Enhancing Banking Convenience Using Location-Based Services

Sutherland Banking Insights
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EXECUTIVE SUMMARY

With the growing adoption of smartphones, mobility has taken center stage in the technical infrastructure of banks – business processes are being reengineered and new models are being explored. Banks and financial institutions have narrowed down their approach to provide customer experience, majorly through mobile banking, which can actually translate to real bottom-line results. Banks, both large and small, now offer free, secured, and enhanced apps that not only maintain similar functionality as online banking, but also offer new innovative features. Location-based banking service is one such innovative customer experience feature that banks have started to offer to help customers accomplish certain real-time banking needs.

MOBILE BANKING IS GAINING MOMENTUM ON ACCOUNT OF ITS ACCESSIBILITY AND CONVENIENCE

Today, banking services offered to an individual are far more than he/she could possibly have thought of a decade ago. There is a fierce competition in the market, and in order to rise above the crowd, banks are constantly looking to differentiate themselves on the basis of products, customer service, accessibility, and convenience. They understand that their customers surely do not like to stand in line for their own money, especially given the proliferation of smartphone and tablet usage today. Access to mobile networks is now available to 90% of the world population and 80% of those living in rural areas. The use of smartphones for banking is gradually becoming a new norm. A few years ago mobile banking was used primarily for balance inquiries, checkbook requests, etc., via SMS, but enhanced functionality – banks started indulging with the browser using WAP and GPRS – over the years has widened its scope to include a huge part of banking operations, both internally and externally. Customers today expect to accomplish all their banking needs with a few taps on their phones, and banks have responded accordingly by offering free, secure apps with similar functionalities as online banking. According to Payments Council, one in five adults makes his/her payment and checks his/her balance using smartphones. The council also estimates that mobile phones would be used for a total of 1.5 billion transactions a year by 2022, up from the current 356 million. Therefore, with more and more users getting comfortable in using their mobile devices, banks and financial institutions must keep looking forward and incorporate new technologies regularly, if they want to keep customers satisfied.

Moreover, banks and financial institutions use smartphone devices and apps not only as a channel to offer services to customers, but also as a platform to establish a link within their own organization to empower their workforce and control various processes and assets. So, it can be said that mobile banking has now moved from basic banking operations to complex mobility solutions within organizations, including asset management, loan approval, and database management.

Another way in which banks have moved ahead to a greater extension of mobile solution that have enabled them to provide the consummate banking experience to customers is by adopting a new technology of location-based services and geo-targeted offers.

TYPICAL MOBILE BANKING SERVICES

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<tr>
<th>Basic Services</th>
<th>Medium Services</th>
<th>High-end Services</th>
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<tbody>
<tr>
<td>• Mini statements and checking of account history</td>
<td>• Access to loan statements</td>
<td>• Check remote deposit</td>
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<tr>
<td>• Alerts on account activity</td>
<td>• Access to card statements</td>
<td>• General information such as weather updates, news, etc.</td>
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<tr>
<td>• Fund transfers between linked accounts of customers</td>
<td>• Mutual funds/equity statements</td>
<td>• Loyalty-related offers</td>
</tr>
<tr>
<td>• Third-party payments (bill payments and third-party fund transfers)</td>
<td>• Insurance policy management</td>
<td>• Location-based services</td>
</tr>
<tr>
<td>• Status of requests for credit, including mortgage approval and insurance coverage</td>
<td>• Portfolio management services</td>
<td>• Fixing appointments in a bank branch</td>
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<tr>
<td>• Checkbook and card requests</td>
<td>• Real-time stock quotes</td>
<td>• Performing video chats with bank personnel</td>
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<tr>
<td>• Exchange of data messages and email</td>
<td>• Personalized alerts and notifications on security prices</td>
<td>• Biometric authentication</td>
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<tr>
<td>• ATM &amp; branch location</td>
<td>• Monitoring of term deposits</td>
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Source: Sutherland Research
WHAT IS LOCATION-BASED SERVICE?

The growing diffusion of social media and the Internet has brought people from different geographies closer, helping them make meaningful connections. However, it is always wise to connect with neighbors rather than with the other side of the world. Here is where location-based services (LBS) come into focus.

LBS are web-based services that utilize location data from GPS-enabled mobile devices to provide real-time information to a mobile user based on his/her location. LBS use the geographic information system (GIS) technology and the Internet to track the location of users. User-initiated LBS requires an internet connection to determine the user’s location and provide the search results. A GIS is a computer system designed to capture, store, manipulate, analyze, manage, and present all types of spatial or geographical data.

HOW DO LOCATION-BASED SERVICES WORK IN BANKS?

To establish location-based capabilities, a bank needs to undergo the following steps:

- As a first step, the bank requires customers’ consent for sharing their mobile phone numbers for location information
- The bank then shares customers’ mobile numbers (who have given their consent) with its technology partner/platform provider
- The technology partner/platform provider obtains location information from the appropriate operator and sends it to the bank
- The bank then uses this location information for sharing location-specific content – promoting targeted products and services, validating location, and sharing personalized offers with the customers, etc.

The technology partner/platform provider works as a location information aggregator, who obtains information from multiple sources, including direct connections to operator network infrastructures. The technology partner/platform provider consolidates the information across operators, technologies, and location sources to provide a single web interface where the bank can access its customers’ location information.

BENEFITS DERIVED FROM LOCATION-BASED SERVICES

Location-based services benefit to both bank and individual customer

**BANKS**
- Increased customer engagement and improved customer service
- Promote competitive edge and brand building
- Cost-effective, as fewer resources are needed
- Drive cross-sales opportunities

**USERS**
- No location and time constraints
- Unique and personalized service experience
- Highly secured and easy installation
Enhancing Banking Convenience Using Location-Based Services
White Paper

TO BANKS

• **Customer-oriented benefits**
  • Helps promote brand loyalty and improves customer service and satisfaction by enhancing customer relationships through increased engagement levels and opportunities to present more relevant content in real time
  • Acts as an efficient platform to capture customers’ attention, resulting in higher spend time at one place. This can lead to increased retention and potential for lead generation

• **Operational benefits**
  • Helps drive cross-sales opportunities by delivering relevant information to interested customers when they are at the branch or any other related business area of the bank
  • Enables banks to deliver better, richer, and more efficient applications and services for accessing relevant data in real time
  • Offers a heightened reach as a device-agnostic solution not limited to smartphones

• **Cost benefits**
  • Helps address low-end customer queries such as locating and self-serving traditional transactions or non-transactions without engaging a customer call center. For example, locating the nearest branch or ATM
  • Helps promote content (customized) to relevant and targeted customers only, instead of a large customer base, which requires additional resources at additional cost
  • Saves costs, as building or downloading an application per platform is not required

“As our customers become more mobile, the ability to talk to them when they are out and about, and show them offers that are relevant to them, is ultimately where a lot of marketing is going...”
– Brian Koehler, SVP, Payment Innovation, U.S. Bank

TO CUSTOMERS

• Offers anytime, anywhere access to certain banking needs
• Offers access to updated, relevant data and promotions to customers
• Provides an additional security layer that validates transactions by comparing the location of the user with the location of the transaction
• Offers customers the space to engage on social media platforms and to find friends and places of interest
In today’s competitive digital age, major banks across the globe recognize the importance of investing in IT. Most banks have already anticipated that they will increase their IT spend budgets, including mobile banking investments, in the coming years. Studies show that banks have prioritized their mobile banking investments in building apps for tablets, enhancing corporate banking services, and enhancing mobile payments and other basic services. However, close to one-tenth of the planned mobile banking investments will cater to location-based capabilities. Listed below are recent instances where banks have invested in developing their location-based capabilities.

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<thead>
<tr>
<th>Bank</th>
<th>Location-based Feature</th>
<th>Description</th>
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<tr>
<td>Westpac</td>
<td>Personalized Greetings and Fraud Prevention</td>
<td>A push notification prompts travelers to inform Westpac Bank (through its app) where they are going overseas and for how long. Upon landing, another alert pops up to welcome them to the new country and details where to find free ATMs</td>
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<td>Customer Identification</td>
<td>Westpac’s New Zealand operation uses “ibeacons”, Apple’s indoor wireless location sensors, in its branches for bankers to know who is coming through their doors</td>
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<tr>
<td>JPMorgan Chase &amp; Co.</td>
<td>Personalized App Background</td>
<td>JPMorgan’s app presents location-based greetings to give users a more personalized experience</td>
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<td>The background photo shown to a customer in New York may feature the Brooklyn Bridge, for example, while a client in San Francisco is shown streetcars</td>
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<td>Commonwealth Bank</td>
<td>Property Search</td>
<td>Commonwealth Bank of Australia offers a mobile app that uses “augmented reality” to help customers with house hunting</td>
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<td>App users simply point their smartphone camera at a residence and the app brings up extensive property details, as well as monthly payment estimates on mortgages and insurance</td>
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<td>U.S. Bank</td>
<td>Branch and ATM Locator</td>
<td>U.S. Bank’s augmented reality app enables users to easily find and access information about the closest U.S. Bank branch or ATM</td>
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<td>When a phone loaded with the app is pointed in a specific direction, it displays a graphic for each nearby U.S. Bank branch or ATM and tells whether the location is open, its address, and distance based on the user’s GPS location</td>
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<td>The app recognizes when a user arrives at the destination and asks if additional information is required</td>
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<td>Lloyds Banking Group</td>
<td>Property Search</td>
<td>Halifax Home Finder mobile app uses augmented reality technology to enable users to view and pull up data on houses for sale as they pass them on the street</td>
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<td>Closer to home, users can hold their phone up on any street and explore properties for sale nearby, overlaid with additional data such as local school rankings and transportation links</td>
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<td>The app offers a deeper search on selected properties, with photos and floor plans available for display, plus information on monthly remortgaging repayments</td>
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<tr>
<td>Standard Chartered</td>
<td>Discount Coupons and Deals</td>
<td>The Breeze Living app provides location-based services displayed via three views (Augmented Reality, Map, and List) and searches via category, partner, and hot or daily deal</td>
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<tr>
<td>Bankinter</td>
<td>Branch and ATM Locator</td>
<td>The app enables customers to point their camera at a specific area and receive information and routes to the nearest branch or ATM location, with directions overlaying real-time views of the surrounding areas</td>
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SOME OF THE COMMONLY-USED LOCATION-BASED APPLICATIONS BY BANKS

ATM Locator

Book an Appointment at a Bank Branch

Property search – Augmented reality for home loans
CONCLUSION

In the banking sector, product innovations always need to go hand-in-hand with new approaches. Soon, banks will not only consider themselves as the providers of financial services and transaction enablers, but they will also act as a platform that will play a greater role not just at the moment of transactions, but before and after as well.

Location-based service is a perfect combination of time, place, and consumer intent, which can be banks’ magical formula for success. As mobile technology improves, location-based services will only gain momentum going forward in the modern banking environment.