

# Bank MVNO: Smoother sailing

**In fair weather, there's little incentive to change course. But as industries converge, bumpy seas lie ahead. Time for a new strategy.**

As the mobile industry matures and edges into financial services, banks may feel the pinch. As operators start to steal their wind – and customers – wise banks will go on the offensive by introducing new services of their own.

## Sea changes

More people now have a mobile phone than a bank account. Consumers are increasingly choosing third-party payment systems, such as PayPal, over credit cards. And as phones become internet devices, mobile network operators (MNOs) may soon see little reason

to involve banks in the value chain at all. But if mobile operators can act like banks, why shouldn't a bank leverage its inherent strength and value to offer a mobile phone service?

## Your brand on the sails

Many banks deliver their services to customers almost invisibly. As more people take to internet banking, fewer visit their high-street branch. Moreover, credit or debit cards may be co-branded or even feature a different brand altogether.

Mobile phones, on the other hand, are tangible everyday tools. Become part of the mobile experience and your brand touches your customers' lives. The benefits are increased loyalty and revenue growth. Not simply in minutes of talking on the phone, but in mobile financial services.

## Within shouting distance

The worlds of telecom and banking are not so far apart. They already deal in similar concepts: For 'debit card', think 'prepaid card'; for 'credit card', read 'postpaid account'.

But when we talk about the two worlds coming

together, banks actually have the edge. As a bank, you have two things that MNOs envy: customers who trust you and long-term relationships with them. Many customers stay with the same bank for decades – longer than mobile operators have been in existence.

Even as people grumble about low interest rates on current and savings accounts, they see the value in the services you provide. Asked which type of company they would prefer to provide mobile payments, 85% of customers nominate their main bank <sup>1</sup>.

<sup>1</sup>Source: Forrester's Consumer Technographics® 2003 European Study

#### Charting a new course

Mobile payments are not in full flow yet. But the wind is picking up. With growth in voice

**“ Mobiles are smarter than credit cards and could even replace them.”**

calls flattening and data revenues over-hyped, an operator's success is based as much on value-added services as on minutes of use. In this new field, banking is a prime contender.

Introducing a mobile service means entering a new arena against a different class of competitor. But it doesn't mean starting from scratch. Your original boat is still more than seaworthy. It just requires some adjustments.

Going mobile means you can attract more customers and secure your existing market position. New revenue streams open up along with new market segments and business models. Most of all, you gain full control of mobile payments and banking.

#### The tide turns in your favour

Apart from trust and relationships, you have several other strengths. First, you are already positioned in the value chain. And your role there is set to expand. You also understand the finance business and are able to use existing systems and processes.

Mobile banking today has barely left harbour. But it's on the way. Micropayments are already popular in the East among developed

countries. From vending machines and shops to public transport, 'micro' applies to anything you would normally pay for in cash, with the mobile often working as a barcode scanner.

A macropayment means anything for which you would typically use a credit card – from shopping online to paying in hotels and restaurants. Today, your waiter carries a handheld payment terminal; tomorrow, you could key in the bill on your mobile. In fact, mobiles are smarter than credit cards (rate the food as you add a tip!) and could conceivably even replace them.

#### Giving customers incentives to jump ship

Mobile payments is just one obvious service. But there are many more. You would offer customers a full mobile service. Apart from all the possible 3G bells and whistles, there are two more prosaic – but perhaps even more enticing – hooks for customers: postpaid benefits and cheap calling.

When prepaid top-up cards were introduced, they revolutionised mobile use, opening up the market beyond business customers and giving people a phone without contractual obligations.

Today, many prepaid users remain unaware of the benefits of a postpaid account – cheaper per-minute costs, no need to top up, reduced hardware costs – preferring prepaid out of habit. Still others have difficulty getting accepted for a postpaid contract with an MNO.

**“ Customers get that extra feeling of security that comes with their bank.”**

#### Get customers on board

While an MNO needs assurances that a customer will not default – and has therefore to run costly processes – a bank can cut out the middleman by offering a postpaid service without contract. Since the bank already has a financial relationship with the customer, there's no risk.

On top of that, the bank holds its customers' money throughout the billing period, collecting interest at every step.

**Make waves**

If financial service revenues are increasing, while airtime revenue declines, why not take a radical step and throw in voice calls for free? For a small monthly flat fee, customers could talk as much as they liked.

Combining attractive deals like this with the innovative 'contract-less' postpaid option would not only encourage existing customers to sign up for your mobile service, but could attract new customers to the bank – particularly among key demographics such as students or young professionals not yet 'locked in' with a mortgage.

As well as great services and excellent value, customers get that extra feeling of security that comes with their bank.

**Hit the start line at full speed**

Going mobile offers short-term benefits but is definitely a long-haul business – more an ocean race than a harbour course in protected waters. We recognise, too, that banks typically do not move fast from a standing start. So a small initial move is needed to get momentum going. This means first bringing the bank systems inside the mobile network.

After that, the race is on. Each stage sees a gradual transition, with the mobile service moving from a value-added service under the bank's chosen brand to a fully integrated payment and communications system.

**The right equipment**

A key waypoint is the eventual development of a Banking SIM card. While not necessary at the outset, this would combine credit card and telephone functionality in a single unique-user module.

There are several business models for hardware. Banks could include a small area in their regular branches to display mobile handsets attractively. This in turn could have a positive impact on the brand image, giving staff a chance to get out from behind glass counters and be more approachable, friendly and open.

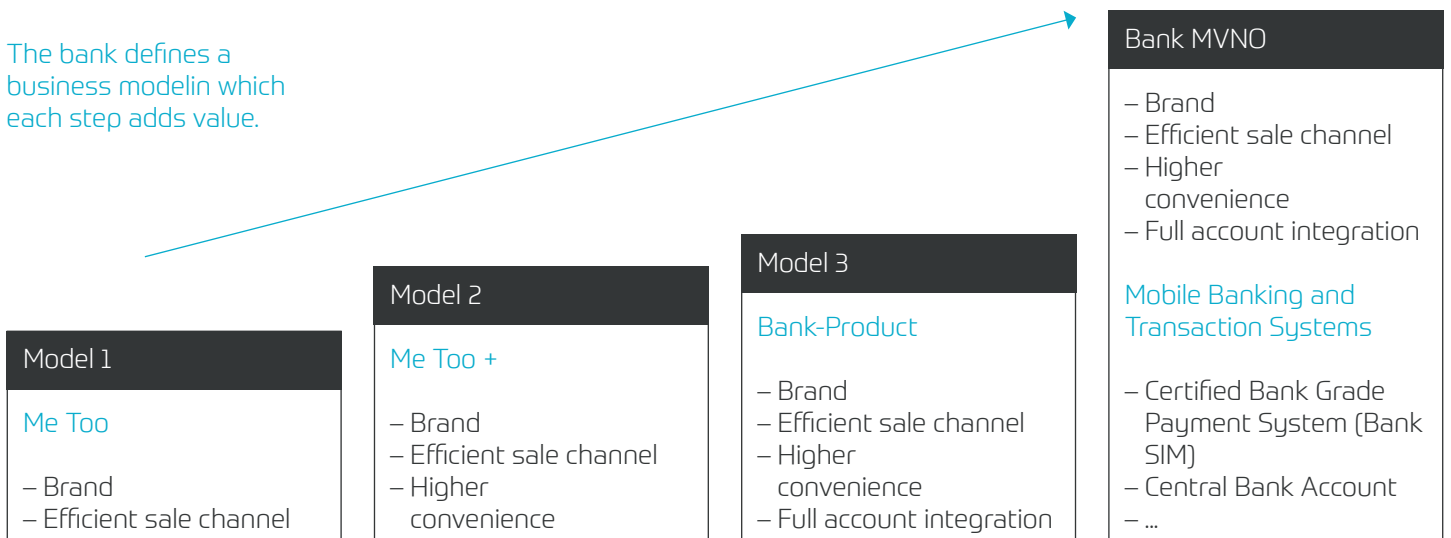
Alternatively, handsets could be sold exclusively online, as Germany's Handy Service does already. Or you could simply work with a third-party distributor, such as the UK's Carphone Warehouse.

**A steady hand at the wheel**

Even the best skippers need a navigator, tactician and a tight and experienced crew to cross the finish line ahead of the competition. Come and talk to us to discuss your next move.




Development process  
Full Bank-MVNO

The bank defines a business model in which each step adds value.



**Effortel takes brands mobile throughout Europe.** Our simple, flexible, scalable solutions add profitable telecom services to your business. From strategy to full roll-out and support, our people and technology enable you to offer your customers the mobile service they demand.

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