The keys to mobile banking: the time has come

Simple, Moven, GoBank, Fidor Bank are leading the way to mobile banking, financial institutions without branches that are causing a digital transformation in banking.

Simplified transactions, real-time analysis of operations, opening of current accounts... mobile banking as it is now already provides if the financial services. It is a reality, not a future trend.

And proof of this is that all growth estimates for the financial sector are based, above all, on mobile banking.

According to a PwC survey of financial and technology managers worldwide, mobile banking will grow by 64% up to 2016 and online banking by 37%, while branches and telephone banking will fall by 25 and 13%, respectively.

What is the attraction of this kind of bank? What is essential for users is the
Another advantage for the user is the personalization gained thanks to analysis, practically in real time, of their expenses, revenue and transactions. Thus, customers can manage their money better, and the institution, for its part, can gain great customer insight, enabling it to offer personalized products and services to meet their needs at each moment of their life.

However, it should not be forgotten that traditional banks already have a head start in this regard, as they have a significant history established through relationships with customers over many years.

The attractiveness to banks must also be considered, especially in terms of profitability. Traditional financial institutions are beginning to commit to mobility because mobile transactions are less costly than branch-based transactions.

Rather than starting from scratch, traditional institutions take this as the starting point in their digital transformation toward offering mobile services that complement more traditional solutions.

convenience and simplicity with which they can make their transactions. They can control, manage and perform all their financial transactions comfortably on their smartphone, without having to go to a branch or wait to be attended by phone.

Accessibility is the key and it requires strategies to be improved and promoted with regard to the user experience, focusing on the customer of the digital age.

Inherited traditional systems that are difficult to integrate

One of the tasks that large financial corporations are undertaking is simplification of their operational models to adapt to the new digital era. This transformation is more complicated in retail banking because its has lower resources.

While traditional systems have helped banks to know their customers’ needs, it is now necessary to make the transformation to the digital age, because, in addition to these needs, banks have to meet the new requirements of today’s customers.

Adapting to change in culture

If the business model is shifting toward digital, a change of strategy and a new talent assessment are required. Shortcomings have to be identified and learning enhanced through a culture of open innovation and collaboration. This key to this transformation is imagination and creative thinking, which the freshness and flexibility of mobility bring to the bank’s culture.

The way chosen by most banks is to build a digitally-focused organization, where service delivery is centered around mobile devices. This integration offers the institution the best of both the traditional and digital eras, but always basing its strategy on customers and on meeting their new requirements.
Security

Traditional financial models have invested heavily in obtaining the identity of customers, in having knowledge of their transactions and their data. Now digital banking faces an era of constant evolution, having to make use of all this data, and so security is a growing concern for institutions. The challenge is to maintain customer confidence by strengthening security levels in the areas of mobility.

Source: PwC, The Financial Brand

Lack of budget

To be competitive in this new era, investment is crucial. It is necessary to structure and maintain a simplified technology platform, address new stages of training, generate customer analysis programs, and foster innovation to ensure the long term viability of the change. Many institutions in the financial retail sector have problems with the budget needed to meet these challenges.
The present of mobile banking: six application to get into mobility

Mobile banking is not a service of the future: little by little it is becoming a part of the present. On a weekly basis, almost 25% of users in the United States already use mobile banking while only 14% go to a branch office. And proof of the above are the numerous apps flooding e-stores to offer financial services. The following is a selection of some of the most prominent ones.
**Fintonic**

This is an app for querying designed to work with any bank. In other words it complements and offers services to the user so that the latter may supervise operations with his or her traditional bank, including if there is more than one, from the mobile. It is a multi-bank app as it works with any entity.

It use is very straightforward: the profile is created using one’s e-mail address and within seconds all the banks with which the user has accounts and the cards he or she maintains are connected.

Access is by using the identifier and password of the regular entity. The app therefore makes it possible to control money from a single place, organizing it under categories selected by the user.

**Data travels encrypted** with the 256-bit banking security level used by leading banks. In addition, anonymousness is guaranteed, given that in order to register and operate you only need an e-mail and, once inside, all is managed by an algorithm, not humans. No-one has access to the movements of a user.

The app is available in the **App Store** and **Google Play**

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**Fidor Bank**

Finance and social networks It was six years ago that this German company created this app, in which the user can monitor his money, order transfers and request loans almost in real time. The app provides the user with his or her owne-wallet without need for downloading another application to share common expenses with a group of friends.

One of its qualities is the **community** that has been generated between its users, in which they share anything from
tips on saving or recommend financial products that they want to promote in the entity. "The customers know each other and interact". This is the crux of its philosophy: users can exchange opinions, information, and experiences to improve financial decisions. In order for this community to operate, Fidor Bank employs the gamification strategy: customers are rewarded for this dialog and all of their activities through a bonus system. The system already has more than 300,000 users.

Moven
This app makes it possible for users to open a bank account directly from their Smartphone, from which they can order transfers and even make deposits. Moven accounts are backed by CBW Bank, a member of the Federal Deposit Insurance Corporation (FDIC), and their debit cards by MasterCards.

One of the strong points of this app is its user experience, given that this app makes it possible to see updates in real time as well as receive spending alerts and analysis or send money via Facebook.

Available for iPhone and Android.
e-mail, or a mobile phone number. All with a simple, attractive, and very usable interface.

This app also helps customers in management issues, by offering to them not only access to the expenses they are making in real time, but also by undertaking automatic expense analysis and comparisons to let them know if they are spending more than usual, given that it automatically analyses use and expense patterns.

This application is available for iPhone and Android.

**Number26**

"The future bank branch office is the smartphone," declares Valentin Stalf, Number26 founder and CEO. And the key to this forecast is the flexibility afforded by the mobile phone. The Number26 app makes it possible to undertake operations in real time, with an example of such efficiency being the opening of bank accounts: "the fastest in Europe, in less than eight minutes" and from a smartphone. The identity of the user is verified with a videoconference call, so that no printed documentation is needed. From that point forward all transactions may be carried out instantly from the same phone number, with account status notifications as soon as an operation is executed.

One of the points on which this app has focused is security, which can be configured in a personalized manner from the phone to improve control of the app. The objective is to offer transparency and account control through push notifications for every operation taking place on the account.

Available for iPhone and Android, for now in Austria and Germany.
**Simple**
The challenge of mobile banking is to create a "bank without offices" and they have achieved it. One of their objectives is to help the customer save using a tool that balances ordinary monthly expenses using an algorithm that analyzes the operations of each customer. It amounts to a direct accountant from the smartphone, automatically subtracting usual expenses (rent, invoices, supermarket purchases) and offering a "more real" balance.

Just a year ago, this startup was acquired by Grupo BBVA, but it continues to operate as a mobile bank.

Available for iPhone and Android in the United States.

**GoBank**
This US mobile bank focuses on check-based financial operations. The app allows its customers to scan and deposit checks instantly, without need to travel to a branch to deposit it. In addition, it also makes it possible to pay one's rent, make P2P payments, and manage money deposited into the account.

It combines the financial advantages of mobility with traditional banking, as it allows it customers to deposit cash at Wal-Mart branch offices. It has a network of over 42,000 commission-free ATMs in the United States.
03 CASE STUDY

Simple, how a FinTech startup creates its business model in online banking

The growth of this FinTech startup is one of the success examples within the sector: creation of a retail bank with operations that are exclusively online and, mainly, executed via mobile device. In addition, with the acquisition by BBVA, Simple also has become an example of open innovation strategies. (🔗)

In 2009 Joshua Reich and Shamir Karka made a risky decision: “We’re going to start a retail bank” and in just a few months Simple was born. These two young men had a clear vision: to provide the customer with modern tools so that they may control their finances.

After obtaining funding in the risk capital market, they launched their beta version in July 2012. Their objective was clear: to be a bank without offices, in other words conduct all their business through Internet and, above all, using the cell phone. In 2013 Simple had already become the financial intermediary in over 6.6 million transactions.

At that point, the young founders made an alliance with Bancorp, the partner that provided them with a platform for growth and for structuring their business model.
During this first year of operations, their results were spectacular:

- Over 250,000 requested an invitation from Simple.
- They processed over 1,000 million dollars in transactions in the year.
- Their Visa cards have been used in over 2 million operations.
- They recruited over 40,000 customers in all states of the US.

To achieve these objectives, Simple uses intelligent algorithms to analyze the customers’ monthly expenses and, using their tools, assist customers in managing their savings in any operation to achieve the objective they have set for themselves.

It works like a social network, as you can add to the operations stickers, comments, and even images. The objectives its customers set for themselves are like virtual piggy banks to which part of the money may be moved in a simple motion each time the customer wishes to do so.
These were a few of the secrets that ensured Simple became in its first year one of the FinTech startups with the best prospects of the market. For this reason, BBVA, in full transformation toward the digital era, cast its glance upon it. “BBVA believes in our vision and the path we have taken to transform the sector.” It was with this statement made in February 2014 that Joshua Reich, while the company was growing at full speed, justified the sale of the company to the BBVA Group.

The BBVA operation, through its US subsidiary BBVA Compass, was in keeping with the Group’s digital transformation strategy through new products and services, developed both internally and through investments in vanguard startups such as Simple, with the objective of reinventing the financial services sector.

For this reason, after the sale to BBVA, the founders insisted time and again that all the popular aspects of Simple were going to be maintained “without change”. “We’re going to keep embracing our philosophy, our business model and the way we treat our customers. To work with BBVA gives us the resources, scale, and autonomy that we need to accelerate our growth, remaining faithful to our mission.”

The key to this has been that Simple has continued to work as an independent business within the BBVA structure, i.e. in parallel, but always with the support of the most global banking groups. “We will have important resources to grow and follow the innovation rhythm that our customers deserve,” Reich predicted.

At the start of the summer of 2014, Simple announced growth of 330% in its financial services, with respect to the preceding tax year. With the good annual results, Simple estimates that it will be able to grow 50% in terms of number of employees to be able to improve its products and the services it offers to its customers.
WHO IS SIMPLE

One of the keys to Simple’s success is that it operates under the same brand, with the same philosophy and the same approach to customer experience.

<table>
<thead>
<tr>
<th>Headquarters</th>
<th>Portland (Oregon, United States)</th>
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<tbody>
<tr>
<td>Founded in</td>
<td>2009: 2009 by Joshua Reich and Shamir Karka</td>
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<td>Commercial launch in</td>
<td>July de 2012</td>
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<tr>
<td>Sale to BBVA</td>
<td>In February 2014</td>
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<td>Selling price</td>
<td>The transaction was evaluated to be worth US$117 million</td>
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<td>Customers</td>
<td>At the time of its sale to BBVA, Simple had over 100,000 customers in the United States, five times the users it had at the end of 2012</td>
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<tr>
<td>Employees</td>
<td>At the time of its sale to BBVA, the organization had 92 workers</td>
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<td>Services</td>
<td>Olt offers its customers everything they need to spend more intelligently and save more. It boasts the most advanced Android and Apple apps, which include saving tools and outstanding customer service</td>
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Source: BBVA y Simple
Challenges of financial apps

In 2012, IBM’s resource portal for developers, DeveloperWorks, covered in one of its articles the discovery by the companies of the financial sector of the fact that mobile technologies were an "opportunity to extend their reach to the customer and improve their differentiation".

According to the data available then, in 2015 the volume of development of apps for mobile devices would surpass that of all other platforms, and the global number of users of mobile banking and associated services could increase up to 894 million users in 2015 (representing an annual growth of a 59.2%).

The development of mobile applications also involves having to face many challenges. The first one is facing the variety of the mobile ecosystem, providing support for the multiple different combinations of devices (smartphones, tablets, etc.) and operating systems (Android, iOS, Windows, Firefox OS... and their different variants) owned by those millions of users, while facing the costs of testing the apps in all possible scenarios and maintaining consistent development environments between the different members of the team.

894 million users
Of all the challenges... the first one is security

The development of financial apps (in) probably requires an urgent review in all its aspects, but security, however, is the main challenge for developers of mobile banking apps. In the past, the technological supervisors of the major banks had a relatively simple task at hand: building a security perimeter around the centralized computer systems of the company, but mobile apps have changed everything... starting with breaking that perimeter.

And unfortunately, the security challenge is one that has not been properly overcome, as proved last year by the research performed by IOACtive which concluded that 40 apps for iOS of 60 major banks all over the world had at least one security gap.
THE ANALYSIS

IOActive investigates the security loopholes that are still found today in financial apps.

90% of non-secure apps connected without proper SSL encryption, which allowed attackers to intercept their traffic and inject malicious JavaScript / HTML code.

50% used an iOS function called UIWebView (designed to display Web content within native applications) that has proven to be insecure, making the apps vulnerable to JavaScript injections and exposing the users to actions such as sending of SMS or e-mails from the victim's device.

70% lacked alternative authentication options to mitigate the risk of stolen identity attacks.

40% did not validate the authenticity of the digital certificates received from a server.

20% did not take advantage of the security functions of the operating system designed to limit the risk of attacks due to memory corruption.

20% the file system of several apps used unencrypted SQLite databases even though they contained sensitive information such as details of the customer's bank account and transaction history.
At about the same time, Pretorian conducted a similar study, extending it in this case to 275 mobile banking apps offered by the 50 major financial companies, the 50 leading regional banks and the 50 main cooperatives in the United States. Additionally, iOS and Android apps were analyzed in this case. The result? 80% of them had shortcomings.

The times of the central security perimeter has gone by. In fact, the spirit of the times of this sector seems to be quite the opposite: users increasingly demand more access options, faster and easier to use. In the end, they are the best way for banks to reach more customers and differentiate themselves from their competition.

But if the great central wall is to be replaced with a network of watchtowers, the building methods must change. And do so at the same speed.
The future of mobile banking

In full digital transformation of the financial sector gradually mobile banking services are being implemented tighter. Mobility comes to stay.

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Growth forecast to 2016

- Mobile: 64%
- Social networks: 56%
- Online: 37%
- Branch office: -25%
- Telephone: -13%
**Strategies** for banks

- **Offer limited services**
  - 2014: 10%
  - 2016: 3%

- **Providing services**
  - 2014: 39%
  - 2016: 8%

- **Providing advanced services**
  - 2014: 40%
  - 2016: 34%

- **Co-creation products and services**
  - 2014: 8%
  - 2016: 44%
Investment banks in mobility

Estimates of technological investment for application in mobile banking.
What e-wallet users use in the USA?
BBVA Innovation Center creates the Fintech Serie By Innovation Edge to keep informed about the financial innovation trends with its milestones, analysis, cases studies, interviews with experts and infographics to display the data that describe each of these trends.