

ONLINE & MOBILE BANKING UPDATE

by [Steve Brown](#)

An interesting thing happened on the road of technology in banking. First, the branch was cool, then it was the ATM, then it was online banking and then it was mobile banking. Now, what is sort of old is new again, with online banking usage surging. Whether driven by the laptop, convenience or the iPad, people love to use online banking, so we thought it was time to update some of the information around this delivery channel once again.

To begin, a recent study by Barlow finds three banks dominate when it comes to the share of business internet banking users at a combined 29%. These banks are Wells Fargo (11%), Bank of America (10%) and JP Morgan (8%). The rest of the top 10 largest banks hold a much lower share of the business, at around the 2% to 3% range. The rest of the large banks with \$50B or more in assets only hold 12%. As for community banks with less than \$1B in assets, the news is good, as this group holds a 23% marketshare. That is higher than banks with assets \$1B to \$50B, which sit at only about 17%. This makes good sense, when you consider other studies that have found 60% of small businesses and 82% of medium sized businesses use online banking for their business.

A new survey by the American Bankers Association surfaced something shocking about online banking that all community banks should know. The survey found that 57% of bank customers 55 and older now say they prefer online banking compared to only 20% last year. That is a huge surge and it has many bankers reconsidering the size of their branch networks and how much money they spend enhancing the online banking channel. Other findings from that survey indicate that 62% of all age groups prefer online banking (up from 36% last year), compared to other channels. In fact, by channel, branches slid to 20% vs. 25% in 2010; ATMs dropped to 8% vs. 15%; mail fell to 6% vs. 8%; phone sipped to 3% from 6% and mobile banking fell to 1% from 3% in 2010. Experts say the sharp shift reflects greater comfort in online banking, convenience, security and the fact that more people are using computers and the internet for a broader array of reasons every day.

You may be wondering about mobile and why the survey shows it has decreased as a preferred banking channel. Despite the fact that smartphone growth is increasing at about 25% per year, mobile banking isn't keeping pace. Small screens make moving around more difficult and security is a key concern. Surveys find people just don't yet feel smartphones are safe enough yet, so there is more to do here for the banking industry. The good news is that recent data from Bank of America finds the bank has nearly 8mm mobile banking users, 1mm of which use text messaging, while nearly 7mm use web browsers. Citigroup also believes in the viability of this channel longer-term, having just announced a new mobile service for business customers that lets them set and receive alerts about account balances, overdrafts, approve wires, approve other payments, access cash positions and access other account information. Citi points to a survey by Aite that finds 33% of treasury executives are likely or very likely to use a mobile device to performance advanced banking functions if their bank offered it.

Finally, we turn to a survey by global domain registrar company Melbourne IT that looked at the techniques people use to make sure the online banking website they are using is legitimate. It found 47% do so by checking to see whether the site looks familiar; 46% check for the padlock; 45% check to see whether the web address is correct and 6% don't check anything.

Clearly the online banking channel is thriving and it bears a close review by community bankers. Start by comparing your web site features and benefits to the biggest banks so you know what you are missing and then see how you can leverage this channel even further, as you promote different types of services to different users.

BANK NEWS

Earnings

Bank of America reported a profit of \$6.2B, vs. a year-earlier loss of \$7.3B. While revenues grew (loan volume was flat), the profit included \$10.5B in 1x gain on sales (largely from the sale of China Construction Bank), \$5.5B in loss carry forwards and \$1.7B in ALLL changes. Expenses rose almost 5% and NIM was crushed down to 2.32%, from 2.72%.

Largest Bank

As of 3Q, JP Morgan claimed the top spot as the largest US bank based on assets and based on deposits.

Debit Marketing

Capitalizing on the Bank of America backlash, many community banks are reporting strong success with the "We pay you" theme of offering \$5 for every time you use your debit card (for a set number of times) if you open a new checking account with direct deposit.

Wells Debit Plan

The Bank is testing a new debit card product that gives consumers better reporting and more flexibility, but will institute a \$3 charge.

Deeper Cuts

The Comptroller for New York City said the securities industry could cut 10k jobs by the end of 2012, a 17% reduction from current levels. Those cuts are on top of the 4,100 already cut since April and are in addition to the 22k cut since 2008. A shaky economy has led banks and brokerage firms to start reducing jobs.

National Job Cuts

A survey by the Business Roundtable finds 24% of large company CEOs expect to cut jobs over the next six months, more than double the 11% who expected to cut in the prior survey.

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