

Trends in the Financial and Banking Industry

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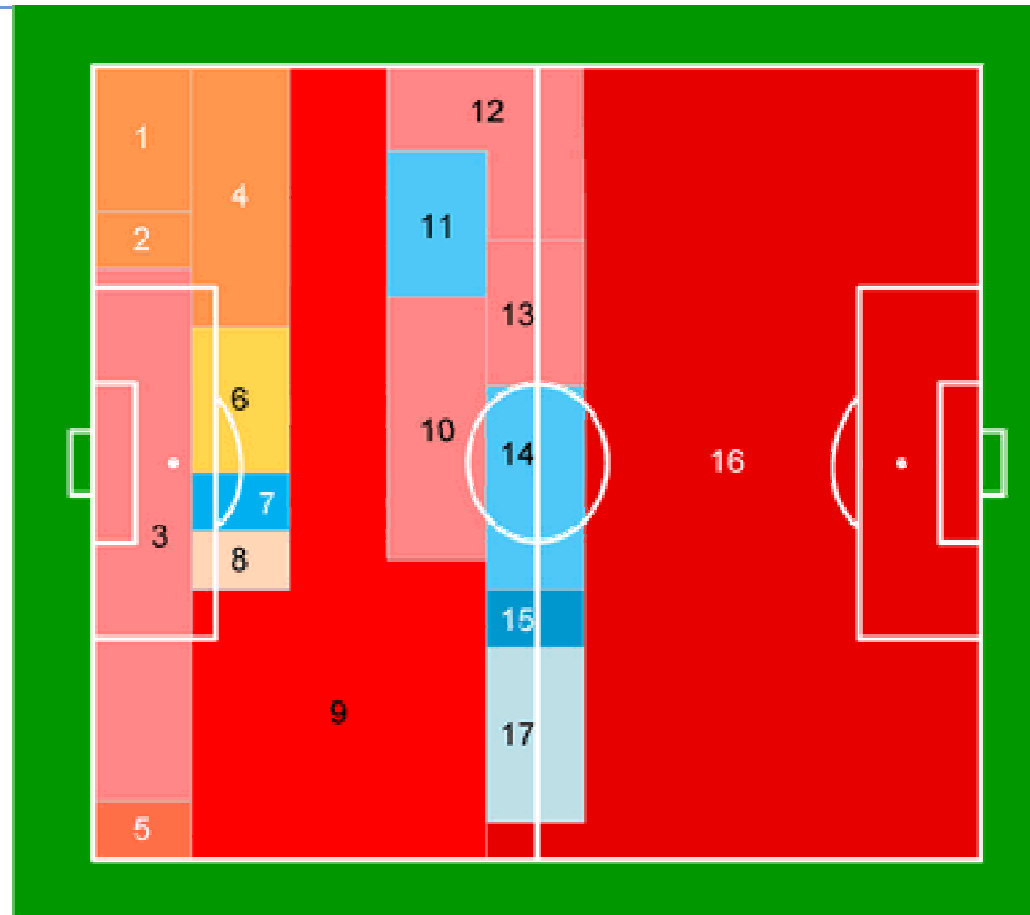
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Top Banks and Their IT Plans and Investments

- In 2Q11, the world's biggest banks continued to focus most of their announced IT initiatives on mobile financial services (including payments) and online banking.
- Based on client interactions, publicized investment activity continues to show less than 100% correlation to actual investment activity — for example, in areas such as retail banking core systems and risk management.
- Client interactions continue to emphasize that hyped investments, such as those in mobile, are not necessarily accompanied by proven business or use cases.

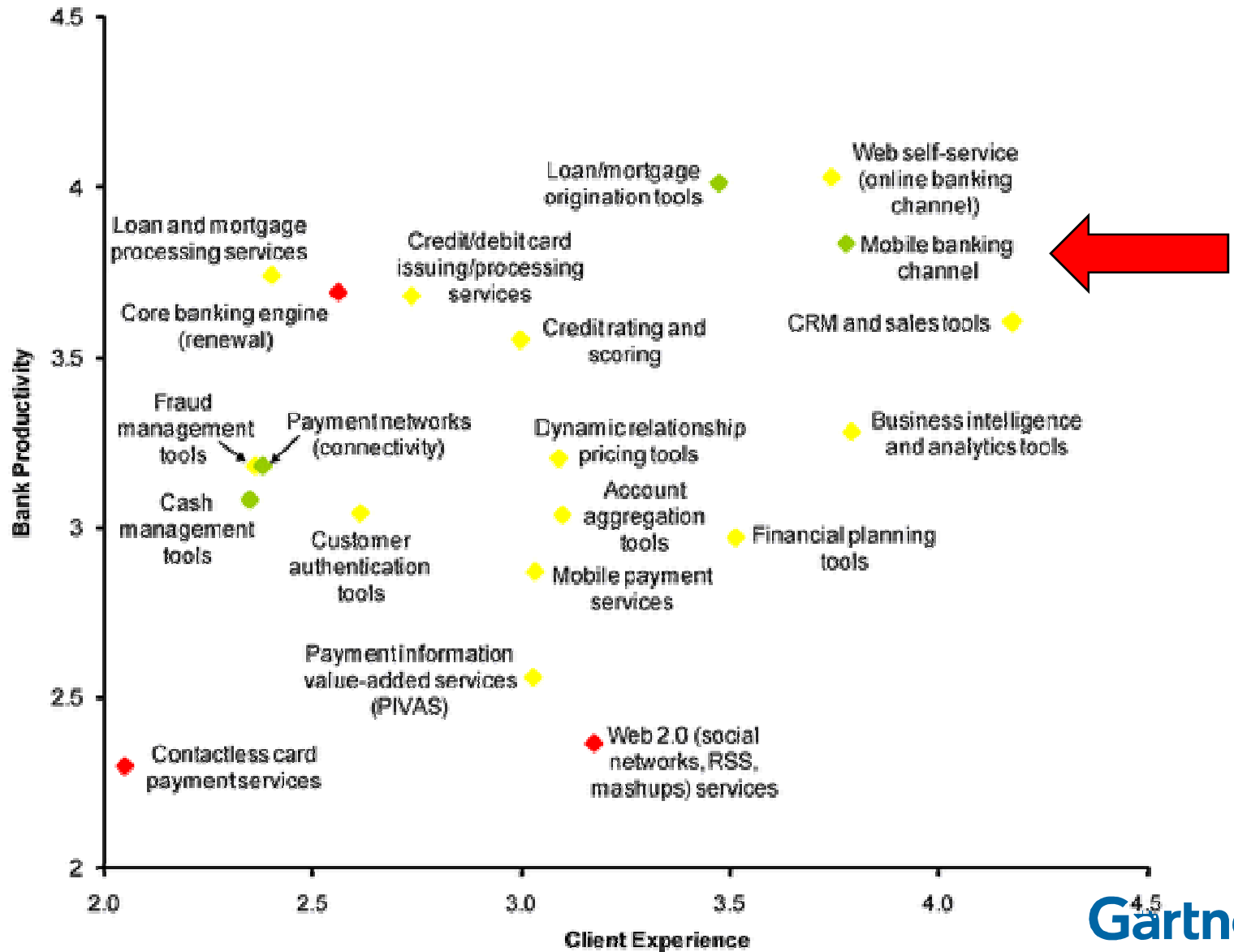
Total Amount of News Possession That Top Banks' IT Investments Have Held Through the Past 21 Months

1. Outsourcing — BPO/ITO
2. Business Process Re-engineering
3. Cards
4. Commercial Cash Mgmt.
5. Corporate Benefits
6. Data Mgmt.
7. Green IT
8. Innovation Mgmt.
9. Online
10. Internal Ops, Systems, Networks
11. Personal Financial Mgmt.
12. Payments
13. Branches
14. Retail Core Systems
15. Customer Self-Service
16. Mobile
17. Risk



- Colors represent the increasing (redder) or decreasing (bluer) level of announcements during the past 21 months
- Size of area on the football field represents the percentage amount of possession that news announcements about the particular IT investments have held during the past 18 months

Strategic Technology Map for Western European Retail Banking

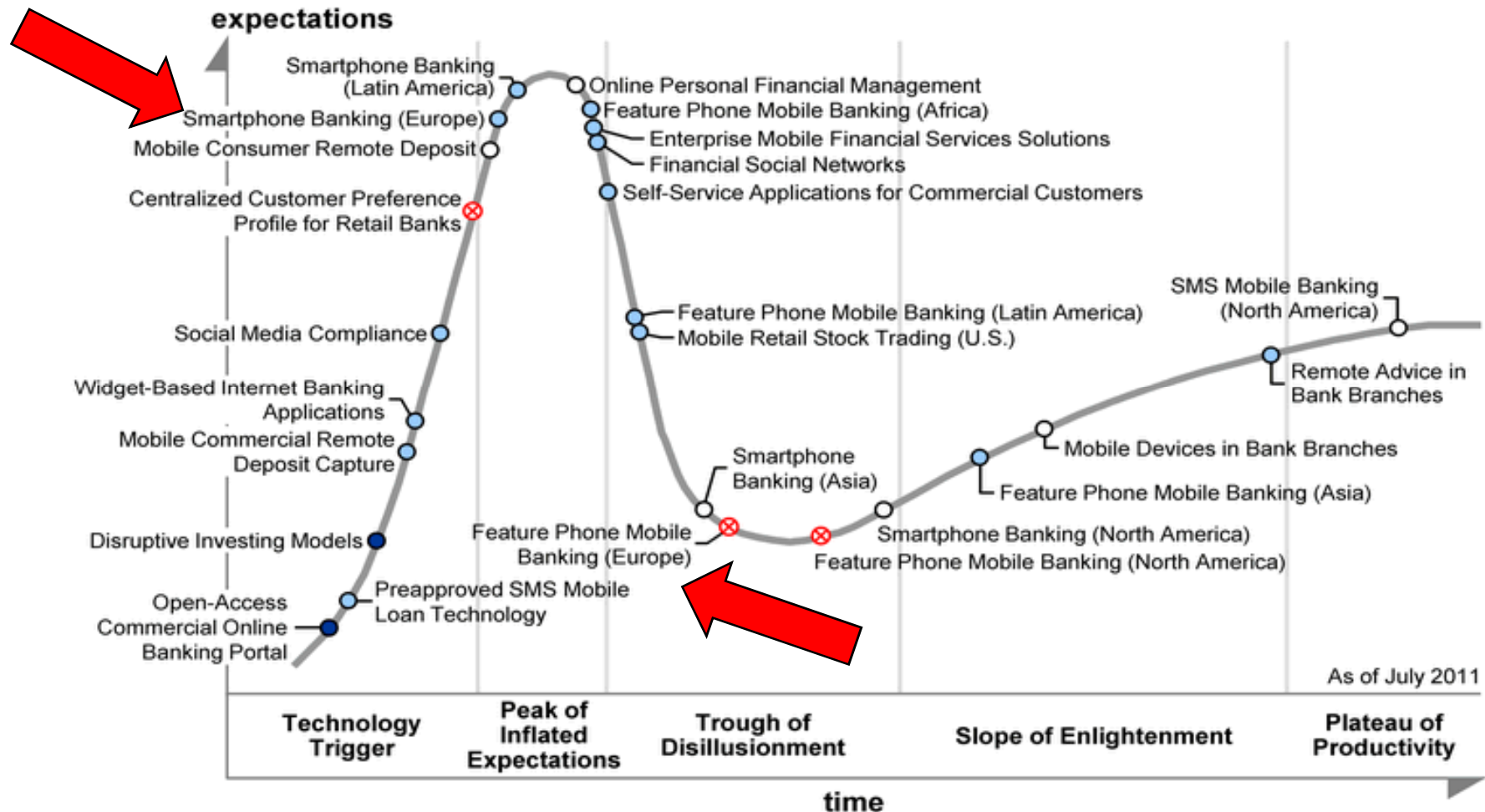


Definition - Mobile Consumer Banking

Gartner define wider topic of mobile consumer banking as aggregated from three categories:

- **SMS mobile banking** — Using text messages to initiate and manage bank transactions and messages. This form of mobile banking is now mainly focused on those geographies where mobile phone penetration is high, but the complexity of the phones is relatively low.
- **Feature phone mobile banking** — Full-feature, "heavy" mobile banking applications that are usually Java-based, requiring customers to actively download the application to their phones from a bank's website.
- **Smartphone mobile banking** — Light, "apps"-based approaches to mobile banking, usually downloaded to the consumer's phone from an app store.

Hype Cycle for Banking and Investment Services Customer Acquisition and Retention



Priority Matrix for Banking and Investment Services Customer Acquisition and Retention

benefit	years to mainstream adoption			
	less than 2 years	2 to 5 years	5 to 10 years	more than 10 years
transformational		Feature Phone Mobile Banking (Africa) Financial Social Networks		
high		Enterprise Mobile Financial Services Solutions	Disruptive Investing Models Open-Access Commercial Online Banking Portal	
moderate	Mobile Consumer Remote Deposit Mobile Devices in Bank Branches Online Personal Financial Management Smartphone Banking (Asia) Smartphone Banking (North America)	Feature Phone Mobile Banking (Asia) Feature Phone Mobile Banking (Latin America) Mobile Commercial Remote Deposit Capture Preapproved SMS Mobile Loan Technology Self-Service Applications for Commercial Customers Smartphone Banking (Europe) Smartphone Banking (Latin America) Social Media Compliance Widget-Based Internet Banking Applications		
low	SMS Mobile Banking (North America)	Mobile Retail Stock Trading (U.S.) Remote Advice in Bank Branches		



As of July 2011

Bust Four Myths About Mobile Financial Services With Technology Reality

Myths

1. E-banking on a phone
2. iPhone rules
3. NFC is the key to mobile payments
4. Mobile banking is safe

Reality

1. Apps move control to the consumer
2. Consumers drive popularity of devices and OS — not banks
3. NFC depends on region; barcodes are in use now
4. Security and fraud — the elephant in the room

Consumers Drive Popularity of Devices and Operating Systems — Not Banks

Smartphone Mobile OS Sales Market Share

Eastern Europe	2011	2012	2013
Symbian	48.5%	16.3%	2.0%
Android	34.4%	55.0%	59.5%
iOS	7.6%	12.0%	13.5%
Microsoft	6.0%	13.0%	20.5%

Smartphone Mobile OS Installed Base

Eastern Europe	2011	2012	2013
Symbian	59.8%	30.6%	10.1%
Android	23.2%	45.9%	56.8%
iOS	6.6%	9.8%	12.0%
Microsoft	6.7%	10.5%	17.3%

Source: Gartner (August 2011)

Security and Fraud: The Elephant in the Room

Mobile-Related

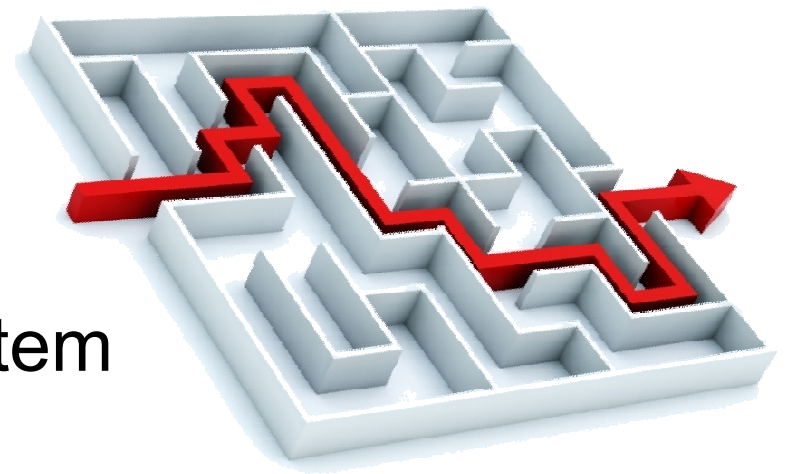
- Device
- Application
- Lost or stolen device
- Operating system security
- Communication connection

MFS-Related

- Customer authentication
- Transaction
- Customer data security and privacy
- Fraud detection

Four Key Moves to Navigate the Maze

1. Create a **mobile financial services** strategy
2. Select apps for mobility
3. Identify enterprise solution vendors
4. Extend mobile-based services within MFS ecosystem



1. Create Strategy Using MFS Framework

Evaluate each strategy component in your business and technology environment



Which components can you control or influence?

2. Select App for Mobility

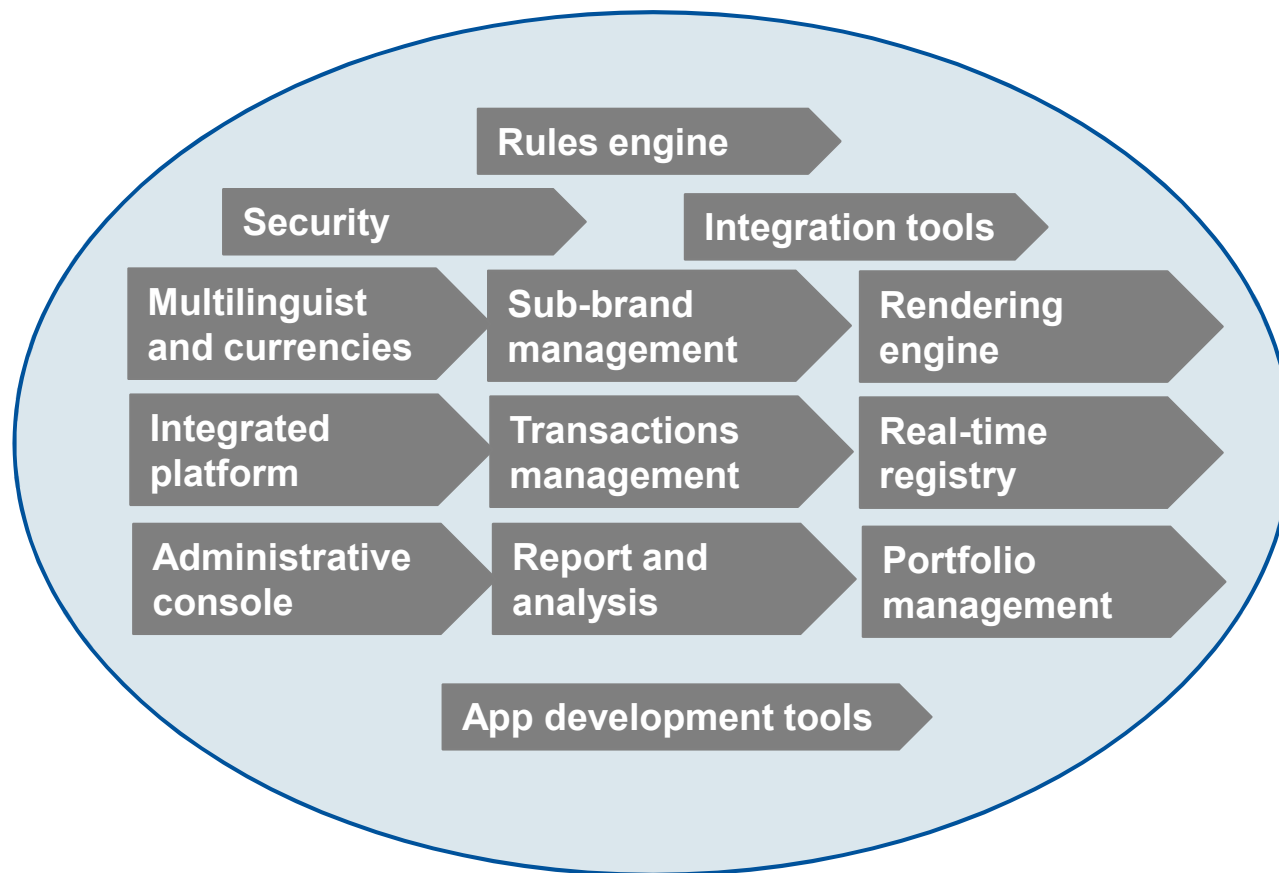
Identify product and service gaps ripe for mobility:

- Locate ATMs within 1 mile that have cash right now.
- Identify recommended products.
- Manage finances.
- Identify potential payment fraud.



3. Identify Enterprise MFS Providers to Create Integrated Ecosystem

Capabilities That Support MFS Ecosystem Molecules



Vendors include:

- Clairmail
- Fundamo
- M-Com
- mFoundry
- S1
- Sybase
- Utiba
- Vipera
- Yellow Pepper

4. Extend Mobile-Based Services With Revenue Models Within MFS Ecosystem

	MFS Segmentation Stakeholders					
Types of Services	Consumers	Unbanked/ Underbanked	Merchants	SMBs	Commercial Customers	Internal Services
Sales and Marketing	Mobile campaigns Reminders Application status		Mobile campaigns	Mobile campaigns Reminders Application status	Mobile campaigns Reminders Application status	Local branch campaign In-branch registration Financial advice
Account Services	Alert services Presentment Language support Rewards management	Alert services Presentment Language support	Alert services Presentment	Alert services Presentment	Alert services Presentment	In-branch support
Security	Multifactor auth. Notification Confirmation Activate/cancel card	Multifactor auth. Notification Confirmation	Notification Confirmation	Multifactor auth. Notification Confirmation Multitier auth.	Multifactor auth. Notification Confirmation Multitier auth.	
Transactional Services	Mobile prepaid top-up Fund transfers P2P	Microloan repayment International remittances Utility bills	E-commerce gateway Wireless POS NFC	Payroll services	Payroll services	In-branch support Trading services
Business Intelligence	Contextual data	Contextual data	Credit data Contextual data Industry/ market data	Credit data Industry/ market data	Credit data Industry/ market data	Analytics/stock market data Credit data

Action Plan for Senior Mobile-Banking and Payments VPs

Monday Morning

- *Map* your mobile banking and payments initiatives to the components of the mobile ecosystem.
- *Identify* five gaps in customer products and services that can be addressed by incorporating mobile-based services.

Next 90 Days

- *Validate* one viable mobile app that addresses a service gap. *Develop* business case and app for this service. *Deploy* app.
- *Create* cross line-of-business team to create mobile financial services strategy. *Include* business and IT staff who work on social media/social software.

Next 12 Months

- *Adapt* strategy to changes in business and technology environment.
- *Evaluate* enterprise mobile financial services solutions.

Related Gartner Research

- **Hype Cycle for Financial Services Payment Systems, 2011**
Christophe Uzureau and Alistair Newton (G00214036)
- **Hype Cycle for Banking and Investment Services Customer Acquisition and Retention, 2011**
Alistair Newton (G00214713)
- **Location and Context Undermine Banks' Multichannel Strategies**
Alistair Newton and Stessa Cohen (G00210522)
- **The Fundamentals for Success With Mobile Financial Services**
Christophe Uzureau, Alistair Newton and Stessa Cohen (G00206733)
- **Best Practices in Mobile User Authentication and Layered Fraud Prevention**
Avivah Litan (G00214036)