

## The Wireless Way

Document produced by  
**Shyam Sundar**

February 2004

© Mphasis. All rights reserved.

Does technology lead or lag business strategy? An elegant answer would be that the two go hand in hand. But history and experience have shown that this is rarely the case. When business strategy forges ahead, it is often at the expense of technology. Often, we see mergers and acquisitions stumble in achieving their objectives, particularly in financial services, because the opportunities and constraints due to technology were not part of the analysis to the extent they should have been. When technology leads, it is frequently powered by the intoxication of what is technically possible. Market and customer needs and acceptance of the innovation are often not understood fully, leading to difficulties in recouping investments.

The massive investments in wireless licenses by the leading telecommunication companies in Europe are an illustration of technology leading business strategy. The promise of 3G to offer a completely superior wireless experience has not yet been delivered. The telcos are therefore struggling under a substantial debt burden that might take years to recover from. The general caution with which new technology is viewed today is both a legacy of the dot.com phenomenon, when technology so clearly ran ahead of business strategy, as well as the current listlessness of the global economy.

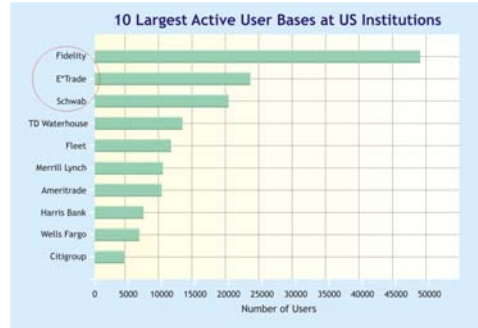
Yet, wireless technology does offer significant opportunities for both financial institutions and their customers. Customers get the ability to interact with their financial services providers at their time of need, irrespective of time and, more importantly, location. The providers gain the ability to sell to and service their customers with an increased awareness of context, such as location and time. We believe that financial institutions will, as frequently seen with technological innovation, lead the way in adopting mobile commerce, due to the virtual nature of their products.

To enable this, some underlying infrastructure issues will also be resolved. Wireless connectivity to the internet and intranets will be pervasive, at an adequate reliability and quality to permit secure and predictable interactions. The quality of mobile devices will rapidly evolve to provide customers with a superior user experience. The convergence of PDAs and phones will yield superior devices with a much better user interface without the limitation of the current one-inch-square mobile phone screens. Growth in communication bandwidth will enable richer mobile interactions through a combination of multimedia capabilities, document imaging and security technologies. Further, location and voice recognition technologies will mature enabling context specific interactions.

Mobile commerce has already delivered good business results in some specific areas. As with all technologies, there are some customer segments for whom either business need or technology acceptance is high. These have proven to be early adopters of mobile commerce. Affluent customers with time constraints have embraced the ability to interact with their financial providers when time permits. This could be to place orders to trade, or to check the status of their accounts or transactions. Swedbank, for instance, has launched an integrated mobile account management and banking service, jointly with network operator Vodafone. Early adopters of new technologies are another segment where mobile commerce has yielded early successes. Young customers, who are extensive users of mobile technologies such as SMS and MMS, often see mobile commerce as an extension of their mobile usage. Barclays in the UK, which used SMS to launch a viral marketing campaign aimed at young customers, saw a 157% rise in student applications.

Among specific business processes in the financial services space, trading has led the way in customer acceptance. The impact of timeliness on successful trading, as well as the lack of ambiguity in trading objectives and their execution processes, has enabled brokerages to offer their customers the ability to manage a part of the trading process using

mobile commerce. As a result, the largest active user bases of mobile commerce among financial service companies have been found among brokerages, as seen in the accompanying graph.



Netbank leveraged the importance of time sensitivity to migrate other processes to the mobile channel. Using alerts delivered to mobile devices, Netbank was able to significantly improve customer satisfaction by delivering notices of non-sufficient funds much sooner than it had done in the past. In addition to improving customer satisfaction, Netbank also found that its customer support costs reduced as fewer customers called its call centers to manage issues related to overdraft or bouncing cheques.

Yet, more broad-based adoption of mobile commerce within financial services has been tentative and slow. There are many examples of firms making investments in mobile commerce initiatives and then pulling the plug, particularly with vendors such as W-Technologies and 724 solutions. A recent survey of 650 business executives showed that over half did not understand the benefits and uses of wireless. About 20% of them did not believe that wireless was sufficiently developed for business use. As another indication of the current business climate, 22% of these executives had no budget for investment in wireless initiatives.

**Case Study - Netbank**

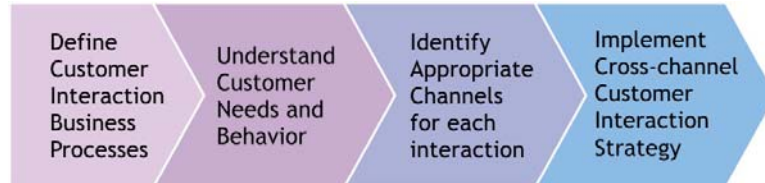
- Netbank uses account alerts to lower delivery costs
  - The problem
    - Nonsufficient funds (NSF) notices typically take 3-5 days to get to customers by mail
    - By then, many of them bounce more checks, not knowing they have overdrawn
    - This results in unhappy customers calling the bank
  - The solution
    - Account based alerts for notices like NSF as part of an electronic document delivery strategy
    - Posts an image of the notice online where the customer can retrieve it in a secure environment
    - Additionally, it automatically sends an alert, to an email box, PDA or cellphone, informing the customer of the notice
  - The results
    - Proactive alerts reduce support costs
    - Success in call deflection impacts staffing
    - Financial motivation is critical for adoption

There are many reasons for this hesitation. Some of these are due to the current technology environment around mobile commerce. There is a veritable profusion of wireless standards, across areas such as devices, browsers, protocols, application environments, messaging, gateways, carriers and infrastructure. Until these standards harmonize, businesses will continue to be watchful with their investments in wireless programs. Further, the current set of mobile devices and applications have interfaces that are not very customer-friendly. Network coverage is also patchy, a problem compounded by the lack of harmonization of standards. The charges imposed by wireless carriers for data are high and often confusing. Add to these the tightening IT budgets at leading public financial institutions, due to shrinking profits and corporate consolidation, and it is not surprising to see most firms adopting a “wait and watch” approach.

However, the lack of penetration of mobile commerce is also due to weak wireless offerings, often based on the premise that customers want the same experience they have on their PCs. Businesses do not have enough appreciation of the habits of the mobile user at home, at work and on the road.

## The four-step approach to mobile commerce success

We have developed a comprehensive approach to success in mobile commerce, based on our extensive experience assisting our clients with managing customer interactions across multiple channels. At the heart of this is the approach that treats the mobile channel as another channel with which to interact with the customer, adapted to its unique capabilities and constraints.



**Define customer interaction business processes:** The first step to developing a comprehensive mobile commerce strategy is to define the various business processes for which the customer needs to interact with the firm. These include inbound processes, where the customer initiates the process by contacting the firm. Examples of these processes are account opening, balance or transaction enquiries, enquiries about and purchase of new products or services, as well as complaints and suggestions. These also include outbound processes where the firm initiates the process by contacting the customer. Examples of these processes are new customer acquisition, cross selling of other products and services, follow-up customer service and services delivered at customer locations. These processes have to be defined in adequate detail, along with associated information and data flows for each interaction that forms part of the process.

**Understand customer needs and behaviors:** Customer adoption of different channels differs significantly, based not only on demographic factors such as age, sex and wealth, but also on attitudes to technology adoption and service expectations. To understand customer needs and behaviors, firms need to develop a set of customer profiles which drive expectations of mobile adoption and usage, and segment their current and target customer base according to these profiles. In developing these profiles, both demographic and non-demographic factors must be taken into account.

**Identify appropriate channels for each interaction:** For each interaction, the most appropriate channel or channels must be selected. The selected channels would vary based on customer profile. In selecting channels, the following must be considered.

- **Cost of deployment** - the upfront investment and ongoing operating costs associated with each channel for the interaction.
- **Customer acceptance** - based on the profiles developed, the likelihood of the customer to interact with the firm over the specified channel.
- **Device limitations** - the ability to complete interactions effectively over specific channels based on the limitations of the interaction devices being used, such as PCs, telephones and mobile devices.
- **Technology evolution** - the stability of the technologies concerned. Firms must avoid offering channels based on technologies that have yet to attain stability

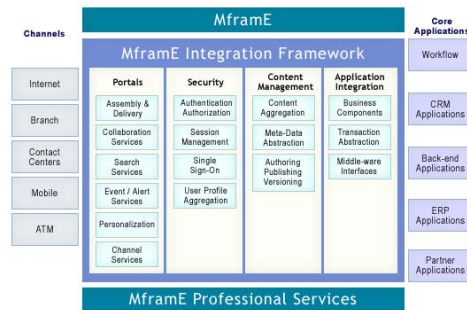


and maturity, since the user experience on immature channels could frustrate and alienate customers.

- **Time criticality** - an assessment of the urgency of the interaction will also help steer the interaction towards the appropriate channel. While the branch channel often gives the customer the richest experience, availability of branches related to proximity and opening hours often mean that the branch is not a preferred channel for time critical interactions.
- **Remote access** - an assessment of the need for interactions between customers and firms when the customer is not at his home or place of work will determine the appropriateness of mobile channels. As context-specific interactions become more widespread, this factor will be an important determinant of the appropriateness of channels for each interaction.

Some of the interaction types for which the mobile channel lends itself well are customer alerts and messages, field employee sales tools and call back requests.

**Implement cross-channel interactions:** Key to successful implementation of multi-channel strategies is ensuring that customer experience is consistent across channels. This does not mean that the richness of the interaction is the same across channels, since this is impossible to achieve given the capabilities and limitations of each channel. However, this does mean that interaction objectives are met effectively, and the organization has a unified view of the customer across all interaction channels. This requires robust integration of each channel with back end applications. This also requires content to be tailored to the requirements of each channel, an adequate level of security, and an effective presentation layer for these channels.



Thus, across one business process, we frequently find interactions spanning multiple channels, yet the integrity of the process and associated data is preserved. A good example of multi-channel deployment of a process is account opening at eLoan. An illustration of a process that spans multiple channels is shown in the accompanying picture. The customer initiates the process of applying for a loan over the internet. The agent who assumes responsibility for the account engages with the customer over multiple channels. The process works its way to creation of a new account, adapting to the capabilities and limitations of each channel. Thus, mobile commerce is best approached holistically, where mobile offerings are deployed as part of a cross-channel customer interaction model, rather than as stand-alone offerings. These offerings must be designed based on a good understanding of customer expectations and behavior. Even given the “shifting sands” environment of mobile technology, such a holistic approach to mobile commerce will provide a better and differentiated service to customers, with low risk to investments or reputation.

