

## THE RISK OF MOBILE BANKING COMPETITION

by [Steve Brown](#)

A little competition between community banks and credit unions (CU) in the mobile banking arena is not necessarily a bad thing. It can tighten up offerings, keep you sharp and make sure your products are as good as they can be. However, the pain that can come from being shut out of a market by your own doing, like a mousetrap snapping on your fingers, is quite another. Demand for mobile banking is growing at a fast pace, yet community banks remain relatively slow adopters. One downside to this approach is that CU competitors are taking a more aggressive approach, opening the door for customers to switch. According to a recent report by Javelin Strategy & Research, 90% of CUs offer web-based mobile banking while 30% of community banks do not offer a single form of mobile banking. Given the stiff competition for customers these days and the fact that most business clients use three financial institutions, community banks must be careful not to underestimate what this could mean for customer attrition down the road. The risk is clearly there, as can be seen by 3Q data. It shows CU membership is rising, increasing by 2.5mm year over year, with 740,000 new members just in the 3Q of 2012. What's more, CUs have been making an aggressive push to lure away customers from banks. Indeed, the so-called Bank Transfer Day last year did damage to banks of all sizes (albeit the largest ones were hit the hardest). According to the National Credit Union Association's (NCUA) Facebook page, in the four weeks leading up to the Nov. 5, 2011 Transfer Day, 700,000 consumers shifted their business from banks to CUs. Given these competitive realities, we recommend community banks pay particular attention to what CUs are doing in the realm of mobile banking. Indeed, the Javelin report shows that the country's top 10 CUs are already taking mobile banking wallet share away from big banks. If the trend continues, banks that don't focus efforts on mobile may be left behind. Further, a study released in Aug. by research firm Chadwick Martin Bailey, found 85% of CU members were happy with the online and mobile banking services offered. By contrast, satisfaction was lower for customers of community banks, with only 55% of respondents giving a stellar rating in this area. When it comes to customer satisfaction with mobile banking, more work is needed to help differentiate your product and service. Of course, mobile banking offerings vary by institution, as do consumer adoption rates. So the good news is it is not too late to compete effectively for mobile banking business and capture or retain customers interested in this service. To do so, however, bankers will need to get a jump on the competition and there is not better way to do that than to see what they are offering. Among top 10 CUs, 50% offer what Javelin calls the "triple play" of mobile web, app and text banking, so that is a good place to begin this effort. Finally, after reviewing what competitors are currently offering, ask whether you are doing everything you can in this area to compete. Times have changed, customers have changed and the competition is moving fast. There is still time to get in the mobile game even if you have been slow, but doing so will inevitably also force you to ask who moved the cheese. Mobile adoption rates are increasing and the biggest banks (plus CUs) are pushing customers to learn this new way of banking, so having a plan for your bank is critical. Since it is that time of year, try to have fun with it, as you also enjoy the journey of learning something new.

### BANK NEWS

#### M&A

Oneida Financial (\$677mm, NY) will acquire insurance agency McMahon, Fenaroli and White (NY) for an undisclosed sum. McMahon operates as Schenectady Insuring Agency.

### **Huge Fine**

Swiss bank UBS has agreed to pay a \$1.5B fine and admitted it committed fraud after its traders colluded with brokers (and paid quarterly bribes to them) to manipulate Libor from 2005 to 2010. The fine is the 2nd largest in banking history, just behind the \$1.9B payout HSBC made last week to settle money laundering accusations.

### **Competition**

Wells Fargo has purchased 35% of hedge fund Rock Creek Group LP for an undisclosed sum. Wells is making the move as it seeks to double asset management within 7Ys. Rock Creek oversees \$7B in client assets.

### **Competition**

The FDIC has released a report saying banks could lose customers and be displaced by non-banks, as mobile payments take hold and non-banks assume the role of payment intermediary.

### **TARP Sale**

The WSJ is reporting that the Treasury plans to sell its portfolio of banks that took TARP in 2013, including those that missed dividend payments.

### **FDIC Study**

The FDIC has found that over the 25Y period ended 2010, 40% of community banks never needed to raise external capital.

### **Trustworthy**

The latest Chicago Booth/Kellogg School Financial Trust Index finds trust in community banks was 55% in 2Q, about double the level of large national banks.

### **Good for Banks**

In a move that could increase bank deposits, an SEC regulator who blocked an effort to overhaul the \$2.6T money market mutual fund industry has reportedly dropped his opposition. As such, it is likely the \$1 peg for net asset value, that allows investors to get back what they put into a fund, is likely to go away in 2013. The peg has existed for decades and has helped mutual funds look much like bank deposit accounts over the years.

*Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.*