



Generation mBanking

An international study of youth attitudes to banking and online banking services.

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Gemalto eBanking & eCommerce:

Common characteristics of Gemalto's Ezio Suite of online banking solutions and services include scalability, flexibility, modularity and ease of implementation, that are designed to be future-proof, supporting seamless upgrades and the introduction of new products and services by banks.

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Foreword

We all instinctively know that mobile is a key channel for any number of things: from communications to gaming, on to navigation through to payments. The smartphone, heralded by the arrival of the iPhone in 2007, has catalyzed change like few other inventions in recent years. Banking is no different and after the rapid rise of home banking following broadband penetration in the 2000s, the 2010s has shown us that all banks in countries with widespread mobile internet need a presence in this channel.

Existing studies covering a mix of demographics have shown that the use of mobile devices to bank is universally on the rise. According to the UK's Office of National Statistics, half of adults and more than three-quarters of 25-34 year olds now manage their money online. With about one in five having made payments via their mobile phone and a quarter using it to check bank balances. Across the Atlantic, 33% of all mobile users have used mobile banking in the past 12 months, up from 28% a year earlier¹. Meanwhile Singapore has a much deeper and longstanding penetration rate, with 58% of the nation having used mobile banking at least once². There is little research around specific use in either Brazil or Mexico but as a region, Latin America is estimated to have 18 million mobile banking users and this figure is predicted to grow to more than 140 million by 2015³.

While these figures are exciting, they only analyze the usage trends of over 18s - with no specific insights into the behaviors of teenagers or young adults, who are arguably a consumer base that need some specific focus now. As such we decided to look at the habits of digital natives to see how the people who have grown up with digital services view mobile banking. Not only will this shine a light on an uncharted segment but it should give us indicators on the next generation of services that financial institutions need to deliver to customers whose phones have never been anything other than smart. We undertook this online study to get an understanding of exactly how rapidly – and how passionately – young people today have come to regard the importance and security of their bank's mobile offering and services. We expected strong enthusiasm as this generation is the first to have opened their bank accounts with tried and tested mobile banking applications already in place. Unlike their older siblings and parents they have been able to dive straight onto this platform without the need for a bricks-and-mortar, real-world experience. Despite this, we still expected a little reticence; after all, mobile banking is still banking, and banking is one of those solid and immutable things characterized by aphysical and in-branch experience. A place where criminals, cyber or otherwise, are not welcome. Is it not?

As young people have a habit of doing, they surprised us with the strength of their passion. Not only would a lack of a mobile offering trigger a defection, but a poor mobile experience would too. This is a clarion call to financial services providers the world over: the time for action is now, or face irrelevance. By the same token, the young hold no harbor with poor security: despite inadequate measures on their own part, there is an expectation that their banking providers keep them safe – or they risk losing their trust.

And so the duty of the financial services provider grows: deliver innovation and compelling user experiences, securely, to meet the needs of the next generation, or risk losing out to the competition.

¹ The Federal Reserve System, Consumers and Mobile Financial Services 2014

² MMA SmartGraphic on Singaporeans and Their Smartphones

³ Deloitte, The Future of Mobile Banking in Latin America

About the research

Gemalto polled 1,184 people aged 16-24 using online polls hosted by SurveyMonkey and using a consumer database from SmartSurveys in the USA (21.7%), UK (21.1%), Mexico (20.3%), Brazil (21.7%) and Singapore (15.1%). The sample was 58% female, 42% male. The surveys were carried out in Fall 2014.

Executive summary

The research covered a few key areas:

Smartphone and tablet adoption:

- > Is generally extremely high with this demographic – substantially higher than the national averages for smartphone penetration in these markets. Brazil, the ‘least’ smartphone enabled nation in the study (according to [Google’s Mobile World report for 2013](#), with 26.3% of the population smartphone enabled) has a youth smartphone adoption rate of 89.1%. And usage levels are high, with more than a third of respondents (37.7%) using their smartphone or tablet for more than five hours every day.

Banking habits:

- > As smartphone and tablet popularity has soared, the way young people access banking services has seen a shift. Nearly four in five (77%) use online banking services, with 42% using them five times a month or more. More than three in five (62%) use mobile banking apps and almost half (47.6%) bank by phone. Over a quarter (27%) of respondents never visit their branch in person anymore, and a further quarter (27%) goes just once per month.

Trust and security:

- > Although mobile and online are increasingly the preferred methods of choice for accessing banking services, trust in banks remains high; which is surprising in the post-2008 economic crash era, where global trust in banks has arguably fallen to an all-time low. Only 16% of respondents said that they trust their mobile provider more than their bank. But security is still near the top of the agenda, with two thirds (66.5%) admitting to concerns about the risks of using a smartphone or tablet for banking. Despite this concern, there are some contradictions in how young people approach security. Almost half (47.9%) say they would be happy to switch banks if they felt their bank didn’t offer adequate security, yet a third (30.6%) would be happy to access online or mobile banking services over unprotected public Wi-Fi networks, a risky practice at the best of times.

Quality of service:

- > When it comes to mobile banking, the range of services on offer is important. Young people are using their banking apps for a variety of tasks– from applying for loans (3.7%) and viewing their balance (9%) to making domestic transfers (25.6%) and paying bills (40%). Ease of use is crucial and they don’t have much patience when it comes to bad service – 68.4% would use apps less if they were difficult to use, while 36.6% would be prepared to change their bank altogether, highlighting the importance of the mobile channel within this segment.

Our observations/Recommendations:

- > The research results led us to several conclusions and a few key lessons for financial services companies. Firstly, mobile is here to stay. If you have ignored it up till now, you really cannot afford to do so any longer. You also need to provide a range of features that are easy to use if you want to keep your customers happy. However, security is paramount and you will soon lose this audience if you come up short. Finally, it does not matter where you are: our survey ran in five different countries and barring minor differences the overall trends are the same. Financial services companies should heed these lessons to stay in touch with the younger generation and build a loyal customer base for the future.

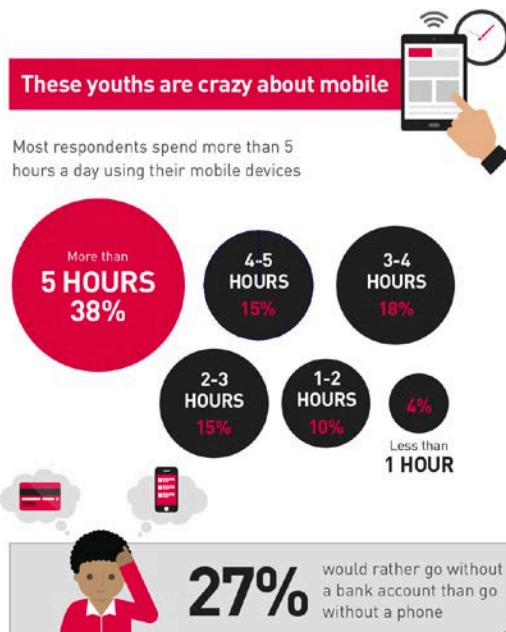
Chapter 1 : The importance of mobile

Saying that young people like smartphones and tablets is hardly a major revelation. But the extent to which they use them may be a surprise. Only 3% of those we surveyed had neither device. 92% own smartphones, 43% own a tablet and 38% own both – and they spend a significant amount of time using them. 70% of young people spend two hours or more every day on their mobile device, with over a third (37.7%) spending more than five hours.

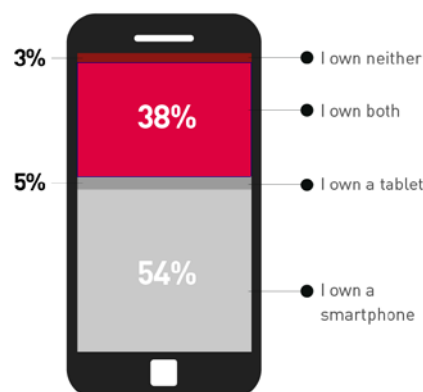
Mobile devices have evolved from a desirable piece of consumer technology to an integral part of daily life for all generations. They are no longer about making phone calls but are *the* go-to device to access information and connect with friends through the internet. 1.2 billion people around the world use their smartphone to get online, around 25% of which are young adults.

The average smartphone user in the US is on their phone for one hour and ten minutes a day, rising to one hour and thirty three minutes a day in the UK⁴.

We use them to email, instant message, and shop for clothes, groceries, and holidays. They have replaced cameras, music players, radios, and even support us in our quest to stay fit and healthy. It is not just about gaming and social networking⁵. They are increasingly the gateway from which we interact with all elements of life, whether at work, at home or on the move. This attachment is, of course, even more marked in young adults; with those we surveyed valuing mobile devices to the extent that over a quarter (27%) say they would rather go without a bank account than without their phone. This is truly “Generation M”.



Nearly all of them own at least one mobile device



Key takeaways

- > Practically all young people now have a smartphone, tablet or both
- > They are more than just a gadget; they are a way of life that is not going to go away

⁴ Nielsen, How Smartphones Are Changing Consumer's Daily Routines Around The Globe, 2014

⁵ ComScore's excellent 2010 Mobile Year in Review

Chapter 2 : Changing habits

With smart mobile devices playing such a leading role in young people's everyday lives, it makes sense that banking habits are changing to follow suit. The decades-old tradition of visiting bank branches in person to discuss services relating to your account could well be on the way out, with over a quarter (27%) of young people never visiting their branch and only 14% stating that they prefer doing their banking in person. This is in stark contrast to 82% of 18-60 year olds, who in the US, say they'd spoken to a teller or a bank employee at a bank branch in the past 12 months⁶.

With visits to branches declining in popularity, it is hardly surprising that banks around the world are closing so many. A net total of 1,487 branches closed in the US last year alone – the highest number since SNL Financial began tracking the statistic in 2002. Just a few months ago, the UK's HSBC earmarked 19 more branches for closure, in addition to the 47 it shut last year; as customers shun the High Street and turn to the internet and mobile banking. Unsurprisingly, online banking is well established with the younger generation, with 77% using online services every month. Banking via smartphone or tablet applications is also gaining traction, with 62% using them at least once a month.



Accessing banking services in this way is already seen as “essential” for a quarter (24.2%) of this audience. Although convenience undoubtedly plays a large part in this, there are other factors at play: a third (35.9%) think banking via mobile device helps them to maintain better control over their finances, and 17% think this generation as a whole will be more financially responsible as a result of having such immediate and regular access to their accounts.

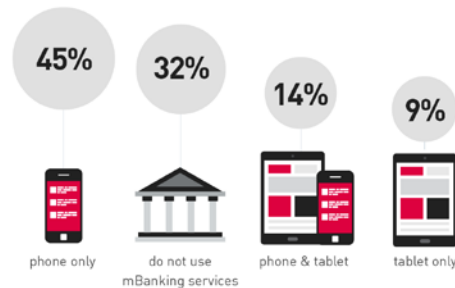
Whether or not this increased responsibility comes true remains to be seen, but what's clear is that today's youth is far more likely to interact with their bank via internet or mobile device than they are to visit you in person.

Key takeaways.

- > A quarter of young people never visit their bank in person.
- > 77% bank online at least once a month, 62% use mobile apps
- > A quarter think that banking via smartphone or tablet is essential

They are embracing mobile banking services

Devices commonly used by respondents for banking



⁶ The Federal Reserve System, Consumers and Mobile Financial Services 2014

Chapter 3: Trust and security

Although they have truly embraced mobile devices and mBanking, young people do not have their eyes closed when it comes to security. More than two thirds (67%) are concerned about the risks they face when using a mobile device to access banking services. And their expectations from banks are high, with 89.5% feeling that mobile services should incorporate the same security features as existing online services.

What is more, they might not tolerate sub-standard mobile security measures. More than a third (38%) of respondents said they would only use an app's basic features if they felt that it had poor security, but almost half (48%) said that they would switch banks altogether. Given the demand they have stated for mobile services, this shows how important it is for banks to get security right.

However, there is also a slight paradox when it comes to mobile security and young people. We know they are concerned about it, and we know they won't tolerate banks and apps which let them down. But it also seems that convenience can come at the expense of security. One in three (30.6%) of those surveyed said that they would be happy to access online or mobile banking services via public Wi-Fi services, potentially putting themselves at risk of interception by cyber-criminals, and consequently suffer fraud. This generation of digital natives is often assumed to have a solid understanding of cyber threats, so it's surprising to see so many prepared to risk their own online safety in this way. Further education is needed across the industry to raise awareness and prevent continued risky behavior.

They're also far more likely to air any grievances publically over social media too. According to a poll of 2,000 people by the communications agency Echo Research, 36% of young people had used a social media platform to contact a big company and 65% said it was a better way than call centers to get in touch with companies. It was not just confined to the young either, with 27% of people aged over 55 having used social media to complain. A bad review or negative comment can be retweeted by millions, and seriously impact a company's reputation and revenues. Social media is "the voice of the people". They use it to speak *and* listen. Across the UK and US, 17% of all consumers use social media to aid their decision about purchasing bank products and services, 15% to see how others feel about the bank and 12% to recommend the bank to others⁷.



⁷ Global Trends – social media and brand reputation in the financial services sector

Regardless of security concerns, trust in banks among young people remains high. Only 16% of respondents said that they trust their mobile provider more than their bank. Given the negative sentiment expressed towards banks following the 2008 crash, this might be a surprise to see. But it shows that banks have an opportunity to have a fresh start with the younger generation, and use them as a vehicle to build greater trust among their entire customer base.

Key takeaways.

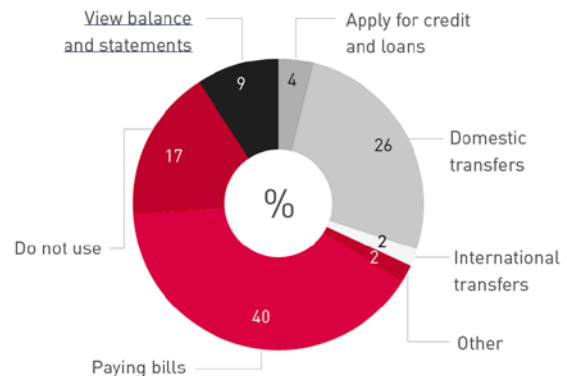
- > You have young peoples' trust – don't squander it.
- > Security of mobile banking services is paramount
- > Education is required to turn our digital natives in security natives

Chapter 4: Changing habits

When it comes to the quality of mobile banking, young people want a fully featured service with access to all the functions they have come to expect from the online or in-branch experience.

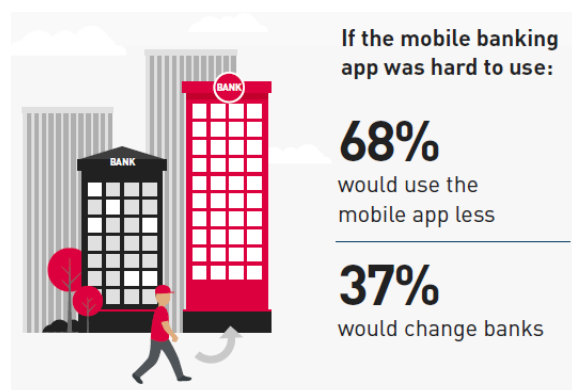
Those interacting with mobile banking apps are not just using basic features like checking their balance before they make a purchase; they are embarking on a wide range of advanced tasks. 2% are making international transfers, 4% are applying for credit and loans, 26% are making domestic transfers and 40% are paying their bills.

They regularly use a variety of banking services



Having a broad feature set is therefore crucial if you want to keep the younger generation of banking customers happy. But as well as providing range, financial services companies also have to ensure that the user experience is smooth and satisfying. When we asked how they would respond to an mBanking app that was hard to use, over two thirds (68%) said that they would use the app less, while more than one third (37%) said that they would change bank entirely. In a world where the pace, quality and intuitive nature of apps has been defined by innovative, agile consumer technology companies, such as Google, YouTube Facebook, Spotify and Twitter; financial services companies still need to work hard to catch up. Apps from competitors can be downloaded and installed in seconds; banks need to realize that a fiddly, unresponsive or unreliable app could well cost them customers quickly. Apps need to be thoroughly tested, regularly reviewed and benchmarked against competing services to make sure that quality of service is the best it can be.

This quality of service must also extend to and include security measures, which if not done properly could dramatically slow down and impair the usability of an app. Young adults who are used to logging in to Amazon to purchase the latest must-have item with just one-click will not tolerate waiting five minutes and going through four different security barriers just to transfer money to a friend. Security cannot be an after-thought when designing an app; it must be included in the discussion and designed right from the start to ensure a positive user experience; whilst ensuring compliance needs are also being met.



Key takeaways.

- > Mobile banking is about much more than just basic features
- > Young people don't have patience with poorly designed apps
- > Chapter 3: Trust and security

Chapter 5: International profiles

One key learning from the research is that broadly speaking, young people from all over the world share similar traits when it comes to attitudes to mobile banking. But there are a few notable differences and variations between regions.

In **Brazil**, we found that young people with smartphones or tablets used them more than in any other country, with almost half (45.9%) using them for more than five hours a day. With such a high usage rate, it's perhaps unsurprising to see that Brazilians care the most about security and ease of use. 84% said they were concerned about the security of their mobile banking services, more than the other countries in the survey and almost half (45.9%) said they'd switch banks if an app was hard to use. It's possible the security concerns are due to the high levels of criminal activity prevalent in Brazil, though this is just a theory.

Mexico polled quite similarly to Brazil, with comparable results for overall mobile banking usage and reactions to poor security or ease of use. However, one notable difference here is trust. 22% of Mexican respondents said that they trust their mobile provider more than their bank, more than in any other surveyed country.

Addressing security is critical to the growth of mobile banking in Latin America. Per the Mexican Internet Association (AMIPCI), 47% of those who do not use online banking abstain because they do not believe it is sufficiently secure¹². This may be a particularly strong concern among underbanked customers who may not have experience with secure traditional financial services⁸.

Singapore is one of the most technologically advanced nations on earth and this is shown in the survey results. A greater percentage of the population here use mobile banking services than in any other country (71%). Perhaps as a result of this, young Singaporeans are also the most intolerant of security problems, with more than half (50.3%) prepared to switch bank if the app isn't secure.

Young people in the **UK** use their mobile and tablets less than their international counterparts, with only 27% using them for more than five hours. They are the slowest to adopt mobile banking services, with only 53% using them. Young Brits are however most trusting and accepting of their bank. Among the countries surveyed, they are the least worried about

- ! Importance of mobile
- ↻ Changing habits
- 🔒 Security
- ★ Quality of service



USA

- ! 89% own smartphone
- ↻ 39% say mobile helps them maintain control of finances
- 🔒 24% are happy to access accounts using public wi-fi
- ★ 26% would switch bank if the app was hard to use



UK

- ! 44% own both smartphone and tablet
- ↻ 63% use smartphone or tablet for banking
- 🔒 50% would be happy to switch banks if they felt provider was not secure
- ★ 70% would use the app less if it was not easy to use





⁸ "Banca Electronica 2011," AMIPCI presentation of survey results.

mobile banking security (with only 49% expressing concern), most trusting of their bank (only 9.9% trusts their mobile operator more) and least likely to switch if their app is hard to use (26.2%). Whilst this should seem promising, it contrasts significantly with the rest of the British adult's population confidence in the banking industry as a whole. This has continued to decrease dramatically since the 2008 crash – 37% in the last 12 months alone, and 10% more than any other countries included in this research⁹. This suggests that British banks have the most work to do to regain overall consumer trust. Perhaps the younger audience is simply a little more apathetic about the issue, and antipathy and distrust in the banking system develops with age.

In the **USA**, young people behave like their British peers, showing similarly low levels of mobile banking adoption and concerns about security. They are also the second most trusting of banks (only 13.2% trusting their mobile provider more) and the least likely to switch bank if they thought it was not secure enough, with 45.9% prepared to move. This trust may be misplaced as North America has the highest rate of economic crime in the world, second only to Africa.¹⁰ Like the UK, perhaps education and awareness campaigns are necessary to help American youth understand the risk cyber crime represents and encourage them to take protective measures accordingly. Indeed, many of the banks invest in anti-fraud organisations, such as Financial Fraud Action in the UK, focused on raising consumer awareness and understanding of the issues and how to protect themselves from social engineering and other criminal attempts to separate consumers from their money.







BRAZIL

-  Over 50% of Brazilian women use smart phones or tablets for more than five hours a day (40% of men). 46% overall
-  42% would consider switching banks if they could not use mobile/tablet
-  28% do not visit bank branches at all anymore
-  46% would switch bank if the app was hard to use



MEXICO

-  40% own smartphone and tablet
-  73% use smartphone or tablet for banking
-  46% would be happy to switch banks if they felt provider was not secure
-  46% would switch bank if the app was hard to use



SINGAPORE

-  97% own smartphone
-  32% do not ever visit a bank branch
-  77% are concerned about the security risks of using smartphone/tablet for banking
-  80% would use the app less if it was not easy to use

⁹ Ernst & Young, Global Consumer Banking Survey 2014

¹⁰ PwC, Global Economic Crime Survey 2014

Chapter 6: Customer retention & growth

Historically, customer retention and growth in banking was relatively straightforward. People banked with the same institution their parents used, and their grandparents before them. Unfortunately, due to the financial crisis of 2007-2008 and the arrival of new technologies, the traditional financial customer engagement and growth model has changed beyond recognition.

As we have seen, Generation M is clearly more demanding of a certain level of customer experience – look at the 37% of people who would change banks if the mBanking experience was inadequate or non-existent! This figure will probably strike fear into the hearts of many, and rightly so. It is unprecedented in a context of extreme customer loyalty and should not be ignored. In the UK alone, 1 million people switched bank accounts in 2014, a rise of nearly 20% year on year¹¹. Part of this mass exodus is related to a regulation making it significantly easier to do so but a sense of dissatisfaction with the consumer experience, service and products will have underlined each and every move.

Add to this the fact that non-financial services companies such as Apple, PayPal and Google are entering the financial services market ; and you have a market context in which financial services institutions need to be much more proactive about engaging with their customers – particularly the digital natives.

Financial service leaders should therefore be prioritising two things:

1. Building out the service catalogue and user experience for Generation M, as outlined previously
2. Use engaging techniques and tools to engage and upsell to your upcoming audience, from social media platforms and engaging digital content to intelligent mobile marketing techniques

The old tradition to bundle products and offer customers a package based on their income and status when they come in branch no longer works. As we've seen, fewer people are coming all the way into a branch now they can access what they need far more conveniently through their mobile device.

Instead banks should be using the mobile channel to cost-effectively engage and deliver product offers and general content to the right customers at the right time, driving organic growth and customer retention – and ultimately increasing revenue.

This can come in various forms from dynamic messaging programs to deliver “tappable” tailored offers and content to the pre-login mobile apps screen, to contextual messages to customers based on their profile, activities and attributes. Mobile can also be used to engage people in non-sales experiences as well. For example, messages about digital fraud prevention or value-added content such as guides for first-time homebuyers or parents.

The ROI from this kind of activity is two-fold. First and foremost, mobile channels cost less to serve. According to the TowerGroup, the average cost per transaction of the mobile banking channel in the United States is two percent of branch-based transaction costs. And of course the right marketing and advertising campaigns will boost revenues. But there is also an incredible return from the recognition and

¹¹ UK Payments Council, 15th October 2014

excitement that comes from being seen as an innovator by existing and prospective customers, particularly Generation M. Adding useful, interactive and convenient capabilities to mobile banking not only boosts the channel's ROI, but also demonstrates to customers that financial institutions understand their current needs and are working to anticipate their future needs.

Conclusion

The impact of smartphones and tablets on the financial services industry has been huge, and will continue to grow as the younger generation of digital natives matures and expands its need for and use of mobile services.

Our research shows smartphones and tablets are a core part of the lives of young people around the world. Banking via these devices is increasingly seen by young people as an essential service, but they demand security and good service, despite sometimes putting themselves at risk.

The results point to several lessons banks should heed as they look to the future:

- **Don't ignore mobile.** No matter where you operate globally, the proliferation of smartphones and tablets among young people is huge. They are also being used more than you might have imagined, with almost four in ten (37.7%) using them for more than five hours a day. Mobile banking in particular is here to stay - two thirds of young people are using these services already and a quarter sees them as "essential". If you fail to respond to this demand, then you'll soon get left behind.
- > **Build out your feature set.** A mobile banking app needs to be more than just checking your balance. Young people increasingly don't want to visit your branches in person, so you need to offer them the same services via their smartphone or tablet. Whether it's applying for a credit card, making international transfers or paying bills, you need an app that will support your young customers in whatever task they want to achieve.
- > **Make the experience the best it can be.** Young people don't have the patience to persevere with banking apps or services that are hard to use. The app benchmarks come from the pure internet players and social media giants so your app can't afford to compare unfavorably. They have come to expect mobile experiences that are innovative, seamless and easy to understand, and they won't hang around for long if you can't provide them.
- > **Don't let security issues damage their trust.** Confidence in banking institutions took a big hit after the crash in 2008, but it seems that negative sentiment isn't necessarily felt by the younger generation, who retain a high level of trust. But banks need to make security of mobile services a priority, since many young people will jump ship to a competitor if they think they're at risk.
- > **Make them aware of the risks too.** You might assume that digital natives are most aware of how to protect themselves, but the high percentage of young people that would happily use mobile banking services over unprotected public Wi-Fi shows that might not be the case. Education and awareness around these issues will help protect them and keep them loyal.
- > **Don't procrastinate.** The rise of mobile is a rapidly accelerating, unstoppable force. It's in every country in the world, both developed and developing, and it's not going away. This generation demands innovation, quality and security in mobile, and if you don't give it to them, they'll find another provider who can.

Ezio Mobile Banking Suite

Be there for your customers. Every time it really matters.

With the Ezio mobile suite you can stay close to your customers through all their big decisions in life. Whenever and wherever they need to trust their bank.

gemalto.com/mobilebanking

Financial Services & Retail

The world of financial services is changing fast and consumers look for ever more personalized, convenient, yet secure options to pay, communicate and interact with their banks. Gemalto offers a wide range of digital solutions to meet and exceed these demands.

Financial Services & Retail regroups a broad range of solutions and offers to equip banks with the most advanced, digital security and technology available.

Mobile Apps | eBanking & eCommerce | Cards & Payments | Platforms & Services
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