
SMALL BUSINESS MOBILE New channel could quickly catch on

By John Ginovsky

While about a third of small businesses currently use mobile banking, that's likely to increase to 54% by 2015 according to Aite research. Banks need to be ready and able not only to offer the mobile channel to their commercial customers, but to tailor it with added value so that businesses would actually be willing to pay for the product.

Tech Topics talks with Christine Barry, the Aite researcher who wrote the report "Small-Business Mobile Banking: A Promising Opportunity."

Tech Topics: The mobile banking channel is still being developed on the retail side. How does it relate to the commercial side—small business in particular? Are there similarities? Differences?

Christine Barry: There are certainly some similarities. Most financial institutions promote their consumer mobile offerings first, then begin offering consumer offerings to their small business customers, but they are starting to realize that while those offerings sort of meet the needs of their small business customers, the real value for a small business owner is convenience. Those small business owners are becoming more mobile and some of the capabilities they need aren't necessarily on the consumer side. One of those capabilities is entitlement. Very often, for example, for payments, there is somebody back in the office that initiates a payment but then they still require the final approval of the business owner. There will be the capability for the owner to receive an alert and then be able to approve it through the mobile device without having to wait until he's back at the office. That's where we're seeing a lot of business customers seeing value from the product. In many cases it's the difference between their not being willing to pay for it, and their being willing to pay for it.

Tech Topics: Are there other ways to leverage this from a free service to one that generates revenue?

Barry: Entitlement is the most critical functionality, but there are also opportunities with tablet banking, which I'm

including with mobile. So far, mobile is focused on smartphones, but I think that tablets, which are part of most banks' mobile strategy, will provide even more opportunity for generating revenue. The banks can really get into the personal financial management capabilities that these tablets lend themselves very well to for generating revenue.

Tech Topics: What elements should be in a bank's strategy for offering this?

Barry: Banks are finding that they need to roll this out in phases across different customer segments and also [by] the functionalities they offer. When it comes to functionality, many are offering the basics, such as checking balances. On the business side you're getting into more of the entitlement capabilities, and then remote deposit capture, and positive pay for check fraud.

We're also seeing a lot of institutions focusing a great deal on education, especially about security. Concerns about security are typically the No. 1 reason why a business customer wouldn't use a mobile device. We're seeing a lot of banks developing webinars and marketing material focusing on security.

Tech Topics: Throughout the report you talk about things happening "in the months ahead," not years ahead. Do you see this taking hold fairly rapidly?

Barry: It's interesting. The adoption curves are getting steeper with new technology today. We are expecting to see adoption of the mobile channel to take off a lot faster than other channels have. We're seeing a lot of excitement about the mobile channel. For the last few years, with the financial crisis, many institutions had to put initiatives on hold because they were so focused on regulatory compliance and other issues. Now, financial institutions are at a point where they are able once again to focus on their customers, focus on their growth. Mobile is a big part of their strategy, so we are expecting to see pretty fast movement.

Read more about the report at <http://www.aitegroup.com/Reports/ReportDetail.aspx?recordItemID=945>

About the Author

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For more than two decades he has written about the commercial banking industry. In particular, he's specialized in the technological side of banking and how it relates to the actual business of banking. He previously was senior editor for Community Banker magazine (which merged with ABA Banking Journal) and was a staff writer for ABA's Bankers News. You can email him at jginovsky@sbpub.com

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