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Mobile banking users to double and hit a quarter of global population by 2019; ASEAN expected to be hotbed of growth

In the next four years, the number of mobile banking users is forecast to double to 1.8 billion, accounting for more than 25 percent of the world's population, says KPMG in its latest report on global mobile banking trends.

Titled *Mobile Banking 2015*, the report is based on research by KPMG using primary survey data from the UBS Evidence Lab.

The report finds that while mobile is already the largest banking channel by volume of transactions, its adoption by new customers is entering an exceptionally rapid phase.

Over the next five to 10 years, mobile banking will see dramatic growth and this exponential increase will also be seen across Southeast Asia.

The ASEAN mobile banking boom

Currently, the 10 countries within the Association of Southeast Asian Nations (ASEAN) – Singapore, Malaysia, Brunei, Cambodia, Indonesia, Laos, Myanmar, Philippines, Thailand and Vietnam – have a combined population of 625 million with several countries experiencing rapid economic growth.

Said Mr **Adrian Harkin,** Chief Executive Officer, Management Consulting for KPMG in the ASEAN region: "Many ASEAN member nations have young populations. In Vietnam for example, more than 60 percent of its 91 million citizens are under 30 years old. Add this to the rapid economic growth of the region, and the fact that mobile phone penetration approaches 100 percent of adults in most of ASEAN, and you will get an idea of the scale of opportunities available for mobile banking products and services in Southeast Asia."

He added that in spite of the uneven distribution in economic prosperity among the ASEAN states, technology trends have a similar impact on all of ASEAN, especially when it comes to financial services.

Young ASEAN consumers are more open than ever before to consider non-traditional alternatives for their financial services. Across ASEAN, parts of the population that have previously not been well served by financial institutions, together with many new adults entering the consumer society every year, are now becoming new banking clients.

The number of users of core services such as banking are set to double by 2020 across Southeast Asia as the 'unbanked' begin to be served through their new mobile devices. These young users are likely to be very different from prior generations of banking customers.

"They are less loyal, eager to try new things, demand personalised services and expect a broad range of products suited to their lifestyle and personal circumstances. They are not intimidated by technology, can be easily influenced by their peer group and expect high levels of transparency, convenience and mobility in the services they consume. All these factors will affect how banks customise their services," said Mr Harkin.

Can banks survive the era of 'Open Banking'?

The report also suggests mobile banking and payment systems are increasingly being integrated with other technologies, driving an era of 'Open Banking' where financial services is just one layer in a multiplicity of various experiences.

For example, as a consumer holds up his or her phone to a television in a store, an augmented reality app can recognise the phone and provide a range of information including reviews and credit options. These new players are ready to march on the traditional turfs of banks.

ASEAN and the larger Asia Pacific region are likely to emerge as hotbeds of intense competition, said Mr Harkin.

"The explosive growth of smartphones, together with increased comfort levels to use mobile commerce and improved regional connectivity, are setting the scene for major disruptions amongst the established ASEAN players in the banking sector," he said.

Noting how several regional telecommunications firms and retail companies have successfully launched digital banking services in recent years, Mr Harkin said: "As the formation of the ASEAN Economic Community approaches, these companies are looking to see how they can repeat these experiences across the region."

He also pointed to growing competition within the Asia Pacific region, as Fintech start-ups from hubs in Hong Kong, Singapore and Sydney aim to unbundle banking services and carve out business in some of the established banks' most profitable business lines.

In such a landscape, banks which do not have clear mobile banking strategies may lose customers and risk jeopardising competitive advantage.

Key focus areas for banks

The report highlights three areas banks should pay attention to so they can take advantage of the surge in mobile banking and prepare for the 'Open Banking' era:

1. Expand mobile banking services
Banks should investigate the potential of value-added services. For example, consumers value personalised support via mobile services and banks should explore areas such as virtual support, social media banking and cloud storage.

In addition, banks can consider mobile-enabled technologies such as wearables and augmented reality as they proliferate.

2. Banks need to be more open
While banks offer Application Programme Interfaces (APIs), allowing third-party developers to develop such technology, the report highlights there needs to be greater collaboration between the banks and developers.

Furthermore, even as banks invest unprecedented amounts in mobile and other technology-led capabilities, challengers unencumbered by legacy IT infrastructure are already one step ahead. To stay ahead, large banks are increasingly acquiring technology start-ups and investing in incubators.

3. Invest in security
Innovation must be underpinned by rock-solid security. Banks are urged to heavily invest in technologies that will evolve and protect against future threats, as well as tackle current pressures from malware and social engineering.

Forty percent of consumers cited concerns over entering card details in mobile devices, and the possibility of losing a handset ranks high among the list of worries.

Banks find themselves having to protect the customer and provide seamless and speedy access to their services to ensure greater customer satisfaction. Biometric apps and fingerprint scanning are earmarked as ways to bolster the security of mobile banking, whilst ensuring ease of access. However, only a handful of the main banks assessed in the research currently offer this service.

Mr Harkin said: “Banks must adapt to how mobile banking is clearly supplanting all other channels as the main portal between the bank and its customers.

“This new, exciting phase of mobile banking innovation, spearheaded by new market entrants and pioneering banks, will be a roller coaster. Banks will have to overcome substantial infrastructural challenges, and reconcile customers’ appetite for ease of use with greater security. Boldness will be required to overcome these challenges, and banks that successfully do so will reap rewards.”

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Notes to editors

This report has been produced using primary survey data provided by UBS Evidence Lab. UBS has also published a report for institutional clients leveraging this primary data source.UBS AG (UBS) and KPMG LLP, the UK member firm (KPMG), have cooperated to produce their separate reports on Mobile Banking which use data from the UBS Evidence Lab, amongst other sources. Whilst KPMG has had access to the results of the UBS Evidence Lab research, it has produced its report separately from UBS and each report is subject to the disclosures and disclaimers set out therein.

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