Chapter 11

Mobile Banking —
A Strategic Assessment

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ABSTRACT
The banking industry has enjoyed excellent success in the application of sophisticated information technologies. It has the capital resources to make significant investments in technology infrastructure, and over the years this investment has paid major dividends in reduced costs and extended service offerings. Information technologies have actually reshaped the nature and size of the financial industry sector. In developed economies this has most recently translated into Internet-based banking, including transactions for equities trading, account enquiry, transfers between accounts, bill presentment, bill payment, as well as transfers between people. Digital wireless technologies to a variety of terminal devices have now enabled wireless and mobile Internet access. Mobile banking seems a natural extension. This chapter examines the strategic considerations of mobile banking from technical, business, and regulatory perspectives. We conclude that there are very different challenges influencing the evolution of this application, depending on the particular economy and culture in which the opportunity is located.
INTRODUCTION

The evolution of electronic commercial activity into the wireless realms has been underway for decades. It was only a matter of time before banks took advantage of apparent opportunities emerging from the high penetration of wireless devices for the public, new technologies providing adequate bandwidth to make transactions possible, and the evolution of Internet-based standards. Notwithstanding the dot-com meltdown, no one wants to miss the next surging technological revolution if and when it happens. While experience tells us that the notion of first mover advantage is mostly a myth, IT directors of large banking institutions still look for opportunities to lead the pack, to be leading edge.

In some respects this is quite understandable. Consider the evidence. The take-up rate for the Internet generally has been quite remarkable over the last seven years. There is no shortage of graphs in the literature and at academic conferences comparing the time it took technologies such as telephone, radio, television, VCRs, etc. to reach 50 million people against the time it took the Internet to achieve the same penetration. With the Internet firmly established in the community, Internet banking is a relatively straightforward step for many users. Wireless banking based on Internet protocols seems a logical extension from there.

In Western Europe, Japan, and North America, the population began to embrace wireless telephones in the 1990s with the same enthusiasm that they embraced the Internet (Varshney & Vetter, 2000). In a parallel development, large organizations began to appreciate the cost effectiveness of implementing applications designed for customer self-service, whether these systems had a front end enabled by interactive voice response (IVR), voice recognition, or Internet-based (Turban, King, Lee, Warkentin, & Chung, 2002). As wireless technology moves from analog to digital infrastructure, the possibility of extending self-service environments to the wireless device becomes practical.

Most of the literature uses the term “mobile banking” in the sense of traditional retail banking activities such as transferring money, paying bills, checking an account balance, and perhaps even checking on the status of the mortgage (Sciglimpaglia & Ely, 2002). This relatively limited definition may be a reflection of the natural bias many have about banking, simply because their relationship with them is primarily one characterized by retail banking activities. In addition, many individuals have an interest in the stock market, whether through ownership in derivatives like mutual funds or directly in individual equities. These individuals may have an interest or a need to check the status of their investments or actively manage those investments.

Banking as a commercial endeavor is of course substantially more complex than these retail services. Most large banks have wholesale relationships with corporations, merchant accounts, payment systems, interest in clearinghouse
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