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Segment-Based Strategies for Mobile Banking

To maximize their investments in mobile banking, retail banks should first understand the unique requirements of five key consumer segments - each with their own levels of maturity and comfort - then create a strategic plan that delivers on near-term customer acquisition and retention while driving innovation in today's rapidly changing digital channels.



Executive Summary

Mobile devices, including smartphones and tablets, have transformed the world in which we live. As digital channels evolve, the move to mobility continues to provide a faster and more convenient way for consumers to interact with their financial services providers. Retail banking is no exception. Retail banks have universally accepted mobile banking as a mainstream banking channel rather than just an optional “add-on” service. However, to fully realize its potential, banks need to understand consumer preferences regarding desired features and overcome barriers to wider adoption.

Most retail banks have evolved their mobile strategies and, by extension, their customers’ mobile journey through a “one-size-fits-all” approach focusing on features and offerings. Given the rapid evolution of mobile technology and its impact on banking, we conducted a study of mobile banking by surveying customers across a wide array of retail banks, age groups and income categories. The objective was to understand emerging trends, as well as current and future needs, in order to help retail banks increase the adoption of mobile banking services. Not surprisingly, our research reveals that consumer expectations of mobile banking vary across age and income groups.

Just as retail banks segment consumers to improve their product cross-selling and customer-acquisition efforts, they can now apply similar tactics to their mobile strategies. This has major implications for banks in terms of where to invest scarce development and financial resources. Retail banks must also consider which consumer segments they wish to appeal to through their mobile offerings in order to optimize customer retention and acquisition, and advance

service adoption. This represents an opportunity for retail banks to continue to invest strategically in mobile technologies and at the same time drive market differentiation.

Key Findings

Our research indicates that retail banks need to take into account a number of important factors when developing their mobile initiatives:

- **Segmented experiences based on feature sets and user encounters greatly matter to younger consumers** – something retail banks need to consider as they evolve their offerings to drive adoption and move to advanced digital wallet strategies.
- **Security perceptions of mobile banking remain a major obstacle for consumer adoption**, particularly among older demographic segments. In our view, this represents a significant opportunity for banks to improve adoption.
- **Mobile payments are a key area of opportunity for banks** – compelling them to focus on better understanding customer needs and monitor the technology landscape, which remains fragmented due to multiple platforms and standards.
- **Tablet computing has rapidly grown as a key engagement platform** that is distinct from smartphones and PCs, and can be employed to gain competitive advantage.
- **Digital wallet capabilities offered through banks are of growing interest to consumers**, since they trust more in their financial institution to provide feature-led innovations such as targeted offers designed to improve their increasingly mobile lifestyle. This represents a new opportunity for retail banks to serve their customers, attract new business and generate more revenue.

Mobility Evolves, Consumer Needs Vary

To meet fast-growing consumer demands for mobile technology, it is crucial that banks continually fine-tune their mobile strategies. This is imperative in light of significant pressures to optimize channels, reduce operating costs and identify new revenue sources. First-generation mobile banking implementations were about enabling consumer use of the mobile channel and driving cost takeout. Those initiatives are no longer able to support more advanced needs and corresponding mobile strategies. Consequently, banks need to deepen their knowledge of mobile adoption and usage to increase channel value to their end clients.

Adopting a segmentation framework can help retail banks develop a needs-based approach, and enable greater success in tailoring preferred products and services in the mobile space.

Addressing customer segmentation allows banks to answer critical questions, and remain relevant and competitive when building their unique mobile strategies:

- What is the best way to segment the mobile consumer base?
- How do mobile adoption levels vary across consumer segments?
- What mobile banking features and applications are preferred and by whom?
- How do tablet users behave, and how do they present a distinct and high-value category?
- What opportunities exist for further monetization of this growing channel?
- How can the mobile channel be leveraged for market differentiation?

To provide bankers with these insights, we surveyed approximately 2,100 consumers, roughly 700 of whom are mobile banking users, across age, income, gender, ethnicity, education and employment backgrounds (see Methodology, page 23). The study revealed multiple dimensions that drive mobile banking adoption and identified five distinct segments. Adopting a similar segmentation framework can help retail banks develop a needs-based approach, and enable greater success in tailoring preferred products and services in the mobile space.

Drivers Underpinning Mobile Banking Usage

Advances in mobile technology have enabled consumers to fulfill their banking needs anywhere, anytime. It is no longer necessary to visit a branch or access a PC or laptop to conduct many banking transactions. And having a mobile offering is now considered “table stakes” to consumers when selecting a financial institution. The rapid adoption of mobile devices in U.S. households (smartphones and tablets) has provided banks with the opportunity to offer a multitude of features that attract consumers. This study classified mobile banking features into four categories (see Figure 1) – ranging from a simple information search to advanced

Features Driving Mobile Banking Usage

Features	Information search	Remote payments	Advanced payments	Value-added services
Examples	Information about account and loan balances	Person-to-person payments	Photo bill pay	Spending pattern analysis
	Availability of transaction history	Bill payments	Near-field communication	Shopping updates and offers
	Account alerts		Remote data capture	Customer support through chat/voice/video
	Locating ATM/branches		Virtual wallet services	Personal financial management

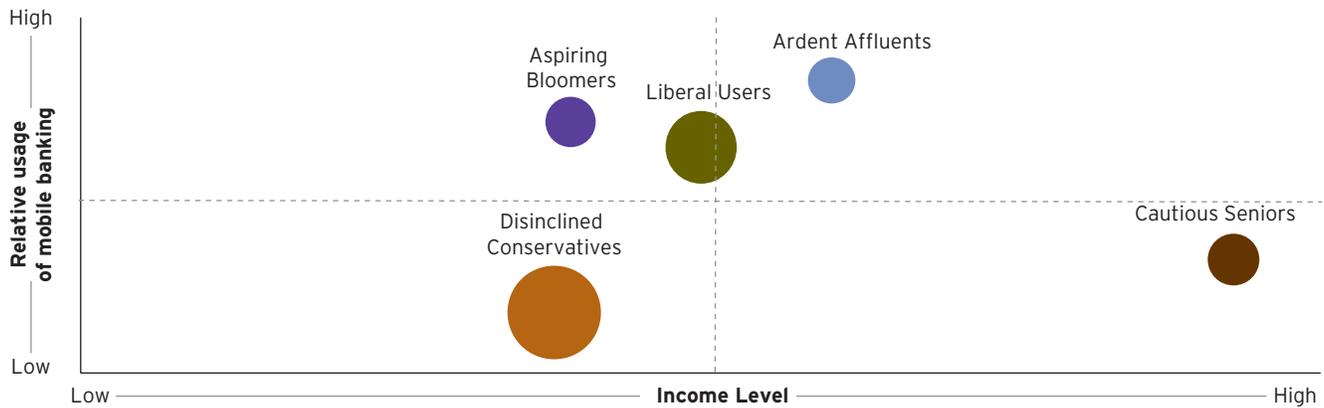
Source: Cognizant Research Center
Figure 1

payments and other value-added services. These features were then used to identify distinct consumer segments that can be specifically targeted.

Understanding Consumer Segmentation

Our study identified five consumer segments (see Figure 2) based on their use of mobile devices – both smartphones and tablets. Our research suggests that adopting a segmentation approach will help retail banks better understand consumers’ mobility needs and better inform their strategic choices. The research also indicates that focusing on segments can help improve relationships with existing customers, attract new consumers and increase wallet share for banks.

Consumer Segments Defined



Response base: 2,143

Note: The size of the bubble denotes the number of respondents in the respective segments.

Source: Cognizant Research Center analysis

Figure 2

Although definitive conclusions concerning segment profitability cannot be drawn from this assessment, it is worth noting that banks should be applying similar segmentation strategies to their entire client portfolios. They should also be asking the following specific questions for each segment:

- How profitable is each customer segment?
- What is the lifetime, or total, customer value (TCV)?
- What cross-sell and/or up-sell opportunities exist?
- What types of servicing strategies can be delivered via mobile to improve profitability?

The five segments, highlighted in Figure 3, are defined as:

- **Aspiring Bloomers:** This segment is digitally inclined but not among the first to adopt mobile banking. However, they access mobile banking services at least once a week. Mobile banking features such as checking account balances, transferring funds and remote payments are important. Consumers in this segment are willing to try and adopt advanced features such as mobile photo bill pay, virtual wallet services and near-field communication payments. To retain and further penetrate this segment, retail banks can educate these consumers about advanced features through direct marketing campaigns.
- **Ardent Affluents:** This segment is highly engaged with their mobile devices. They use advanced features such as mobile photo bill pay, and are interested in receiving expert guidance on personal finance and investments. They seek value-added services such as spending pattern analysis, loyalty rewards/points,

Segment Profiles

Segment	Age	Income
Aspiring Bloomers	18-34	Less than or equal to \$75,000
Ardent Affluents	18-34	Greater than \$75,000
Liberal Users	35-54	\$50-100K
Cautious Seniors	55+	More than \$100,000
Disinclined Conservatives	55+	\$50-75K

Figure 3

shopping updates and portfolio monitoring. Sustaining this segment's interest in mobile services by keeping up with their innovation needs can help retail banks acquire and retain this segment.

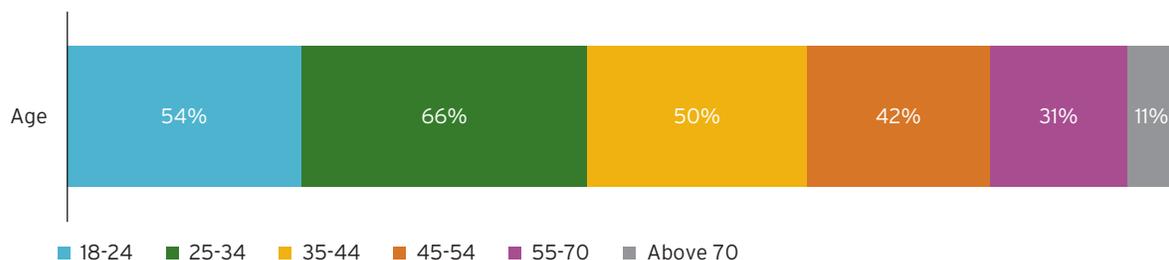
- **Liberal Users:** This segment consists of consumers between the ages of 35 and 54. Their average annual income is between \$50,000 and \$100,000. They use mobile banking, but not extensively. They also seek advice to help them improve how they manage their finances. This segment will respond best to services related to money management.
- **Cautious Seniors:** These consumers are value seekers. They are interested in products that offer tangible rewards. This segment is also highly sensitive to mobile security concerns. To make mobility more palatable to them, retail banks can extol the virtues of mobile banking, including its safety and security.
- **Disinclined Conservatives:** This segment has serious concerns about the safety and security of mobile transactions. Currently available banking services meet their existing needs. Retail banks can gain from informing them about the benefits of mobile banking and alleviating their security concerns. This could encourage this segment to try mobile banking.

Understanding Mobile Banking Consumers

Enabling mobile access is becoming a key and integral part of service and sales strategies. However, adoption levels average only 33% across all segments studied. This is relatively low when compared to more than 50% adoption in the age group of 18-44. The highest adoption is in the 25-34 year age bracket and at annual income levels above \$75,000 (see Figures 4 and 5). While relatively wealthier and tech-savvy consumers are using mobile banking more frequently, the challenge is to replicate higher adoption levels elsewhere.

Ardent Affluents with above-average income levels lead the way with an adoption level of 74% (see Figure 6).

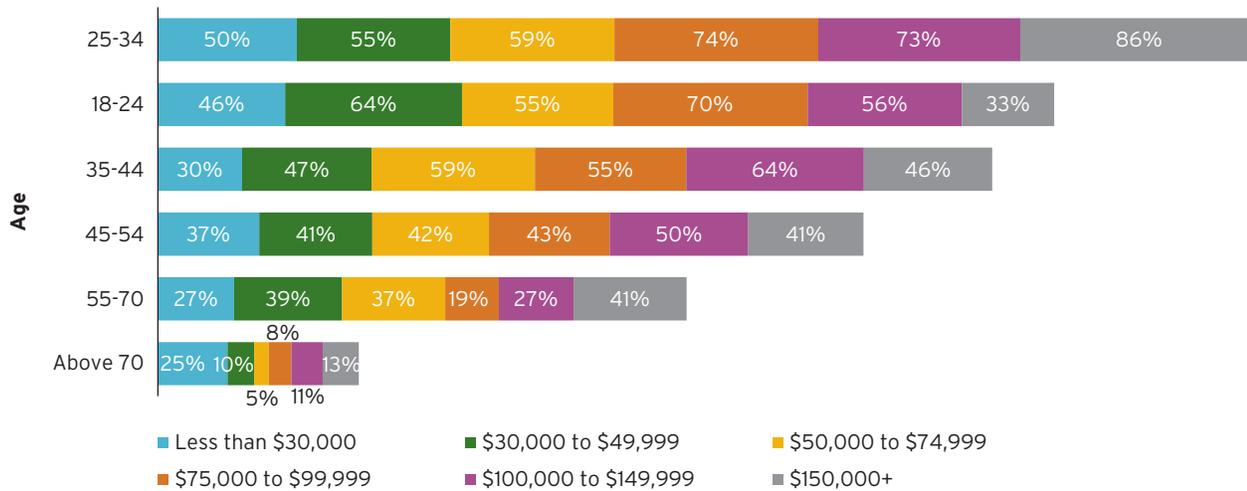
Mobile Banking Adoption Across Age Segments



Response base: 2,143

Figure 4

Mobile Banking Adoption Among Various Age Groups and Income Levels



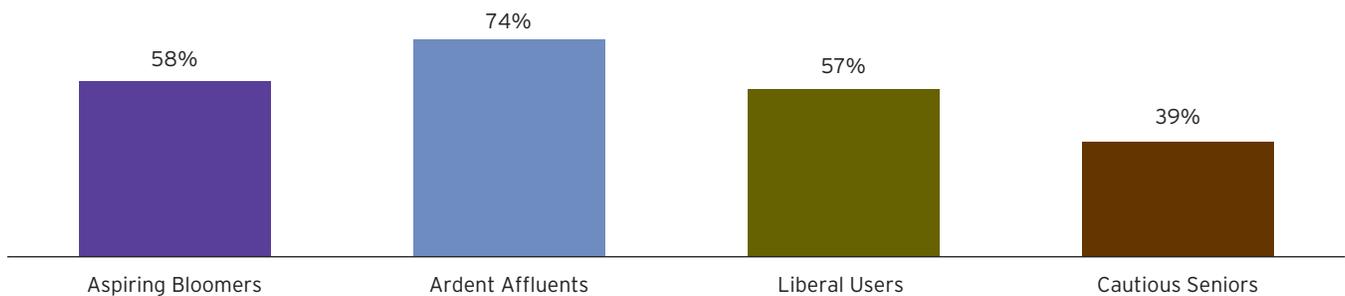
Response base: 2,143

Figure 5

Mobile banking services are accessed predominantly through mobile phones and tablets; 24% of respondents use both (see Figure 7). A growing number of consumers are using both smartphones and tablets as their primary Web-connected device (versus laptops or desktops).

Consumers tend to prefer smartphone apps over mobile banking Web sites to access their accounts. A small percentage of consumers prefer text banking (see Figure 8) – typically an older segment (see Figure 9).

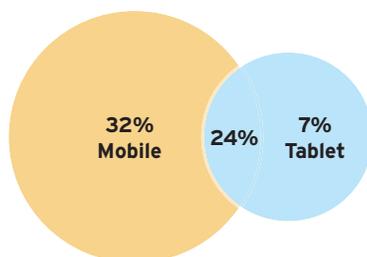
Mobile Banking Adoption Among Consumer Segments



Response base: 555

Figure 6

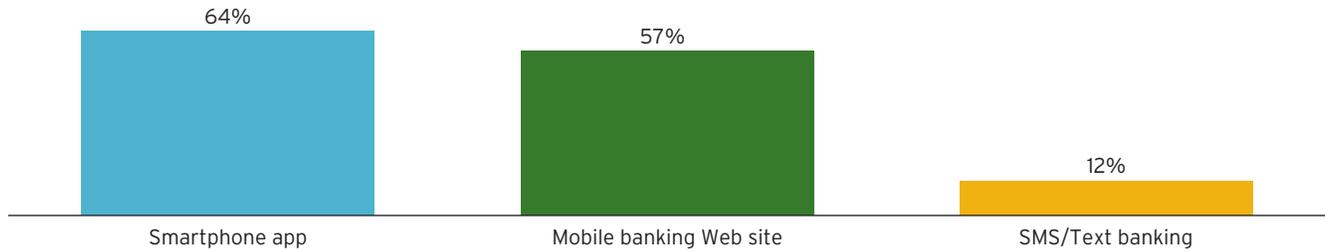
Devices Used for Mobile Banking



Response base: 706

Figure 7

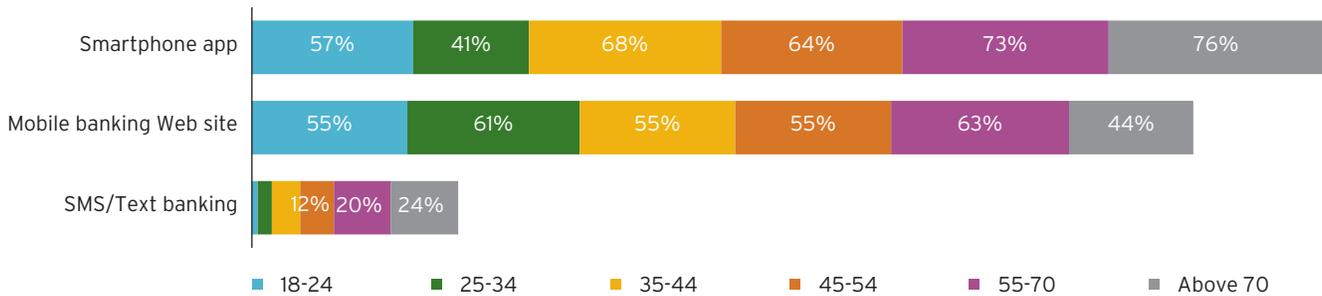
Preferred Mobile Banking Mode



Response base: 706

Figure 8

Preferred Mode for Mobile Banking by Segment



Response base: 706

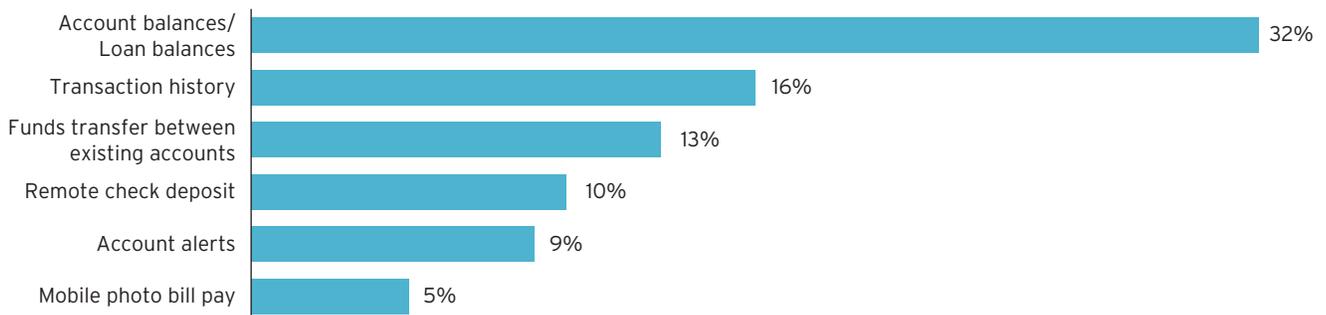
Figure 9

Core Mobile Banking Feature Usage and Personalization

Having a core set of mobile banking features is important if banks are to remain competitive and lay the foundation for more advanced mobile strategies that appeal to consumers. Our research shows that the most popular core mobile banking features are related to information search and payments (see Figure 10).

The top features that consumers seek are account balances/loan balances tracking, transaction history and transferring funds between existing accounts.¹ This finding is not surprising, and indicates that basic functions are a commodity with virtually all banks offering core capabilities.

The Top Three Features of Mobile Banking



Response base: 706

Figure 10

Features Considered When Choosing or Switching Banks



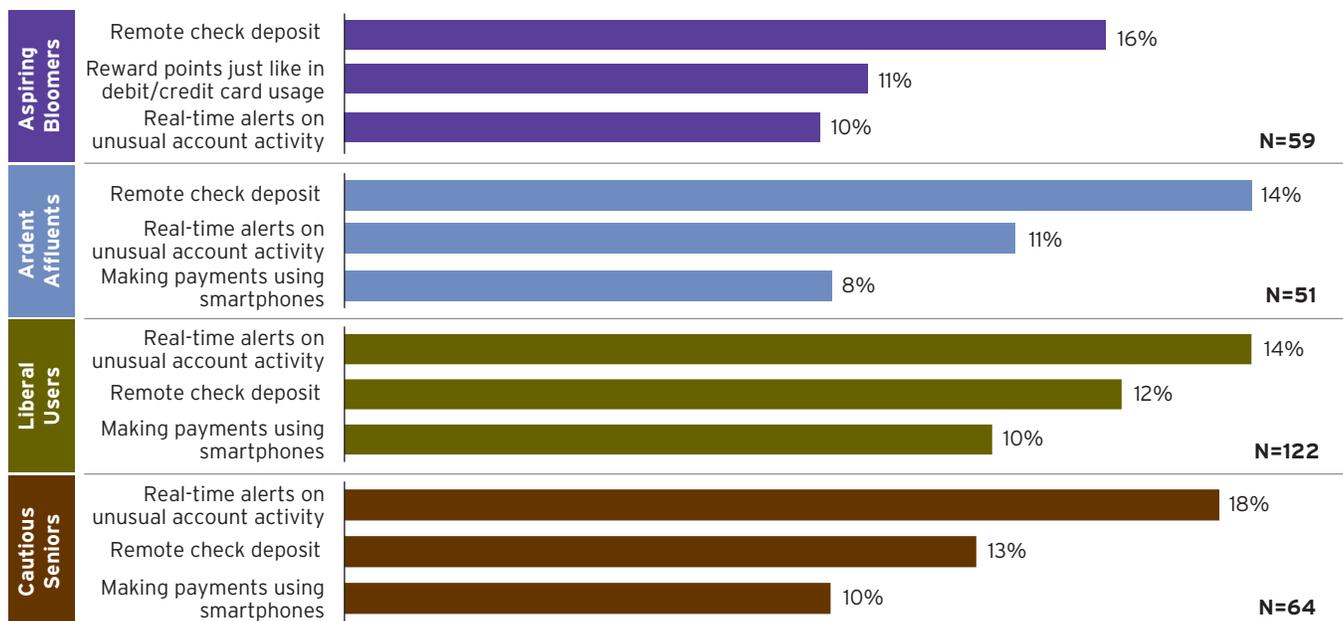
Response base: 706
Figure 11

There is a strong need to better understand the underlying drivers for choosing or switching banks. While the top three features noted in Figure 10 are common across virtually all banks, consumers are looking for greater functionality as they seek more options. This strongly correlates with segmentation of consumer interest and behavior. Interest in remote check deposit and real-time alerts on unusual account activity are important features that could induce consumers to switch banks (see Figure 11). Mobile chat customer support is another desired feature for Ardent Affluents and Aspiring Bloomers.

Remote deposit capture (RDC) is the feature most desired by Aspiring Bloomers and Ardent Affluents. Real-time alerts on unusual account activity is the feature most desired by Liberal Users and Cautious Seniors – reinforcing that security is a critical concern to these segments in further adopting mobile banking services (see Figure 12). It is important for banks to promote security features and create value propositions that emphasize security. Otherwise, they run the risk of losing clients.

Feature personalization is important to more than 75% of the consumers surveyed. One-half of these respondents indicated they want the flexibility to personalize their

Most Desired Mobile Banking Features by Segment



Response base: 296
Figure 12

Importance of Feature Personalization



Response base: 706

Figure 13

Ranking Personalization Features



Response base: 706

Figure 14

experience through features such as rearranging tabs and functions within the mobile application (see Figures 13 and 14). Affording this flexibility by giving users control over their experience is a differentiating tactic banks should consider. We believe this capability can help these retail banks more effectively retain customers.

Enhanced Security: Key to Mobile Banking Success

Not that long ago, consumers had to visit a branch to conduct basic banking transactions. Not anymore. With the introduction of online banking and now with mobile services, banking can happen anywhere, any time and on the go. However, security concerns surrounding mobile banking transactions remain a barrier to adoption, especially in key demographics. This challenge can become an opportunity for banks to provide enhanced security capabilities and educate consumers on existing security features and protections.

This is important, given that 71% of survey respondents rate security features “highly important” in choosing or switching banks (see Figure 15).

Among mobile banking consumers, 70% of respondents believe security is a major concern. In fact, 32% of non-mobile banking users cite security as the most important concern when considering mobile banking adoption (see Figure 16).

Importance of Security Features for Choosing or Switching Banks

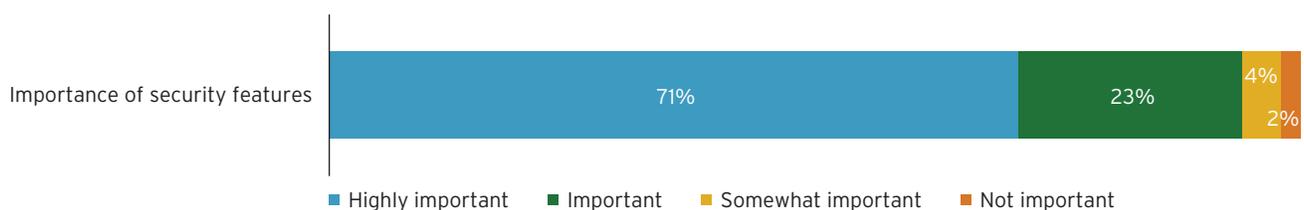
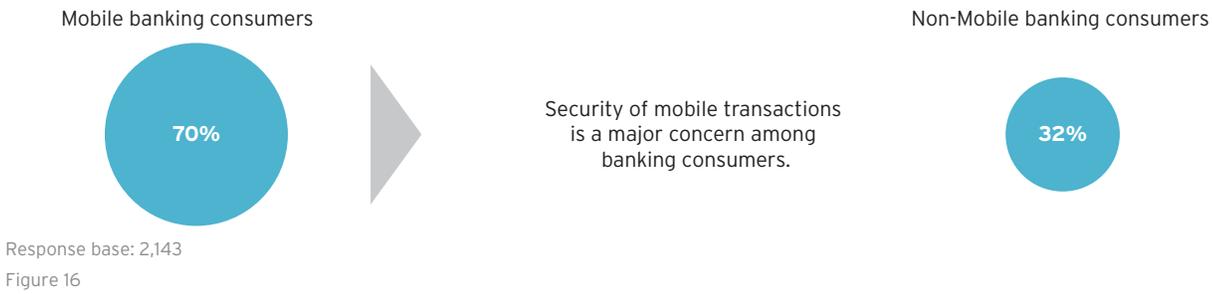


Figure 15

Security Concerns Among Mobile and Non-Mobile Banking Customers



Roughly 90% of respondents indicated they enter a user name/ password combination for authentication to access their mobile banking app. Knowledge-based answers and visual keys, typically found in Web-based authentication options, have made their way into many retail banks' mobile banking security protocols. Many banks use a combination of all three for their mobile banking services (see Figure 17). A few retail banks offer mobile-friendly PIN entry for authentication rather than more arduous, complex password-entry methods.

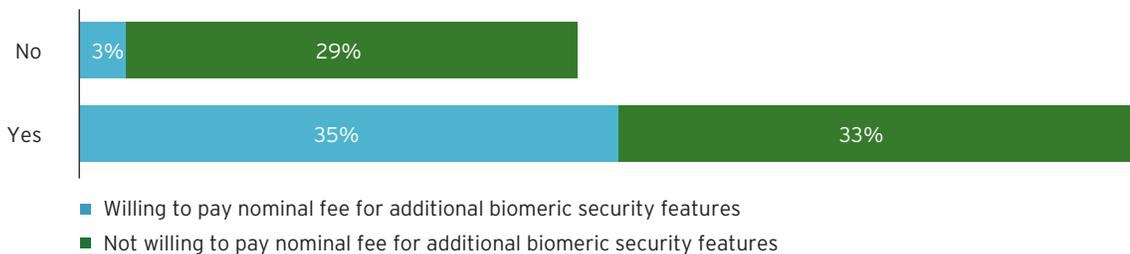
In our experience, security represents an opportunity for retail banks to improve both their underlying authentication technology and the user experience, and convey stronger messages to consumers on safety and security. This balanced approach can help differentiate market offerings, create a more positive view of a bank's mobile offering and broaden the appeal to multiple consumer segments as they evaluate their primary banking relationship.

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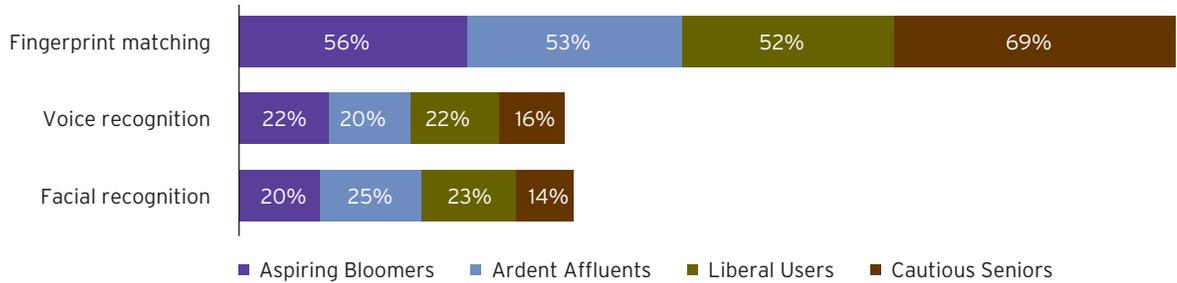
Secure Mobile App Banking Authentication Features



The Importance of Biometric Security for Choosing or Switching Banks



Preferred Biometric Authentication Methods



Response base: 706

Figure 19

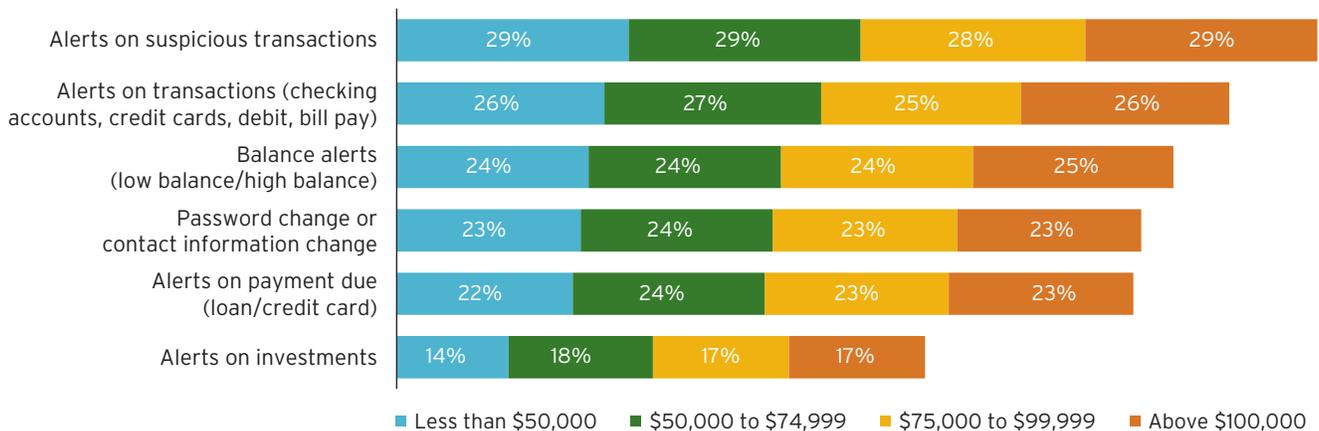
Consumer concerns over security are reflected in their choice of biometric features: 68% of survey respondents indicated they believe biometric security features are important, while 35% noted that they are willing to pay for such a feature (see Figure 18).

Fingerprint matching is the overwhelming favorite for biometric authentication (see Figure 19). The continuing evolution of mobile hardware to support this type of feature will no doubt further increase demand.

Another security-related feature is consumers' desire to receive mobile alerts about suspicious transactions, in addition to notifications on normal transactions and balances (see Figure 20). This represents a key area that banks can explore to deliver high-engagement mobile banking solutions. Customers appreciate real-time notifications of their money and bank-account status, since these directly supports their desire to both actively manage and maintain control of their financial life. Consumer demand to receive these types of alerts is prevalent across all income segments. Implementing sophisticated alerting capabilities beyond notifications, such as interactive and actionable alert management, can increase consumer engagement and build their trust in their retail bank.

A notification via text alerts is the most preferred method (see Figure 21, next page), with 53% of consumers choosing this method.

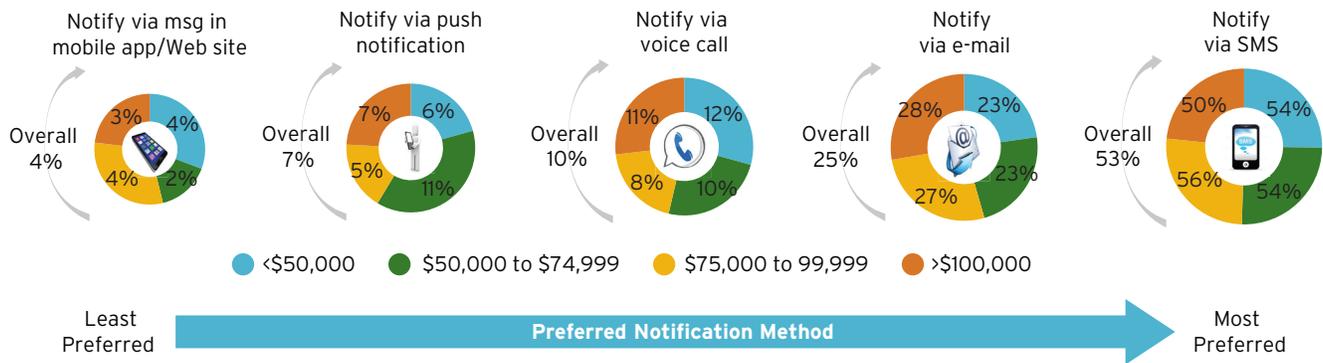
Rating Mobile Banking Alert Features



Response base: 706

Figure 20

Preferred Alerts



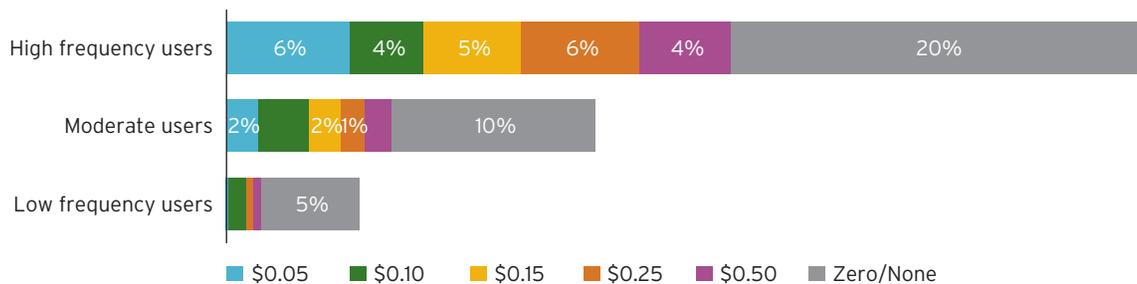
Response base: 706

Figure 21

Mobile Payments Progression

Mobile technology is developing at a rapid pace, with significant and continuous innovation creating numerous strategic options. As a result, mobile payment capability has emerged as an important feature for consumers. Among consumers who use mobile payments, 44% of those surveyed do so at least once a week. Approximately 20% of those who use mobile payments do not want to pay a transaction fee (see Figure 22). Paying bills and transferring funds to another account are the two most important transaction types (see Figure 23).

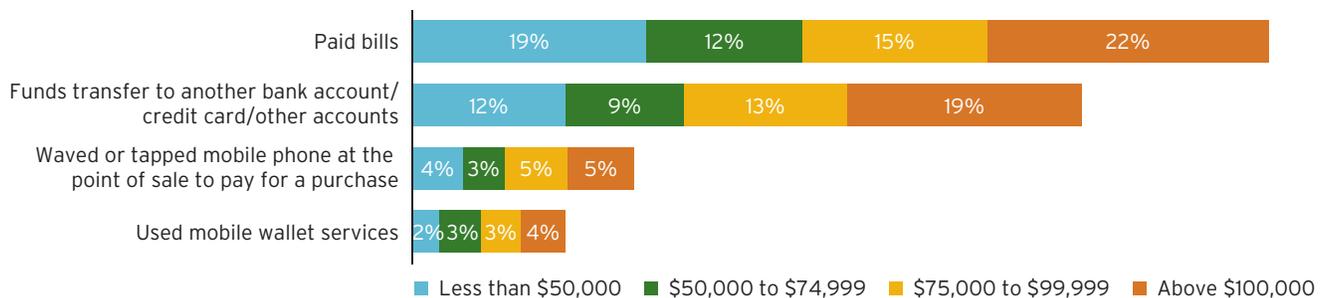
Frequency of Mobile Payment Service Use vs. Willingness to Pay Transaction Fees



Response base: 706

Figure 22

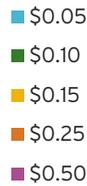
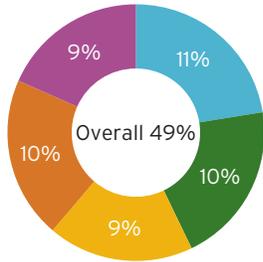
Payments on Mobile Phones



Response base: 706

Figure 23

Transaction Fees for Mobile Payments



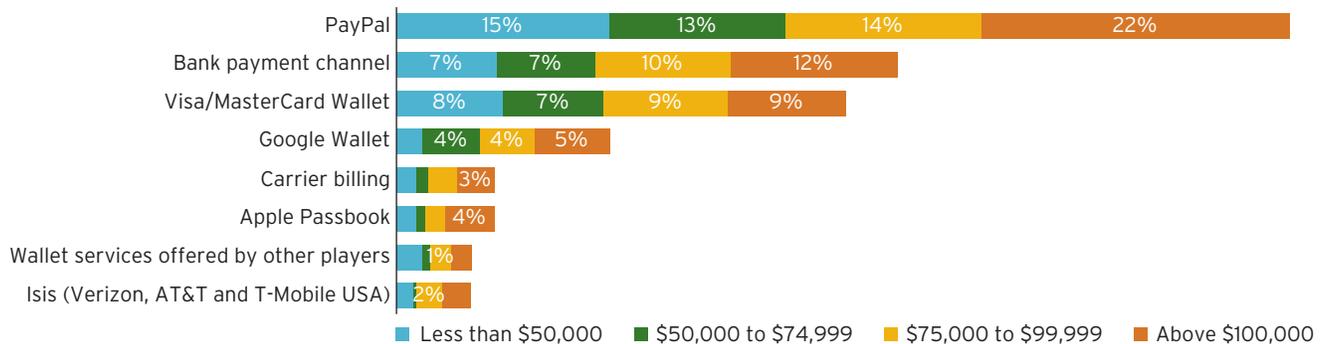
49% of mobile banking consumers are willing to pay for mobile payment services.

Response base: 481
Figure 24

Overall, 49% of respondents said they are willing to pay for mobile payment services. In fact, 9% of respondents said they are willing to pay 50 cents for each transaction (see Figure 24).

PayPal is by far the most used payment option for transactions. Bank payment channels and Visa/MasterCard wallet are the second and third favorite options, respectively (see Figure 25).

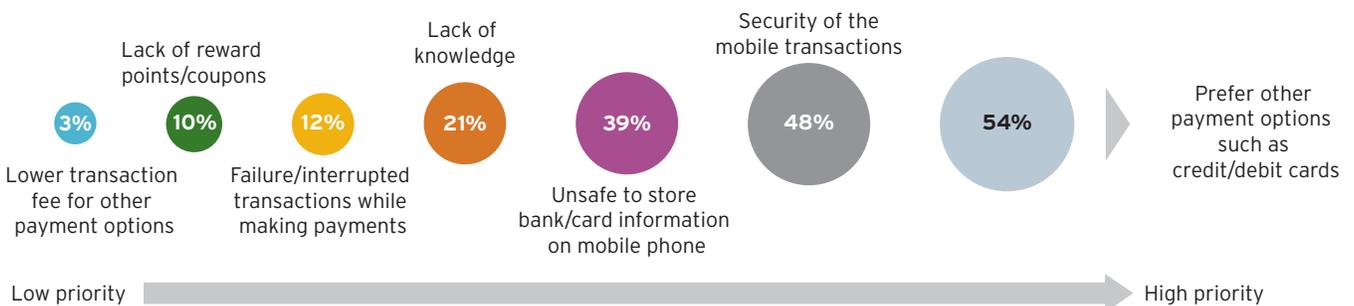
Payment Options for Mobile Phone Transactions



Response base: 481
Figure 25

PayPal is also a dominant service for non-bank mobile consumer payments. The second option, the bank payment channel, is used 28% less than PayPal. Also, if a consumer has been using PayPal for some time, they are relatively loyal to like services unless a compelling alternative can be provided. Our research indicates that banks are in a position to attract some of these transactions by leveraging mobile banking offerings and mobile wallet applications that provide additional

Deterrants to Mobile Payment Usage



Response base: 706
Figure 26

services, such as person-to-person (P2P) payments. Retail banks would be wise to educate consumers about digital wallets and the benefits they can provide. Given the trust many consumers place in their retail banks, banks can gain mobile-payments market share by leveraging customers' growing attachment to their mobile banking applications. Still, consumers continue to prefer traditional payment options such as credit and debit cards over mobile payment services, partly due to a lack of education around these services and the perceived lack of security of mobile transactions (see Figure 26, previous page).

Tablet Banking: A Distinct Mobile Experience

Tablets are quickly emerging as a unique user interface that is distinct from both PCs and smartphones. The preference for tablets among consumers is clear: 41% of survey respondents want to use tablets compared with smartphones (see Figure 27). Among tablet owners, 60% prefer to use their tablet for mobile banking (see Figure 28). The preferences are more pronounced among affluent consumers. It's important for banks to understand that consumers are now using both devices for different purposes. Smartphones are generally always with consumers, and the immediacy of information and response or action drives continual use. Therefore, features should be optimized to suit the device's form factor. Tablets, which are rapidly replacing PCs/laptops for in-home computing, provide a form factor for more detailed sharing of information, but usage appears to be less transaction-driven.

Tablets present an opportunity for banks to provide more detailed information that ties to cross-selling and relationship-building. Due to the growth in tablet computing, we see this as a unique opportunity that banks can further exploit. Savvy banks can leverage the ongoing growth of tablet computing to differentiate their offerings in the market.

Our research indicates that banks are in a position to attract some of these transactions by leveraging mobile banking offerings and mobile wallet applications that provide additional services, such as person-to-person payments.

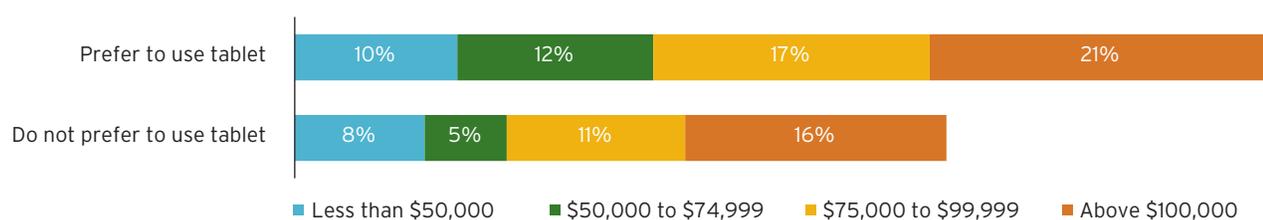
Preference for Tablets vs. Smartphones



Response base: 706

Figure 27

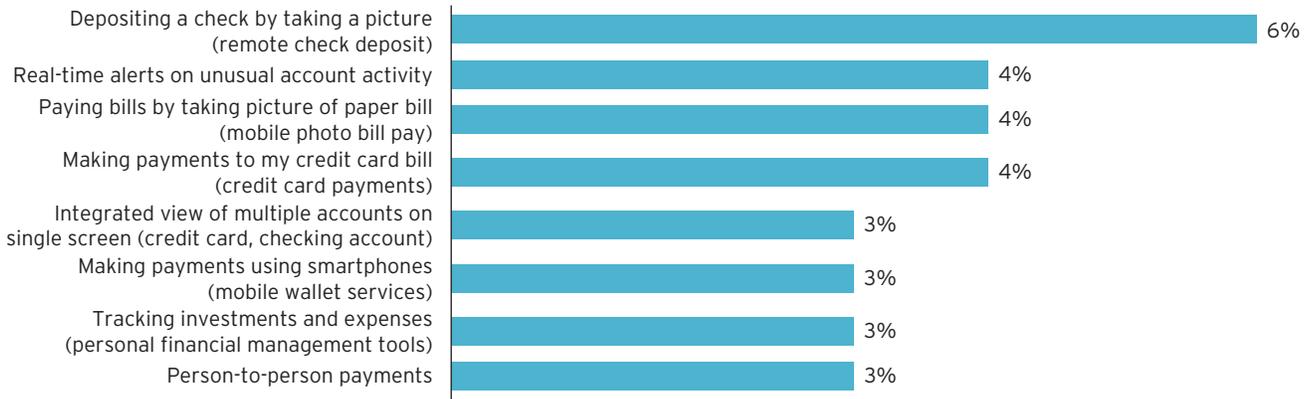
Preference for Tablet Banking Among Tablet Device Owners



Response base: 367

Figure 28

Top Features Preferred: Tablets vs. Smartphones



Percentages are weighted average of responses of the top three ranked features.

Response base: 706

Figure 29

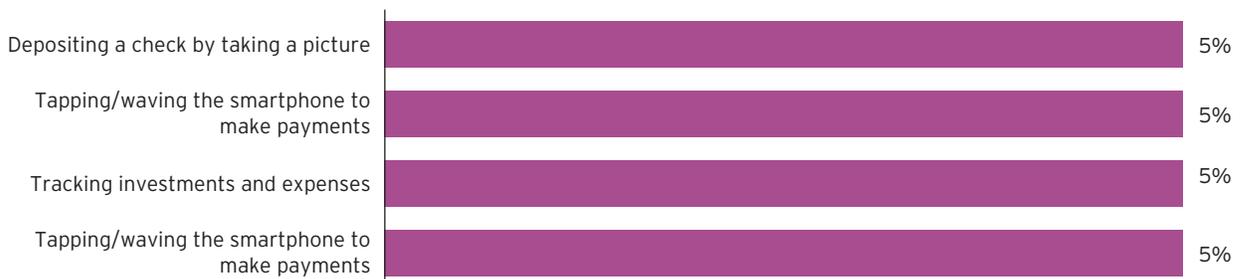
Remote check deposit, real-time alerts, mobile photo bill pay and credit card payments are the top features respondents seek when accessing banking services on their tablets (see Figure 29). These innovations are important for banks, considering that some of these services have only been commonly available in the market within the past year. As previously illustrated in certain segments, lack of mobile innovation exposes banks to more risk of customer attrition. Our research reveals that continuous innovation is very important to three key segments: Aspiring Bloomers, Ardent Affluents and Liberal Users.

Ardent Affluents prefer an integrated view of multiple accounts on a single screen (see Figure 30). They rate it second in importance after remote check deposit. This user experience can be best delivered on a tablet versus a smartphone. This confirms that the digital channel includes the multiple device types and form factors (e.g. smartphones, tablets, phablets and PCs) consumers expect their experience to accommodate, regardless of the device they use to connect with the bank at any given time.

Feature-Driven Innovations and Offers Open Digital Wallet Opportunities

As banks consider offering digital wallet options, they should take into account the trust and interest consumers place in their mobile banking relationship. Although there are multiple definitions of a digital wallet, our analysis indicates that retail

Top Tablet Features Preferred by Ardent Affluents



Response base: 46

Figure 30

banks are in a position to play a leadership role in digital wallet offerings for consumers. Our research indicates that innovative applications that provide easy access, a streamlined user interface, superior security features and an optimized experience accessible across multiple channels are in high demand. Furthermore, by adhering to these design principles, banks are more likely to increase adoption of mobile services (see Figure 31). They are in a strong position to influence consumer perception of brand strength/security and the capabilities their mobile applications can deliver.

Our findings correlate with the evolution of consumer-facing mobile banking apps. Consumers have been exposed to some type of mobile offering from the retail bank, and they have formed opinions on what defines a good experience. Banks need to optimize user experiences for continual engagement by existing customers while attracting new clients. In parallel, banks are advised to establish a roadmap of innovative and comprehensive features that help consumers better manage their financial life through the digital channel.

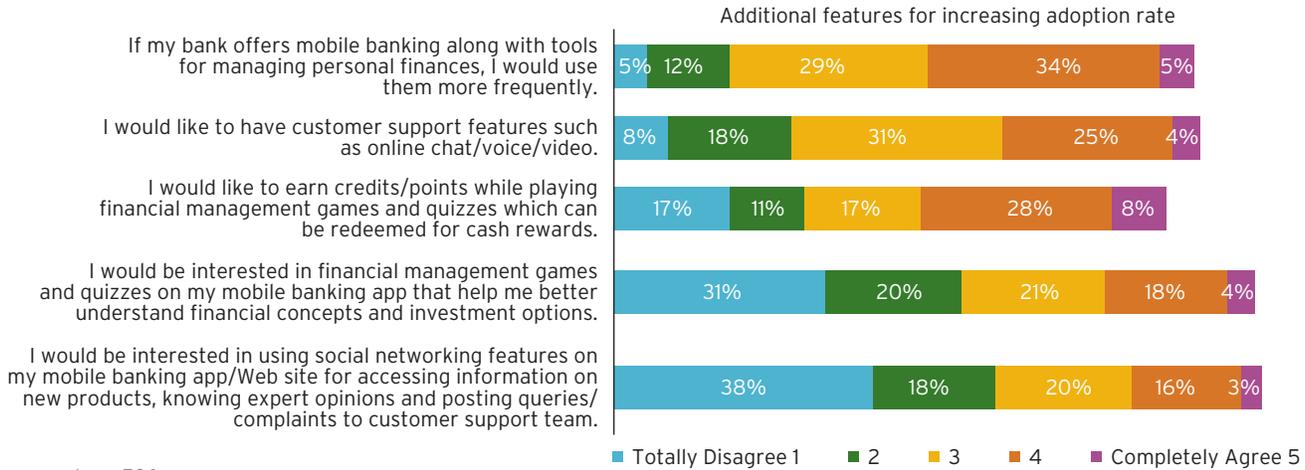
Other advanced features, such as personal financial management tools and customer support features, including interactive chat (via voice and/or video),

Key Reasons to Innovate



Response base: 706
Figure 31

Other Innovative Features to Increase Mobile Banking Adoption and Engagement



Response base: 706
Figure 32

can further boost adoption of mobile banking (see Figure 32). These findings reinforce that ongoing innovation is critical for banks that want to attract and retain customers beyond current basic mobile capabilities.

Banks need to establish a roadmap of innovative and comprehensive features that help consumers better manage their financial life through the digital channel.

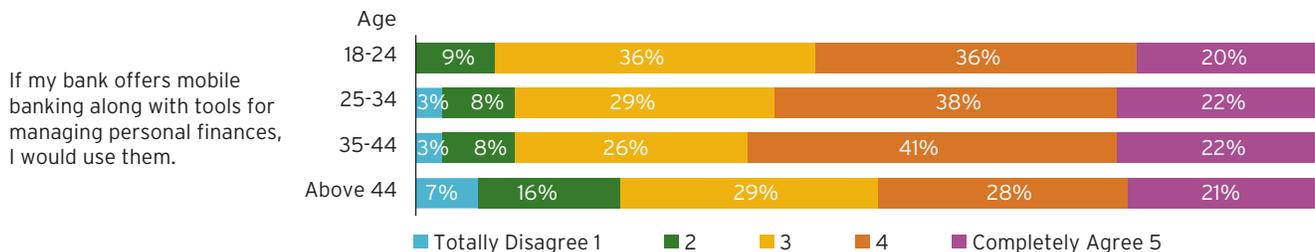
The inclination to use personal financial management tools is significant among young mobile banking consumers, including Aspiring Bloomers and Ardent Affluents (see Figure 33).

The Inflection Point of Mobile Banking and Digital Wallet

Our research found that consumers want their bank to offer better shopping and social experiences. This has implications for retail banks since discounts and offers from retailers on consumers' mobile devices can lead to an increase in mobile payments (see Figure 34, next page). This also represents an opportunity for banks to engage with consumers and differentiate features with capabilities that help increase satisfaction in the mobile experience. Tailored offers are a unique way for banks to drive loyalty from existing clients and attract new consumers to their brands.

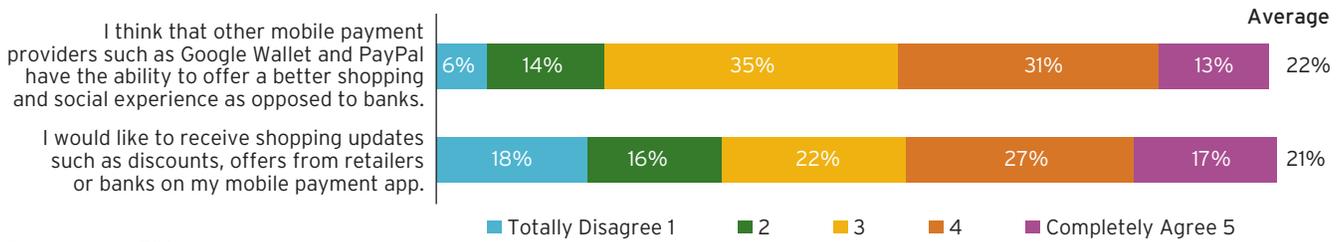
For banks, increasing payment volumes and transactional revenues is compelling. However, our research also points to a more important issue banks need to consider: consumers prefer offers from banks (see Figure 35, next page) versus non-banks – indicating the level of trust consumers have in their banking provider.

Propensity to Use Personal Financial Management Tools



Response base: 706
Figure 33

Consumer Demand for More Shopping Information on Mobile Devices



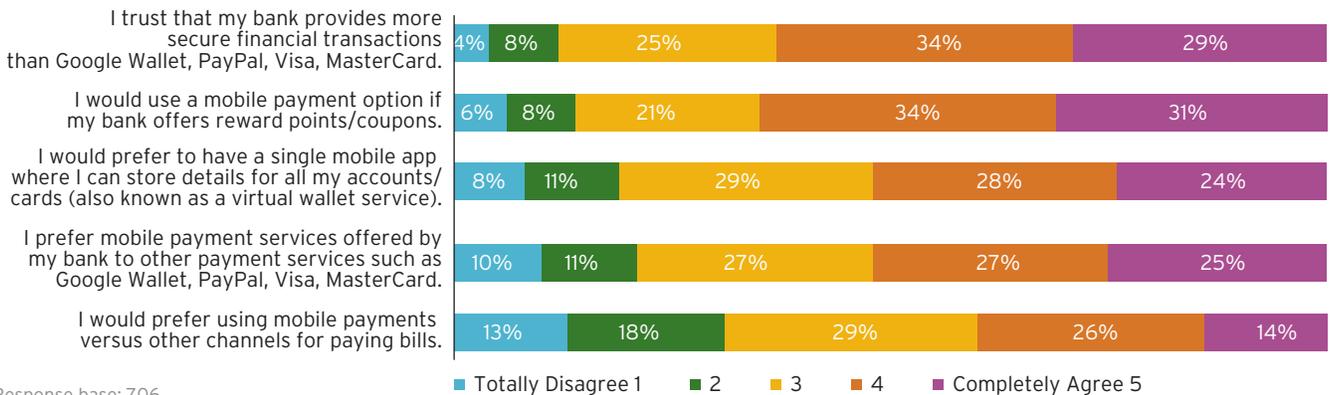
Response base: 706
Figure 34

About 63% of consumers somewhat or completely agree that their bank provides a more secure transaction medium than non-banks. And 52% of consumers somewhat or completely prefer using their bank as the primary provider of mobile payment services. Viewed collectively, our research strongly suggests that this is an opportunity for banks as they assess investing in digital wallet experiences that leverage high engagement models embedded in mobile applications.

Consumers are keen to use mobile photo bill pay and NFC while making payments anywhere (see Figure 36). Roughly 20% of consumers surveyed said they are looking for NFC or other advanced mobile POS payment interactions using a smartphone as the actual payment mechanism as part of a retail bank-offered digital wallet. Not surprisingly, age groups skew higher for younger consumers, implying they are more interested in innovative approaches to payments than older consumers. A similar number of respondents

Viewed collectively, our research strongly suggests that this is an opportunity for banks as they assess investing in digital wallet experiences that leverage high engagement models embedded in mobile applications.

Banks More Trusted Than Other Mobile Payment Mediums



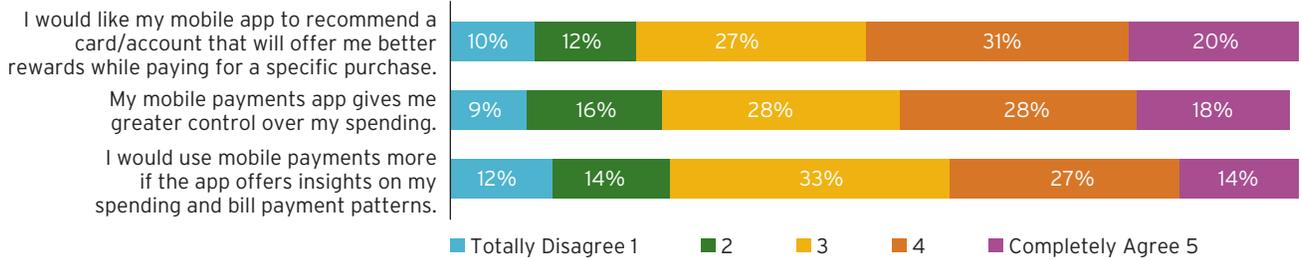
Response base: 706
Figure 35

Interest in Mobile Photo and NFC Bill Pay



Response base: 706
Figure 36

The Demand for Analytics-Based Spending Insights



Response base: 706

Figure 37

show interest in using mobile photo bill pay. This continues to reinforce that innovation will matter in driving adoption and client-acquisition strategies, since retail banks make investment decisions for their mobile strategy.

Consumers would like to better understand their spending patterns and have greater control over their expenditures (see Figure 37). This ties back to a key driver of adoption, revealed by our analysis (see Figure 33) on personal financial management (PFM) offerings.

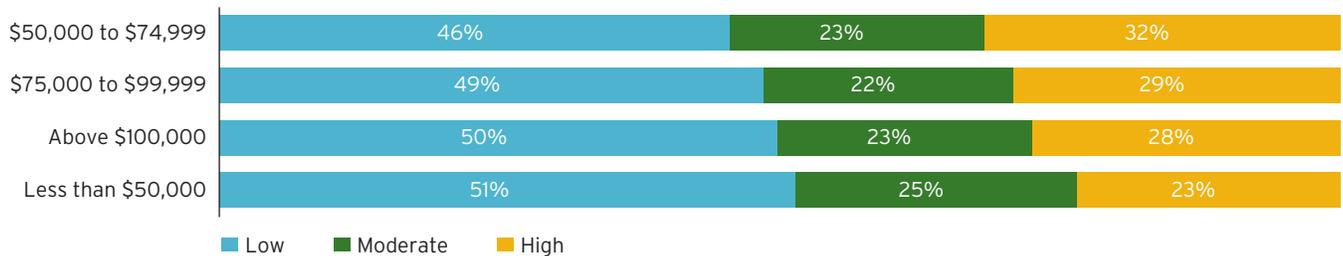
Consumers are comfortable with the notion of their bank recommending products and services that are optimal for them, based on account history and transaction behavior. This points to a key finding in our research: retail banks are well positioned to engage in cross-sell and up-sell activities because they hold a large amount of data about their customers. Consumers trust banks. Therefore, retail banks should leverage the opportunity to deepen consumer engagement, supported by specific insights tied to loyalty and incentive programs. Performed effectively, this allows for more precise targeting of additional products and services.

Marketing Additional Products

Bank relationship products and complementary financial services are logical areas for retail banks to extend their efforts as they consider refining their mobile offerings strategy. The high engagement level of a financial services mobile application supported by tailored offerings can increase the probability of cross-sell success. This is further enhanced by the element of trust discussed earlier (see Figure 35, page 19).

Consumers with income levels above \$50,000 have a relatively stronger desire to purchase insurance/retirement products and mutual funds/bonds (see Figures 38 and 39).

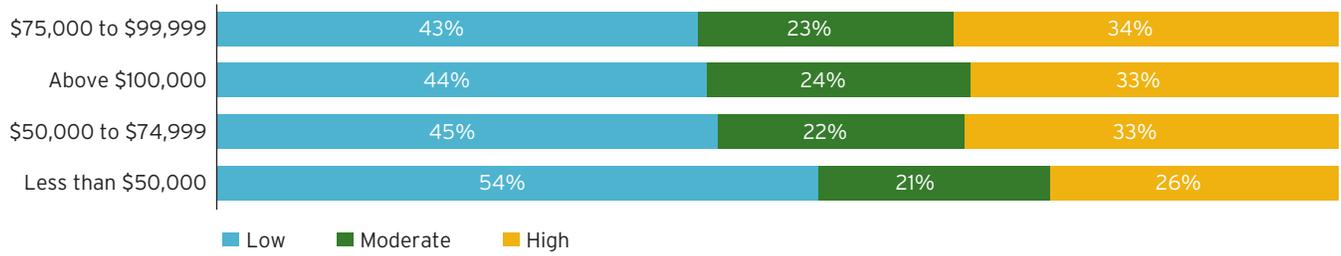
Demand for Insurance/Retirement Products



Response base: 706

Figure 38

Purchasing Mutual Funds/Bonds

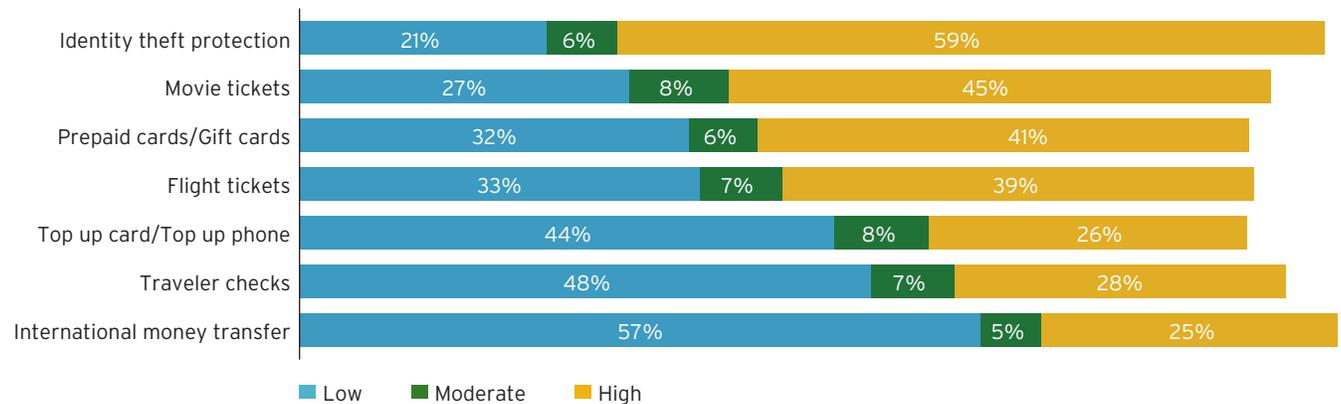


Response base: 706

Figure 39

There is a strong desire to purchase identity-theft protection products and gift cards (see Figure 40). These are complementary to core bank relationship products that can be offered by banks and supported by appropriate disclosures. Given the similarity to traditional bank products and services, consumers have a propensity to trust a retail bank's offer in these product categories. Savvy banks can link specific account-level events to these products as part of a more advanced cross-sell strategy.

The Demand for Identity Theft Protection



Response base: 296

Figure 40

For example, a customer who receives a mobile alert for potential fraud on a transaction can interact with her bank to stop further transactions from occurring. Once the account is secure, the bank can offer fraud or identity theft protection services tied to an enrollment process directed from the mobile interface. This can help drive revenue and build trust.

Recommendations

Segment needs identified in this study can help retail banks align their strategies to increase the adoption of mobile banking. Given that specific segments offer distinct opportunities and challenges, pragmatic and targeted efforts can help banks achieve desired results faster (see Figure 41).

Addressing Segment Profile Needs

	Aspiring Bloomers	Ardent Affluents	Liberal Users	Cautious Seniors	Disinclined Conservatives
Mobile Banking Adoption	<p>Are tech savvy and frequently use mobile banking. Awareness levels are high.</p> <p>Use the basic features and are also open to using advanced features.</p> <p>Most likely to anticipate new mobile services and like the capability of personalizing their mobile experience as they do this elsewhere in various mobile apps.</p>	<p>Tend to use several advanced features in mobile banking.</p> <p>Interested in personal financial management tools and targeted offers.</p> <p>Multi-platform users who expect an optimized experience on both smartphones and tablets.</p>	<p>Very interested in advisory tips to manage their money.</p> <p>Functionality related to advice on how to better manage their money and provide value-added savings, such as through offers and rewards, is important to this group.</p>	<p>Consumers in this age group look for value.</p> <p>Are interested in investment tools and products that offer rewards.</p> <p>Tablet computing is a potential platform that retail banks can leverage for better engagement with this group due to the larger screen form factor.</p> <p>Skeptical about the security of mobile transactions.</p>	<p>Do not use mobile devices for banking.</p> <p>Current banking needs are met without the use of mobile devices.</p>
Recommendations	<p>Advanced mobile banking services such as mobile photo bill pay and NFC should be promoted to this group to increase engagement and right-channel customer support from more expensive legacy-servicing channels.</p>	<p>This group is an excellent target for segmented application experiences and the introduction of digital wallet offerings that drive revenue through offers and payments, and increase engagement and loyalty.</p>	<p>This group is open to trying new advanced features but likely won't be first movers.</p>	<p>This group must be convinced about the secure nature of mobile transactions through marketing campaigns and demonstrations.</p>	<p>To persuade this group to use mobile banking, they need to be convinced of its advantages. They also need to be informed about the security features of mobile transactions.</p>

Source: Cognizant Research Center
Figure 41

Retail banks should also consider the following approaches to increase their mobile banking wallet share:

- **Remote check deposit was rated as the most important feature by a majority of respondents.** Although now a common feature, it has the potential to be further promoted and drive loyalty. Retail banks that do not have this feature should include this type of functionality in their mobile banking application or risk losing customers. This points to a significant trend: innovation in the mobile channel must be ongoing, since consumers are making relationship decisions based directly on their mobile experience.
- **Real-time alerts should be given importance.** Alerts can help consumers avoid surprises. They can also be used to receive notifications (e.g., if the consumer's account dips below a preset limit).

- **Security features should be enhanced.** Making customers more comfortable with mobile banking security can increase mobile adoption across several segments. Device advances in biometrics, such as facial, voice and fingerprint authentication, support the need for increased security and improve the consumer experience.
- **Personalization of features should be allowed.** Consumers should be able to rearrange tabs and functions within the mobile application where possible and practical. Altering date/time format and themes (color, etc.) should also be possible. This innovation could provide banks with differentiation if implemented correctly.
- **Awareness about mobile payments through digital wallets should be increased.** The benefits should be emphasized. Mobile payments should be made more convenient.
- **Tablets should be treated as a unique user experience.** Applications should be developed specifically for tablets using the larger screen size.
- **Leveraging advanced technology for a better user experience can increase customer satisfaction.** Customer support features such as online chat/voice/video should be made available to mobile devices.
- **Better shopping and social experiences should be provided over mobile devices.** Discounts and offers from retailer partners should be made available on mobile devices as a leading area for digital wallet development.
- **Insights on spending and bill payment patterns should be provided to consumers.** Consumers will have a better understanding of their spending habits – leading to better control over their financial life. This can strengthen consumer engagement and provide banks with an opportunity to better target offers, drive revenue and increase customer satisfaction.
- **Segmented customer experiences need to be delivered through the mobile channel.** It is important that banks have a flexible platform that can address the unique needs and interests of various segments. Otherwise, they risk losing customers through attrition.

Study Methodology

This survey was conducted online among a nationally representative sample of approximately 2,100 U.S. consumers, roughly 700 of whom are mobile banking users, during March and April 2013. Data was collected on mobile banking

Respondent Demographic Profiles

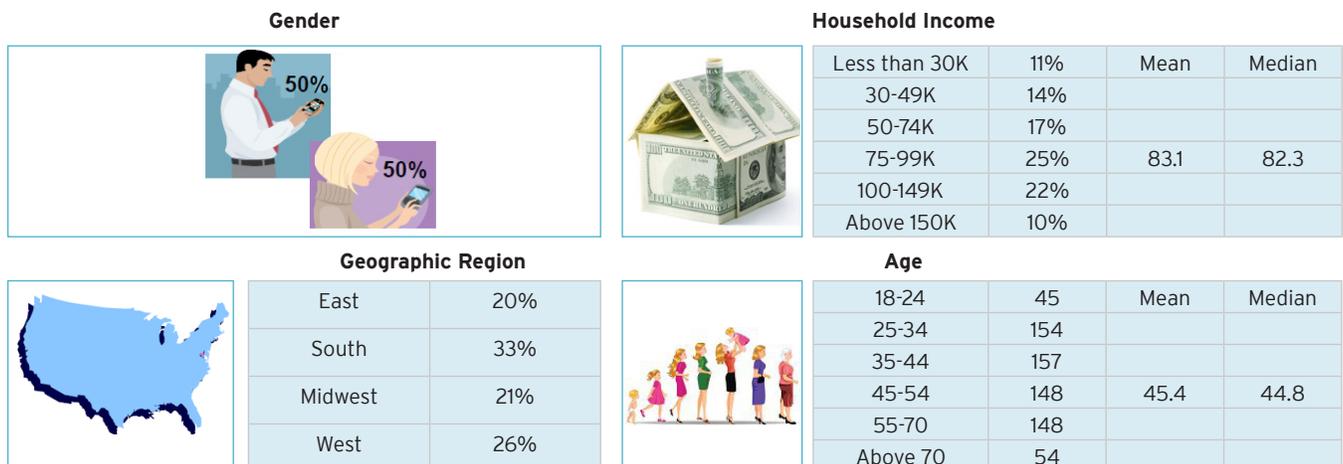


Figure 42

sentiments, preferred features of smartphones and tablets, attitude towards mobile payment services and the major concerns regarding mobile banking. The analysis includes:

- Underlying factors involved in mobile banking usage.
- Segmentation of consumers based on demography and mobile banking usage.
- Profiling of consumers based on the various features that they use.

(See Figures 42 and 43 for respondents' profile details.)

Ethnicity, Employment Status and Education Level

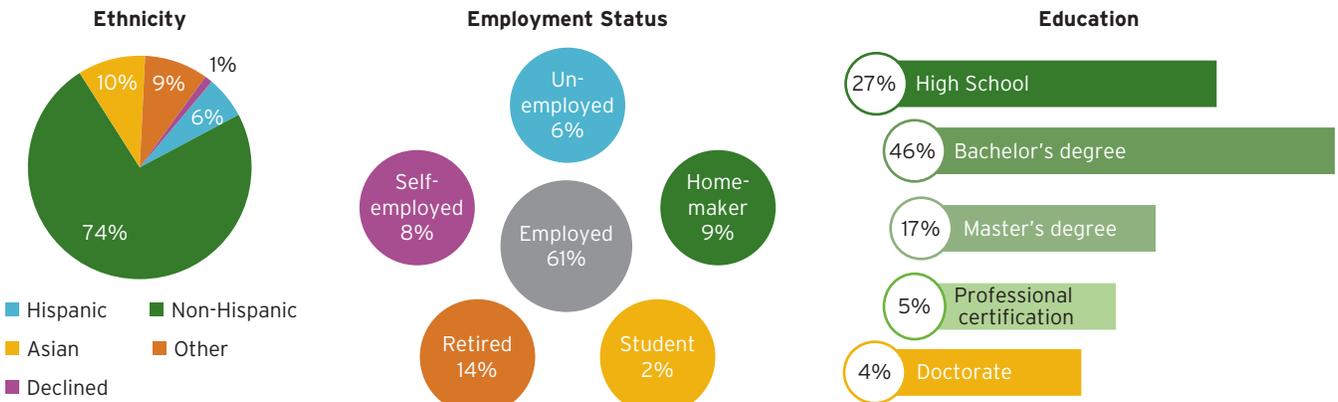


Figure 43

Respondents With Accounts at Leading Banks

Banks	No. of consumers having bank accounts
Bank of America	315
Chase/JP Morgan	284
Capital One	189
Wells Fargo Bank	174
Citibank/Citigroup	140
HSBC	57
U.S. Bank	50
PNC Bank	47
SunTrust Bank	33
TD Bank	33
Fifth Third Bank	25
USAA	24
Citizens Bank/Citizen's Financial	21
Regions Bank	18
Credit Unions	17
First Bank	15
Others	89

Figure 44

Footnotes

- ¹ We asked for the top three features. Figure 10 shows responses selecting leading features.
- ² The look and feel of the experience across the different modalities should be the same.
- ³ The following banks were listed in the survey:

Bank of America; Bank of the West; Branch Banking & Trust (BB&T); Capital One; Chase/JP Morgan; Citibank/Citigroup; Citizens Bank/Citizen's Financial; Comerica Bank; Fifth Third Bank; First Bank; First Citizens Bank & Trust; First Niagara Bank; Harris Bank (BMO); HSBC; KeyBank; Manufacturers & Traders Bank (M&T Bank); PNC Bank; Regions Bank; Sovereign Bank; SunTrust Bank; TD Bank; UBS; U.S. Bank; Union Bank of California and Wells Fargo Bank.

The survey also included an "others" option.

Acknowledgments

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Design

Harleen Bhatia, Creative Director
Suresh Sambandhan, Designer



About the Authors



Vin Malhotra is a Partner with Cognizant Business Consulting's Banking and Financial Services Practice and leads the Retail and Mobile Banking Practice. He has 26 years of experience in management consulting helping clients increase their ROI from their technology investments and focuses on the retail, commercial and mortgage banking industries. Vin's clients have included international and regional banks, credit unions and Fortune 1000 firms in the BPO, payments and financial technology spaces. He has served clients in multiple geographies, with project delivery in the U.S., Latin America, Europe and Asia Pacific. Vin can be reached at Vin.Malhotra@cognizant.com | [linkedin.com/in/vinmalhotra](https://www.linkedin.com/in/vinmalhotra).

Sudhir Jain is a Senior Manager within Cognizant Business Consulting's Banking and Financial Services Practice. He has 12 years of experience in business and technology consulting with top-tier financial institutions in the U.S., Europe and Asia. Sudhir leads a team of consultants who provide advisory services and software development to leading banks. He can be reached at Sudhir.Jain@cognizant.com | [linkedin.com/in/jainsudhir](https://www.linkedin.com/in/jainsudhir).



Sanjay Fuloria, Ph.D, is a Senior Researcher with Cognizant Research Center, where he oversees primary research activities and writes thought leadership white papers based on both primary and secondary research. He has more than 13 years of industry research experience. Sanjay can be reached at Sanjay.Fuloria@cognizant.com | [linkedin.com/in/sanjayfuloria](https://www.linkedin.com/in/sanjayfuloria).

Chris Craver is a Senior Product and Strategy Leader with Monitise in the U.S., and leads the development of innovative, industry-leading digital solution offerings on behalf of his clients in the financial industry. Chris has 15 years of progressive, cross-functional experience, specializing in financial services digital product strategy in the U.S. and Canada. Prior to joining Monitise, Chris was an executive consultant at a top-20 bank in the U.S., providing leadership in digital channel initiatives in mobile, online, payments and commercial solutions. Chris can be reached at Chris.Craver@monitise.com.



Marc Winitz is a Senior Product Marketing Leader with Monitise and has more than 20 years of experience in banking and mobile technologies working with global financial services and Fortune 2000 companies on five continents. Marc is responsible for providing strategic market direction around digital products and solutions on behalf of Monitise Americas. Prior to working at Monitise, Marc led the mobile solutions group for a top 10 Washington, D.C. systems integrator. Marc can be reached at Marc.Winitz@monitise.com.

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Monitise (LSE: MONI) is a world leader in mobile money – banking, paying and buying with a mobile device. Leading banks, payments companies, retailers and mobile networks utilize Monitise's technology platforms and services to securely connect people with their money. Already over 20 million consumers benefit from our patented technology to 'bank anywhere', 'pay anyone' and 'buy anything' accounting for over \$30 billion of payments, purchases and transfers annually. More information is available at "www.monitise.com."

World Headquarters

500 Frank W. Burr Blvd.
Teaneck, NJ 07666 USA
Phone: +1 201 801 0233
Fax: +1 201 801 0243
Toll Free: +1 888 937 3277
inquiry@cognizant.com

India Operations Headquarters

#5/535, Old Mahabalipuram Road
Okkiyam Pettai, Thoraiakkam
Chennai, 600 096 India
Phone: +91 (0) 44 4209 6000
Fax: +91 (0) 44 4209 6060
inquiryindia@cognizant.com

Australia

Cognizant Technology Solutions
Australia Pty Ltd
Level 15
14 Martin Place
Sydney, NSW, 2000
Australia
Phone: +61 2 9223 3988
Fax: +61 2 9233 5315
inquiryaustralia@cognizant.com

Hong Kong

62/F, Suite 6201, The Center
99 Queen's Road
Central, Hong Kong
Phone: (852) 2273 5393
(852) 2273 5395
Fax: (852) 3965 3222
inquiryhk@cognizant.com

Singapore

Cognizant Technology Solutions
Asia Pacific Pte Ltd
80 Anson Road
#27-02/03 Fuji Xerox Towers
Singapore, 079907
Phone: +65 6324 6672
Fax: +65 6324 4383
inquirysingapore@cognizant.com



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