

MOBILE CUSTOMERS ARE STICKIER

by [Steve Brown](#)

Breakfast has long been touted as the most important meal of the day. Interestingly, new research shows that nearly a quarter of workers skip breakfast on a regular basis. When they do eat, the top choices are cereal (31%), fruit (19%) and eggs (19%), according to a recent CareerBuilder survey.

Customers also have a varied diet when it comes to the way they interact with their bank. Some prefer to walk into a branch, others prefer the telephone and still others do the bulk of their banking online or with their mobile devices.

Research shows it is a lot less expensive for banks to transact with customers through mobile devices or online than it is through call centers or branches. While it still costs banks more for mobile than it does for online, the research shows that difference is minimal compared with more traditional banking methods. What's more, customers who use mobile banking are stickier than those who don't - another good reason to make sure your mobile offerings are in tip-top shape.

According to a recent Bain report, mobile banking is more likely to increase a customer's likelihood of recommending a bank to someone else than any other channel interaction. That suggests having a solid mobile strategy is important, as not only do you solidify relationships with existing clients, but you have a good chance of bringing on new ones, as well.

Clearly, mobile is a growing opportunity for banks, as 48% of smartphone owners have used mobile banking in the past 12 months, up from 42% in Dec. 2011, according to the Fed.

For banks, it is interesting to note the Fed also reports the majority of mobile users are doing plain vanilla banking with their phones. The most common use is to check account balances or recent transactions, followed by transferring money between accounts. Meanwhile, 21% of mobile banking users have deposited a check using their mobile phone, about double the level from December 2011.

It's still early enough in the mobile game that customers are wowed by sophisticated features such as remote deposit capture, but that won't last and adoption rates are soaring. It won't be long before even the coolest aspects of mobile banking become commoditized, so community banks should act fast to put mobile offerings into place.

Some bankers we talk to are reticent to pour money into a mobile platform, citing high costs or security risks associated with mobile banking. They worry about the regulatory issues and are not sure their customers will really use the service. We feel these arguments might miss the mark, as mobile has become one of the many costs of doing business. Today, the biggest users of mobile banking are between the ages of 25 and 35, but adoption is growing among older customers too. In fact, the biggest gainers in US mobile usage were customers ages 36 to 45, according to Bain. To keep customers over the long-term it is important to work on mobile offerings and monitor trends.

In the early years, online banking was slow to take off but it is now mainstream. Mobile is also headed in that direction and the biggest banks will continue to push hard here as they seek to reduce costs, capture new customers and retain existing ones. No matter what you eat for breakfast, the benefits of

adopting a mobile banking platform are long-lasting so it is an important service to have on the menu.

BANK NEWS

M&A

The parent of Commerce Bank (\$22.0B, MO) will buy the parent of Summit Bank (\$265mm, OK) for \$40.6mm in stock. More M&A: The parent of Peoples Bank (\$1.9B, OH) will buy insurance agencies Jackson Insurance Brokerage, FreedomChoice Benefits Group and McNelly Insurance and Consulting Agency for an undisclosed sum as it beefs up its insurance offerings.

Branch Closures

PNC Bank (PA) announced it would close 14 branches in its home state of PA, saying it is reacting to faster customer adoption of mobile and ATM. The bank said this year alone ATM deposits are up 30% and mobile deposits have jumped 230%.

Fine

A federal judge ruled Wells Fargo will have to pay a \$203mm award to customers related to a class action lawsuit around overdraft fees charge by the bank.

Muni BK

USA Today points out troubled cities that could be the next 10 in CA to head into bankruptcy are: Atwater, Azusa, Compton, Fresno, Hercules, Mammoth Lakes, Monrovia, Oakland, San Jose and Vernon.

Small Biz

A survey by research firm Penn Schoen Berland of small business owners finds the top five sources of funding are: personal savings (39%), other (29%), banks/credit unions (22%), friends/family (4%) and government grants (3%).

Less Retirement

A study by Ameriprise Financial finds people aged 50 to 70Ys old with at least \$100k to invest have lost an average of \$117k in their retirement portfolios since 2007. Overall, 50% said it was due to the economic downturn, while 33% said it was driven by the drop in housing values.

Cost for Gain

A survey by Deloitte of executives at Fortune 1000 companies finds the top 4 areas for cost reduction are focused on: gaining a competitive advantage over peers (65%), investing in growth areas (54%), adjusting an unfavorable cost position vs. peers (35%) and adapting to a changed regulatory structure (35%).

Impact

A survey of CFOs at large firms by Deloitte finds 90% say current and recent policy decisions/debates in DC are negatively impacting their companies' plans for growth.

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