

# Mobile Banking Applications

## *Where Does Prepaid Fit?*

by Rivka Gewirtz Little

A plethora of mobile banking applications have emerged this year, enabling consumers to do much of their account management from software perfectly fitted for their mobile device screens. Now prepaid providers are beginning to use these very same applications for prepaid services... but it will take some creativity to make it work.

A host of banks, including Bank of America, CitiBank, Chase and Wells Fargo, offer device-specific mobile applications, as well as texting or messaging for account management. These apps are generally custom fitted for the screens of iPhone, iPad, iTouch, BlackBerry, and Androids devices.

With these apps, users can view account balances, review transaction history, check credit and debit card activity, schedule bill payment, transfer money between accounts and even wire cash to outside banks or receivers. Application extras include bank branch locators and live chat customer service. Many banks also make it possible for users to text the institution in order to receive a return text with account information or schedule automated alerts about expenditures above a set amount, unusual credit card transactions or bill payment reminders.

### **But Where Does Prepaid Fit In?**

Since much of the prepaid world remains unbanked or under-banked, at first glance it may seem mobile banking applications would have little relevance to the prepaid

ecosystem. Yet that's not necessarily the case.

"You have an inherent difficulty in providing a mobile banking app for someone who is unbanked," said Daniel Csoka, CEO of aKos Technology Corporation, which provides mobile money transfer technology. "But when you look below the surface you can see why the banks are interested in trying to attract these customers. The theory is that by getting them to somehow use their mobile phone to control... their funds, you've kind of started the relationship down the road where they can become regular banking customers."

### **Mobile Financial Services: What Are They?**

Basically, mobile financial services can be broken down into three categories: mobile banking, mobile payments and mobile money transfer. Mobile banking is the ability to manage bank accounts from a mobile device. Mobile payments enable consumers to use their mobile devices as payment in place of credit or debit cards. This is done with Near Field Communication (NFC) technology, which lets mobile devices interact with POS terminals the way debit and credit cards do. Money transfer enables users to load money onto the mobile devices in order to pay bills or wire money domestically and internationally.

### **Which Banking Application is Right for Prepaid Programs?**

There are a couple of given

assumptions here: Basic bank account management may not be a great fit for prepaid consumers since they tend to be unbanked – or sometimes just don't seek their prepaid services from an actual bank.

Using NFC or other mobile payments could eventually be a good fit, but the technology still has far to go before it can experience widespread adoption, said merchant acquiring and point-of-sale expert Lori Breitzke, president of E&S Consulting. NFC would require upgrading of tens of thousands of POS systems. And many retailers don't see a financial incentive in upgrading.

"Today there is no interchange difference between contactless payment or taking a normal swipe card – so there is no financial incentive for them [retailers] to upgrade," Breitzke explained.

Over time, it's likely that ecosystems of companies will come together to make cell phone payments more prevalent. One example is for prepaid mobile companies to work with a payments provider like Zong, which enables users to make a purchase online by entering in their cell phone number. Users then get a text from Zong with a PIN. Once they enter that PIN into a widget online, the payment is accepted and added to their cell phone bill. Going forward in a prepaid wireless scenario, it could be debited from a bucket of minutes or wireless companies could even offer a prepaid bucket of Zong dollars, for example.

Payments may also emerge out of

partnerships between mobile carriers and banks. Recently news was leaked that AT&T, T-Mobile and Verizon Wireless have teamed up with Barclays and Discover Financial Services to allow consumers to use their iPhones and BlackBerrys for contactless payments.

### **Money Transfer May be the Answer**

But in the meantime, there are mobile financial services – like mobile money transfer and bill pay – that are an easier fit. In fact, Gartner Research predicts that the number one mobile application by 2012 will be money transfer using cell phones and SMS messaging.

"We have to better understand the habits and behavior traits of these customers," said Csoka. "They are often getting paid weekly in cash or going to the check casher. Many times they send that money back home to their families either domestically or internationally. Or they try to pay some bills with this money."

Financial services companies should look to enable prepaid consumers to use their mobile devices to handle these applications in a more "convenient, cheap and safe way that really provides a true value proposition," Csoka explained.

The good news is that the back-end payments infrastructure already exists for mobile device money transfer, top-up and bill pay. Companies with terminals and networks that handle cash-based mobile top-up and money remittance can use

the same terminals and networks to load funds and receive payments from mobile phones.

"Instead of putting \$20 on a [prepaid] cell phone you put \$200, and the \$200 can go for bill pay or money transfer," Csoka explained. "By the way, this person doesn't have discretionary income, so they are not loading \$3,000 on their cell phones."

In many countries, mobile money transfer and bill pay is already common, with consumers uploading cash onto their phones and then transferring funds to their family members with the mere send of an SMS. These applications also enable consumers to pay bills, order products online and more.

But in the U.S., consumer adoption will still require intense education campaigns that carefully explain to consumers how the programs work and their specific value, according to Breitzke.

If mobile money transfer and bill payment services are sold through mobile phone retailers, there will be a lot more incentive for consumer education than there is for typical reloadable cards in retail outlets like Walmart.

"Is a Walmart employee going to educate me on this? The Walmart guy doesn't get commission if he

sells that or not; he gets judged by how many people he can pass through his line," said Csoka. "If we launch this with a cell phone company mobile network operator, he is incented to make sure that you know what you can do with your cell phone. He is getting a cut of the transaction."

### **Prepaid Reloadable and Gift Cards with Mobile Apps: A No Brainer**

As open-loop reloadable cards grow in popularity, linking them to banking-type applications is a no-brainer, Csoka said. Most of these cards are already linked to SMS services that text users with balance updates and when a reload is necessary. Many of these companies also have iPhone, BlackBerry or Android-specific applications that let users view transaction history and more.

"A number of AccountNow customers currently take advantage of SMS alerts on low balances, balance requests, etc., and we are exploring other potential mobile applications. Research has found that unbanked/underbanked customers are more likely to have a cell phone than they are a home computer," said Alan Elias, a spokesperson for AccountNow, a provider of prepaid financial

services cards.

Some prepaid debit card programs enable users to granularly manage their accounts via mobile device, enabling them to view and limit the locations of where cards are used, and transfer funds from card to card.

### **Linking Mobile Devices to Reloadable Cards and Mobile Payment Apps**

In the past, a number of mobile companies have attempted to provide reloadable cards and "have failed miserably" according to Csoka. But if mobile money transfer and bill payment takes off, eventually providers of these services can link the programs to reloadable cards either by partnering with a prepaid financial services program company or building it out on their own.

"Once you have this demographic trained and they understand stored value, they can also have a card linked to the account," said Csoka. Then all sorts of other added services can be rolled out including cash access via ATMs and more.

### **Next Stop Mobile Device Gift Cards?**

It's very possible that the next step for mobile payments applications in prepaid will be in gift cards.

"There are about 40 companies doing mobile [device] gift cards today," said Breitzke. "These companies are in the gift and incentive world, and trying to extend their reach to virtual cards and mobile phones."

Virtual cards enable users to buy a gift card online and print it out or even have the information sent to email. Mobile gift cards would have the information sent to mobile phones by SMS, but retrieving these funds on the retailer side is not easy.

"The problem is having the infrastructure to redeem that card," said Breitzke, adding that eventually tap-and-pay providers like Bling or other NFC app providers will help that along. In the meantime, it's about users giving confirmation codes they've been texted and there are a host of security concerns involved.

The bottom line is that some mobile financial services applications are at their very nascent stages and will take lots of work in both developing technology and educating consumers. But others are much closer to prime time. For those prepaid programs providers that have the patience to form the right partnerships and educate consumers, there could be whole new revenue streams available.