mobile banking and payments, personal finance management tools, financial alerts, and new and emerging technologies. Of course traditional approaches such as providing personal financial education and advice that helps their clients reach their goals will also remain key. Personalization is huge: the best institutions will use analytics and personal service and technology to deliver contextual, integrated, fast and useful product/service offers and advice. It can be a very daunting task for community banks to keep up with the latest technology, but it is an absolute requirement to keep moving forward if they want to remain relevant.



Mary Monahan is Executive Vice President and Research Director of Mobile at Javelin Strategy and Research, where she oversees and tracks mobile banking initiatives, mobile infrastructure to support mobile banking, mobile marketing and mobile imaging trends. Mary brings 10 years of successful direct financial services industry experience to her clients. Before joining Javelin, she was a Vice President at Wells Fargo Bank where she supervised a \$650 million portfolio of commercial, consumer, and real estate loans; and co-directed lending for 35 retail branches, five business-lending centers and one real estate loan center. She specializes in the psychology of why people spend money and the implication for mobile initiatives.