

Mobile Banking in Germany

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Agenda

- ┌ Introduction
- ┌ Motivation
- ┌ Objective
- ┌ The German banking environment
- ┌ Mobile banking in Germany
- ┌ Downtrend 2003-2006
- ┌ Case studies
- ┌ A Strategic perspective
- ┌ Conclusions

Scornavacca & Hoehle, 2006

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Introduction

- The saturation of mobile phone ownership is beginning to occur in many developed nations such as England, Japan, Finland, New Zealand, and Germany.
- One of the first commercial applications of the mobile Internet was mobile banking – It has the potential to change the way banking is done for both business and personal customers.
- However, despite the high expectations and promises that surround mobile banking, it is still in a stage of relative infancy around the world - particularly in Germany.

Scornavacca & Hoehle, 2006

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Motivation

- Scornavacca and Barnes (2004) explored mobile banking in Japan by analysing m-banking services of three major Japanese banks. The results indicated that those organizations had recently embarked on a multi-channel strategy that combined telephone banking, Internet banking, and m-banking services.
- Scornavacca and Cairns (2005) investigated the state of the art of mobile banking services in New Zealand. The New Zealand m-banking market was still in a stage of relative infancy. The m-banking services of New Zealand banks were far less developed than its Japanese counterparts
- With mobile penetration rates around 80% in Europe, Germany is the largest European market with 50 million mobile users. An examination of the current state-of-the-art of mobile banking services in Germany is an interesting and opportune addition into this research effort.

Scornavacca & Hoehle, 2006

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Objective

- This paper aims to explore the state-of-the-art of m-banking in Germany.
 - It discusses the main characteristics of Germany banking practices
 - Provides a detailed analysis of the mobile services offered by three major German banks
 - It compares the German results with the previous research in Germany, Japan, and New Zealand.

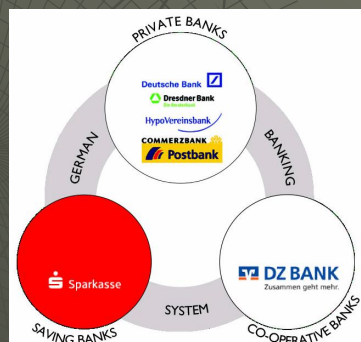
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The German banking environment

- There are currently 2,200 banks operating in Germany.
- The German banking environment consist of three main categories: Private banks, saving banks, and co-operatives

- Saving Banks
- 50.8% of all saving deposits
 - More than 500 branches
 - Strong customer base in larges cities as well as in rural areas



- Private Banks
- Only 4.5% of all saving deposits
 - Global Players
 - High profits with Investment banking activities

- Co-operative Banks
- DZ Bank acts as central bank for 1400 co-operative banks
 - 30% of all saving deposits
 - Traditionally strong in private banking and SME's

The German banking environment

- u In recent years, Germans have used a variety of channels to fulfil their banking needs.
- u Automatic Teller Machines (ATM) are used by 84% of all Germans. It is the most popular banking method in that country.
- u Only 30% of German customers use Online banking.
- u More than half (52%) of bank customers in Germany still rely on physical branch services.

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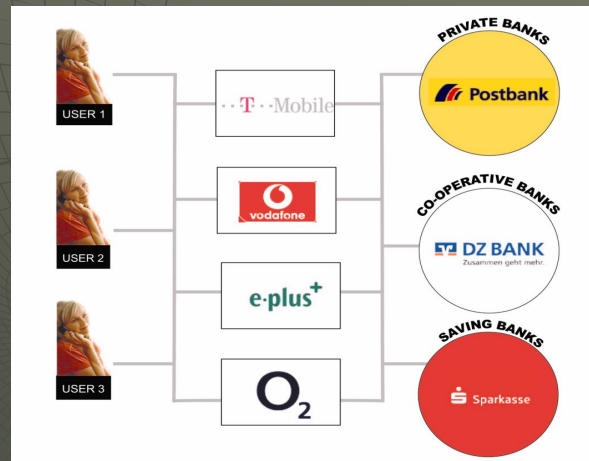
Mobile Banking in Germany

- u It is apparent in that in Germany M-banking is not an established channel
- u Most banks do not offer any kind of mobile banking services.
- u The majority of banks that offer some form of m-banking only provide very simplistic services such as SMS based banking.
- u Most of the banks also require their customers to register in order to gain access to m-banking services

Scornavacca & Hoehle, 2006

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Access to mobile banking in Germany



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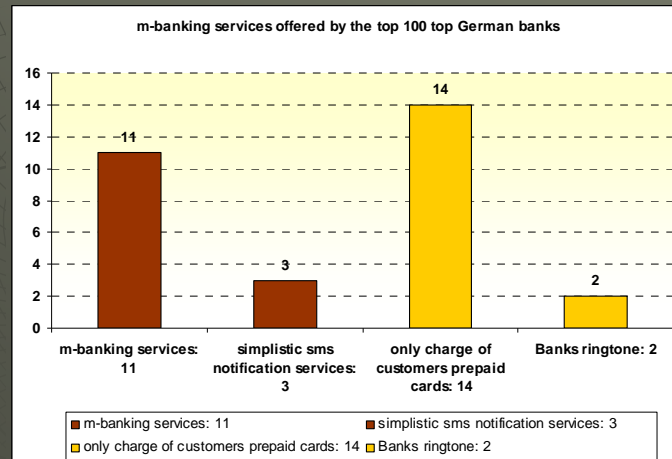
Downtrend 2003-2006

- A downward trend of m-banking services offered by the top 100 German banks was found: from 22 banks in 2003 to only 14 banks in 2006
- Between 2003 and 2006 only seven banks have integrated m-banking services to their portfolio. During the same period, 15 banks have closed their mobile channel to their customers (including the top four private banks - Deutsche Bank, Dresdner Bank, Hypovereinsbank, and Commerzbank).
- Unfortunately there is no evidence why and for what reasons many banks have abandoned their services.
 - Deutsche Bank argued that it cancelled its m-banking activities due to the lack of customers' use
- Perhaps many German banks were misled into a "mobile hype" and rolled out their m-banking services in a premature stage – at a time that users were not familiar with mobile services and the technological platform had far too many limitations such as ease of operation, security for transactions, costs, display type, and the relatively impoverished WAP sites.

Scornavacca & Hoehle, 2006

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Current Types of M-Banking Services Available



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Examples of M-banking services available in Germany

- One bank from each “category” was selected:
 - Postbank (representing private banks)
 - Hamburg’s Savings Bank (Haspa) (representing saving banks)
 - DZ Bank (representing co-operatives banks)
- The selection criteria were primarily based on the importance of each organization in its own category and availability of m-banking services.
 - The case studies of the three selected banks are remarkably divergent.
 - Each of the banks approached in this study has a different portfolio of m-banking services.
 - Postbank is the leading m-banking service provider in Germany.

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Summary of services

Services	Postbank	Haspa	DZ Bank
m-banking services			
Check account balance	Yes	Yes	Yes
Check transaction status quo plus information on previous transactions	Yes	Yes	Yes
Fund transfers / transactions	Yes	Yes	PDA only
Check credit card information	Yes	No	No
Account maintenance and administration	Yes	Yes	PDA only
PIN alteration and TAN lock out for the respective bank account	Yes	Yes	PDA only
m-brokerage services			
Check stock prices	Yes	Yes	No
Check custody account information	Yes	Yes	No
Display custody accounts as chart pictures	Yes	No	No
Re-order or re-sell shares	Yes	No	No
Buy shares on the German stock exchanges	Yes	No	No
Buy and sell investment trusts	Yes	No	No
Subscription for upcoming IPO's	Yes	No	No
Check custody order information	Yes	No	No
PIN alteration and TAN lock out for the respective custody account	Yes	Yes	No

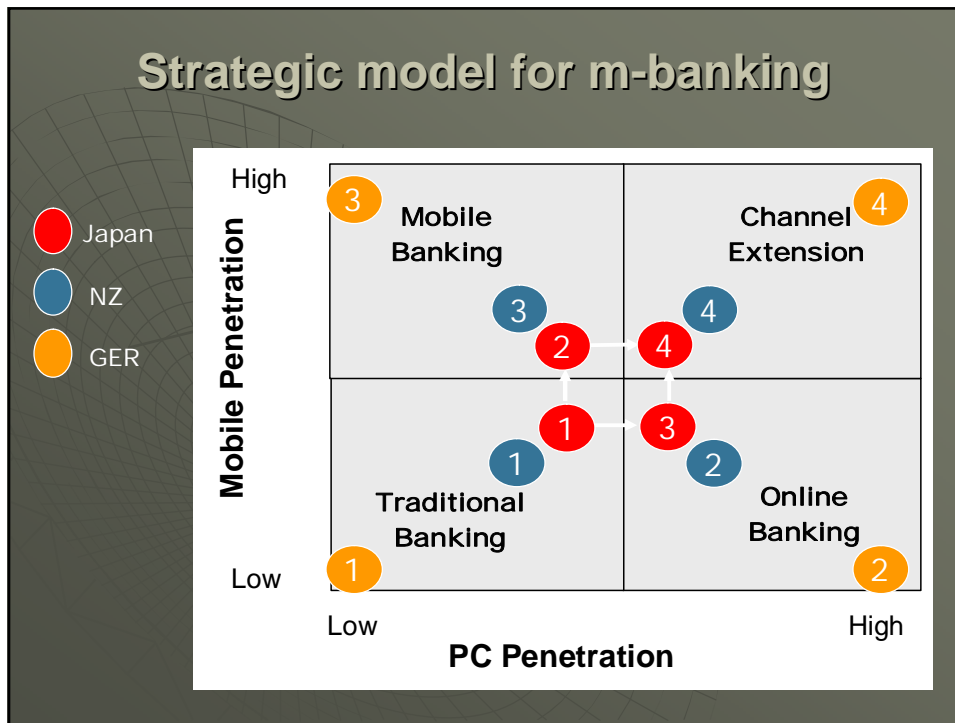
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Strategic benefits of Germany m-banking services

	Postbank	Hamburger Sparkasse (Haspa)	DZ Bank
Indirect benefits			
Cross-selling	û	û	û
Cheaper customer acquisition	û	û	û
Customer loyalty	ü	ü	ü
Direct benefits			
Customer benefits	üü	ü	ü
Cost reduction	û	û	û

Strategic model for m-banking



Comparison: Germany, Japan & NZ

- In comparison with Japan the m-banking portfolio is far less developed than its Japanese counterparts while a few steps ahead of New Zealand banks.
- In Germany, Postbank is leading the m-banking services market by far; a similar market situation found in New Zealand with one bank leading the m-banking market development.

Conclusions

- u The German m-banking market is still in a stage of relative infancy.
- u Out of the top 100 German banks only 14 banks currently offer m-banking services for their customers despite the high proliferation of mobile devices.
- u Downtrend: from 22 banks in 2003
- u German m-banking market: Behind Japan; similar to New Zealand
- u The recent rollout of UMTS/3G networks and new billing plans such as “mobile flat-rates” from E-plus are providing new opportunities for the German m-banking market.
- u Based on the lessons learned from the initial “mobile hype”, the German banking industry may soon develop a much stronger and sustainable m-banking channel for its customers.