

PRESENTATION TO

MAINE BANKERS
Association

MARKETING COMMITTEE

OCTOBER 18, 2011

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- ❑ Today, I would like to discuss developments in online and mobile banking.
- ❑ Topics I will be discussing are:
 1. Some background on technology and in particular Internet usage trends
 2. Online banking
 3. Mobile banking
 4. Some data on these topics for Maine from our survey work
 5. Pan Atlantic SMS Group

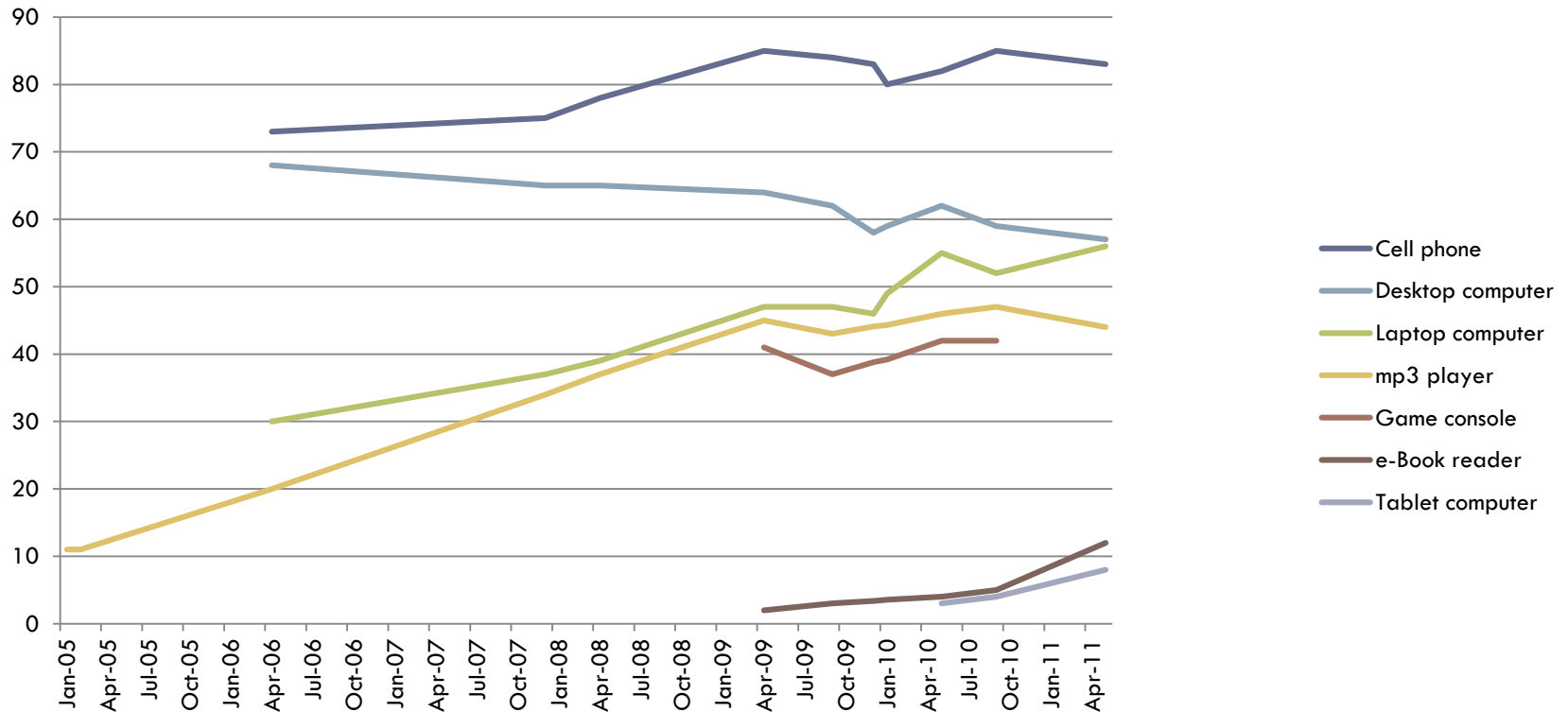
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Internet

Technology Device Usage Trends

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Gadget Ownership Over Time



Source: The Pew Research Center's Internet & American Life Project.

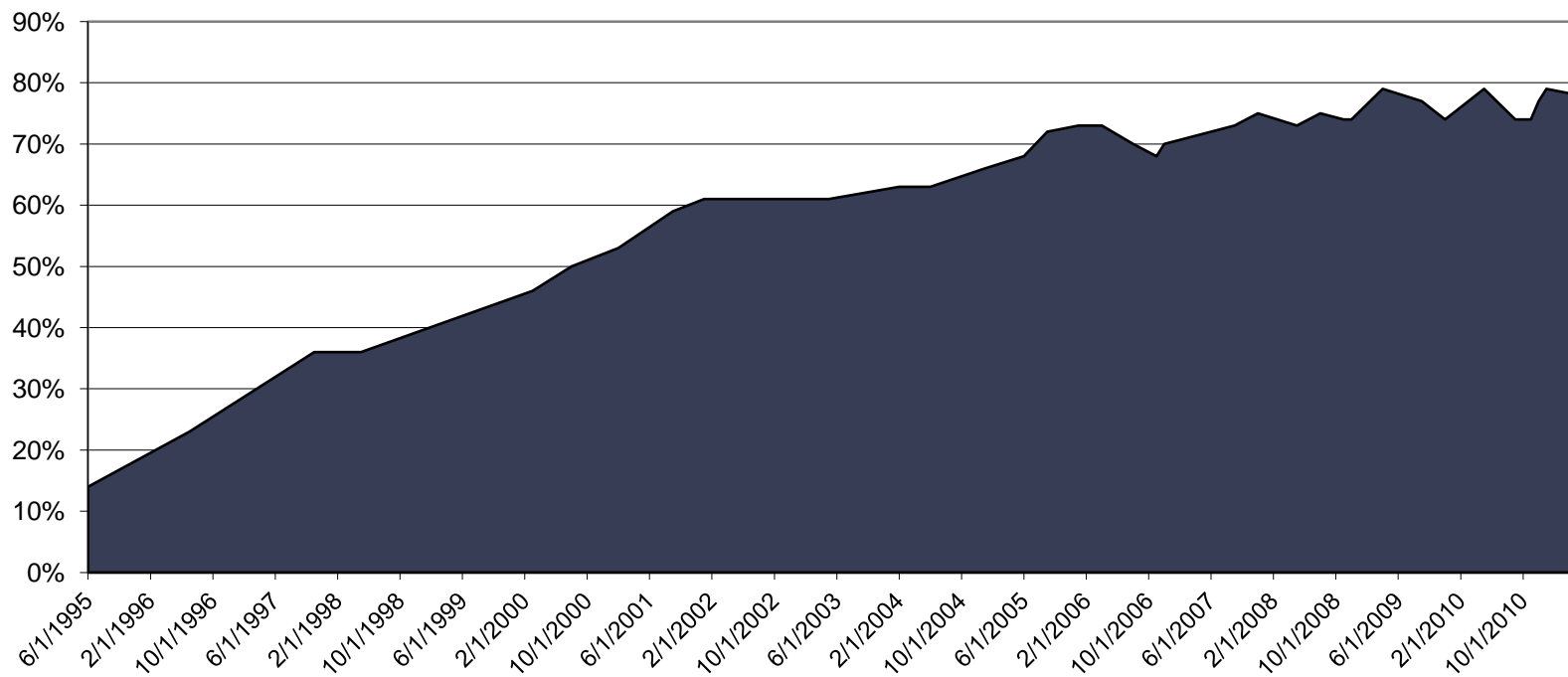
- Explosive growth in cell phone ownership now at 83% nationally.
- Some decline in desktop computer ownership (57%) with a corresponding increase in laptop ownership (56% in 2011).

Internet Adoption

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Internet adoption, 1995-2011

% of American adults who use the internet, over time



Source: Pew Internet & American Life Project Survey, March 2000-May 2011.

- 78% of American adults are using the Internet – up from 58% 10 years ago.

Internet Adoption Segmentation

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	% who use the Internet
Total adults	78
Men	78
Women	78
Race/Ethnicity	
White, Non-Hispanic	79
Black, Non-Hispanic	67
Hispanic (English- and Spanish-speaking)	78
Age	
18-29	95
30-49	87
50-64	74
65+	42

Source: Pew Internet & American Life Project Survey.

Internet Adoption Segmentation, cont.

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	% who use the Internet
Household income	
Less than \$30,000/yr	63
\$30,000-\$49,999	85
\$50,000-\$74,999	89
\$75,000+	96
Educational attainment	
Less than High School	42
High School	69
Some College	89
College +	94
Community type	
Urban	79
Suburban	80
Rural	72

Source: Pew Internet & American Life Project Survey.

Top 10 Internet User Online Activities

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	% of Internet users who do this online
Send or read e-mail	92
Use a search engine to find information	92
Look for health/medical info	83
Look for info on a hobby or interest	83
Search for a map or driving directions	82
Check the weather	81
Look for information online about a service or product they are thinking of buying	78
Get news	76
Go online just for fun or to pass the time	72
Buy a product	71
Do any banking online	61



Source: Pew Internet & American Life Project Survey.

Social Networking Sites

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- ❑ 65% of online adults -- or approximately 50% of all adults -- use social networking sites, and most describe their experiences in positive terms.
- ❑ Two-thirds of adult internet users (65%) now say they use a social networking site such as MySpace, Facebook or LinkedIn, up from 61% one year ago.
- ❑ That's more than double the percentage that reported social networking site usage in 2008 (29%).
- ❑ The pace with which new users have flocked to social networking sites has been staggering – in 2005, just 8% of internet users – or 5% of all adults – said they used them.

Source: Pew Internet & American Life Project Survey.

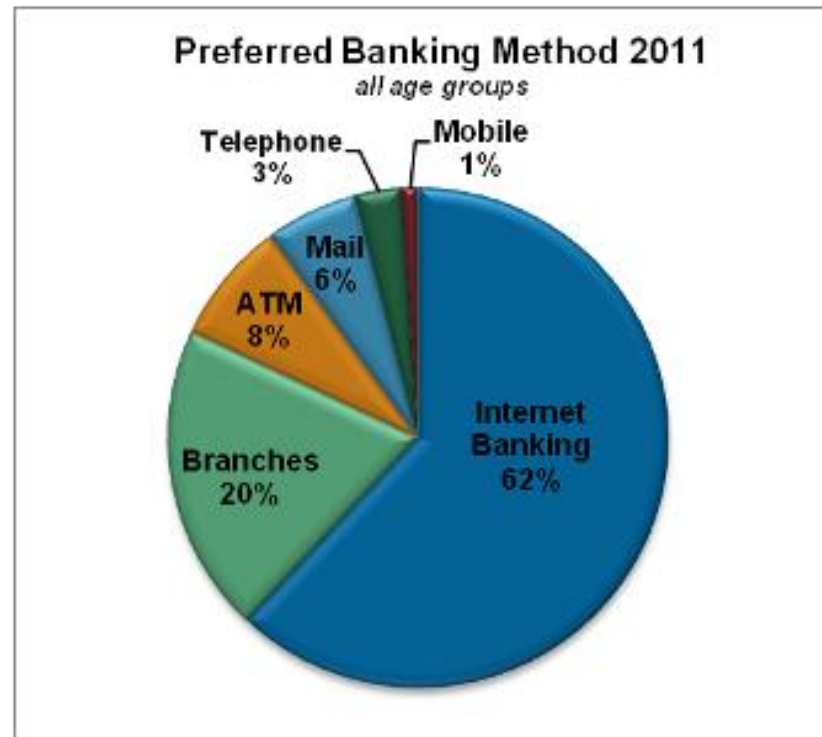
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Online Banking

Online Banking

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- While many consumers use a variety of delivery methods, the most preferred method of delivery overall is online banking according to a recent ABA study.



Source: American Bankers Association.

Online Banking, cont.

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- ❑ To a good extent, the use of Internet banking has leveled off at around 48% of the total adult population. We observe a similar trend in Maine.
- ❑ The principal reasons for this are:
 - ✓ Concerns with online transaction security; and
 - ✓ People over 55 years of age, as well as those with less education, either not having computer access or not feeling computer savvy enough.
- ❑ A third factor, especially with the 18-35 year age group is migration to the use of mobile banking instead.

Online Banking, cont.

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- This finding is true across all age segments.

Preferred Banking Method, 2011			
	18 to 34	35 to 54	Ages 55+
Internet Banking	67%	64%	58%
Branches	13%	22%	24%
ATM	12%	6%	5%
Mail	4%	4%	9%
Telephone	2%	3%	4%
Mobile	2%	1%	0%

Source: American Bankers Association.

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Mobile Banking

Mobile Banking

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MOBILE ACCESS

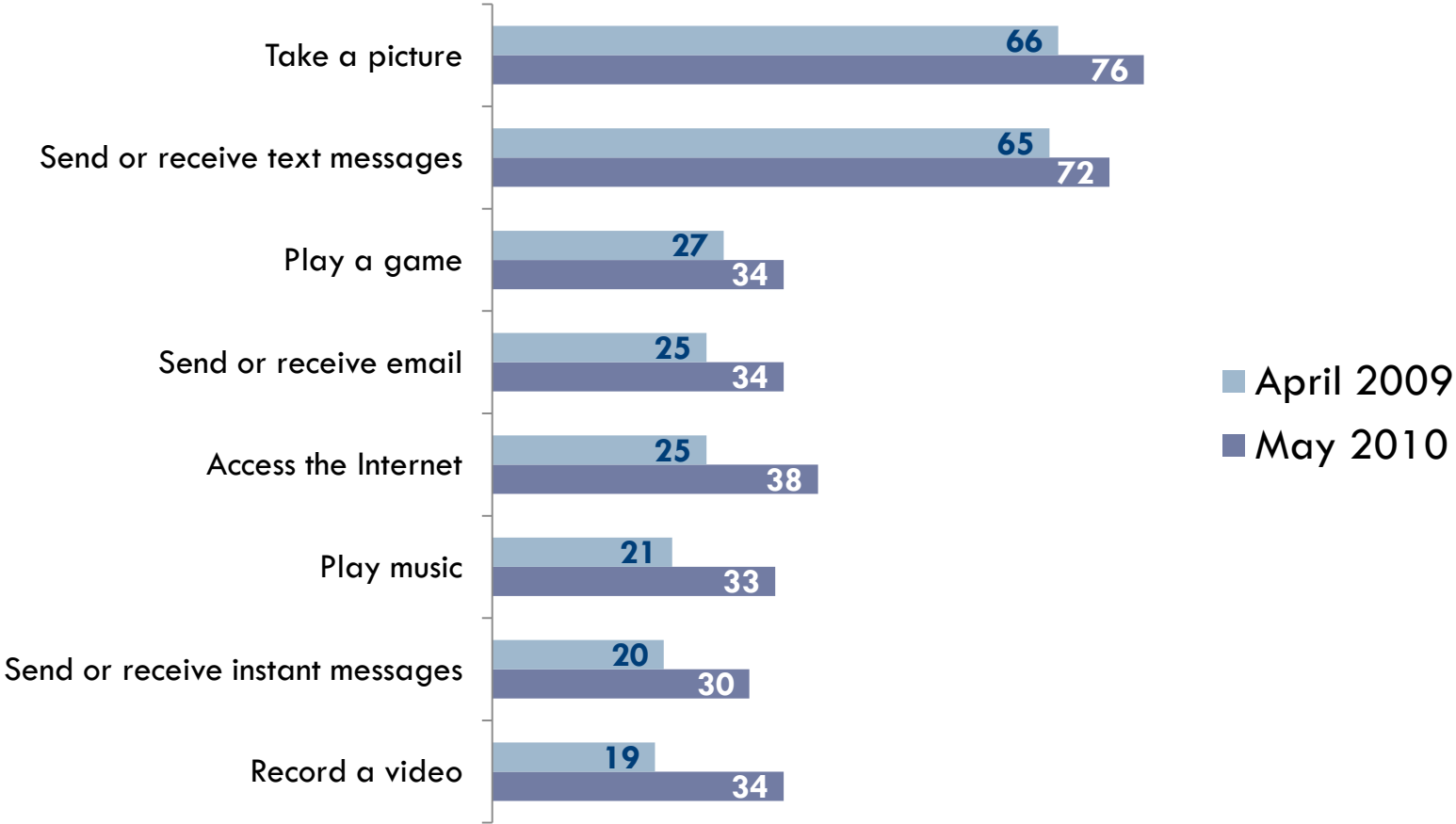
First some data and trends on mobile access:

- ❑ Almost 50% of adults go online using a laptop Wi-Fi connector or mobile broadband card (up from 39% in 2009).
- ❑ 40% of adults use the Internet on a mobile phone (up from 32% in 2009).
- ❑ 59% of adults now either access the Internet wirelessly or via a cell phone.

Mobile Banking, cont.

The use of non-voice data applications has grown significantly over the last year

The % of cell phone owners who use their phones to do the following:



Source: Pew Internet & American Life Project Survey.

Mobile Banking, cont.

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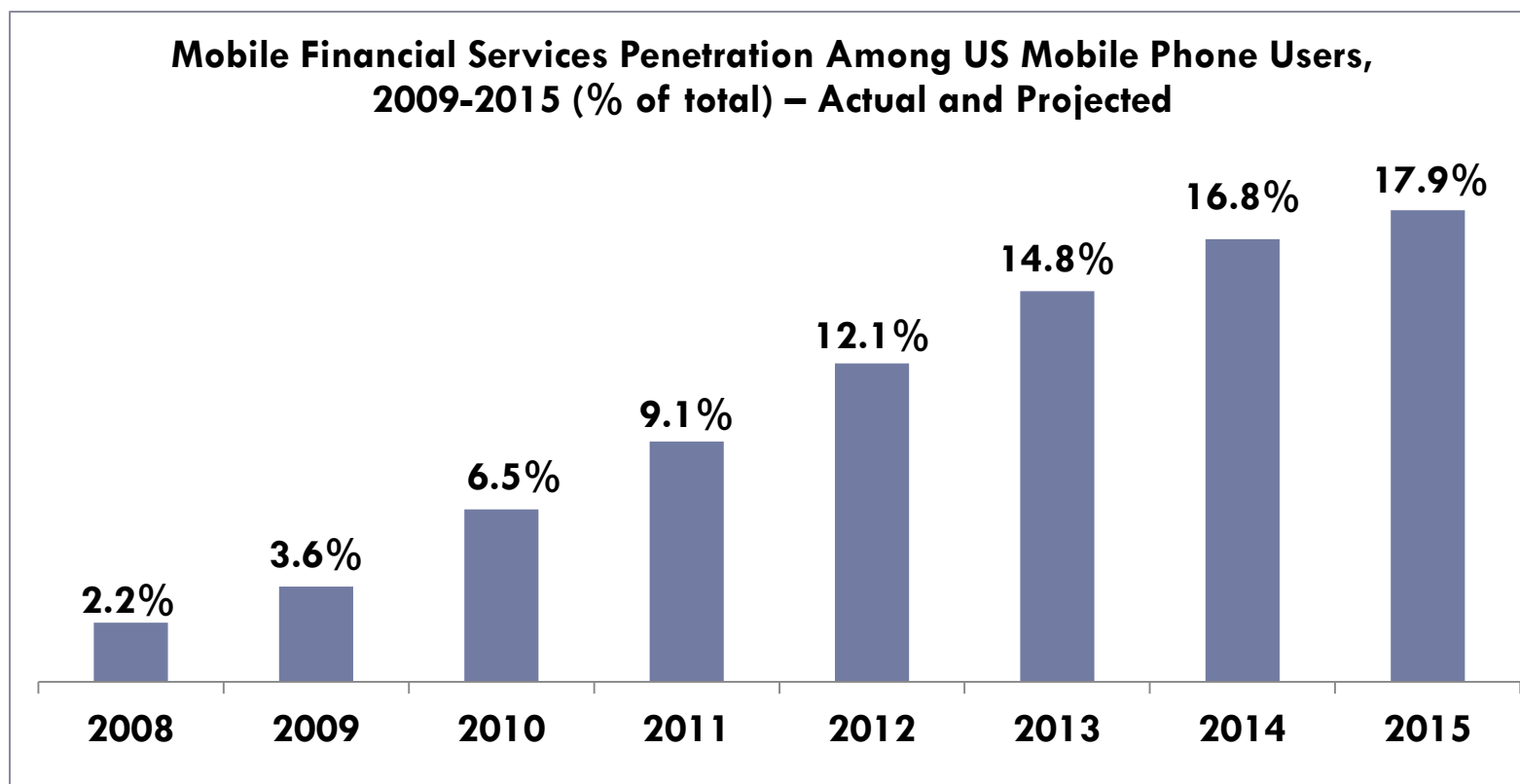
- ❑ One-third (35%) of cell phone owners use a smart phone – typically using: iPhone, Blackberry, and Android; Windows or Palm operating systems.
- ❑ There is a high level of smart phone adoption among those under 45 years of age.
- ❑ A high level of smart phone users access the Internet or email (87%).
- ❑ However, they are more likely to do so on a desktop or laptop computer:
 - ✓ 62% computer vs. 27% smart phone; and 10% equally.

Mobile Banking, cont.

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CURRENT & PROJECTED USAGE LEVELS

- We are seeing rapid growth in uptake for mobile banking.



Source: Mercatus LLC survey sponsored by Visa Inc., December 3, 2009; Note: ages 18+.

Mobile Banking, cont.

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- ❑ Thus, it is estimated that approximately 8-9% of adults are using this channel – close to 30 million Americans.
- ❑ This is projected to double and grow rapidly to approximately 18% by the end of 2015 – about 60 million Americans.
- ❑ Key drivers for the projected growth include:
 1. Increased functionality,
 2. Convenient applications,
 3. Easy layouts, and
 4. The rise in smart phone device market penetration.

The Rise of Mobile Banking: Key Trends

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- ❑ The majority use smart phones
- ❑ The key age segment is 25-34 year olds
- ❑ Mobile banking users are more affluent
- ❑ Men outpace women
- ❑ Speed and convenience are the top benefits

Mobile Banking – Key Adopters

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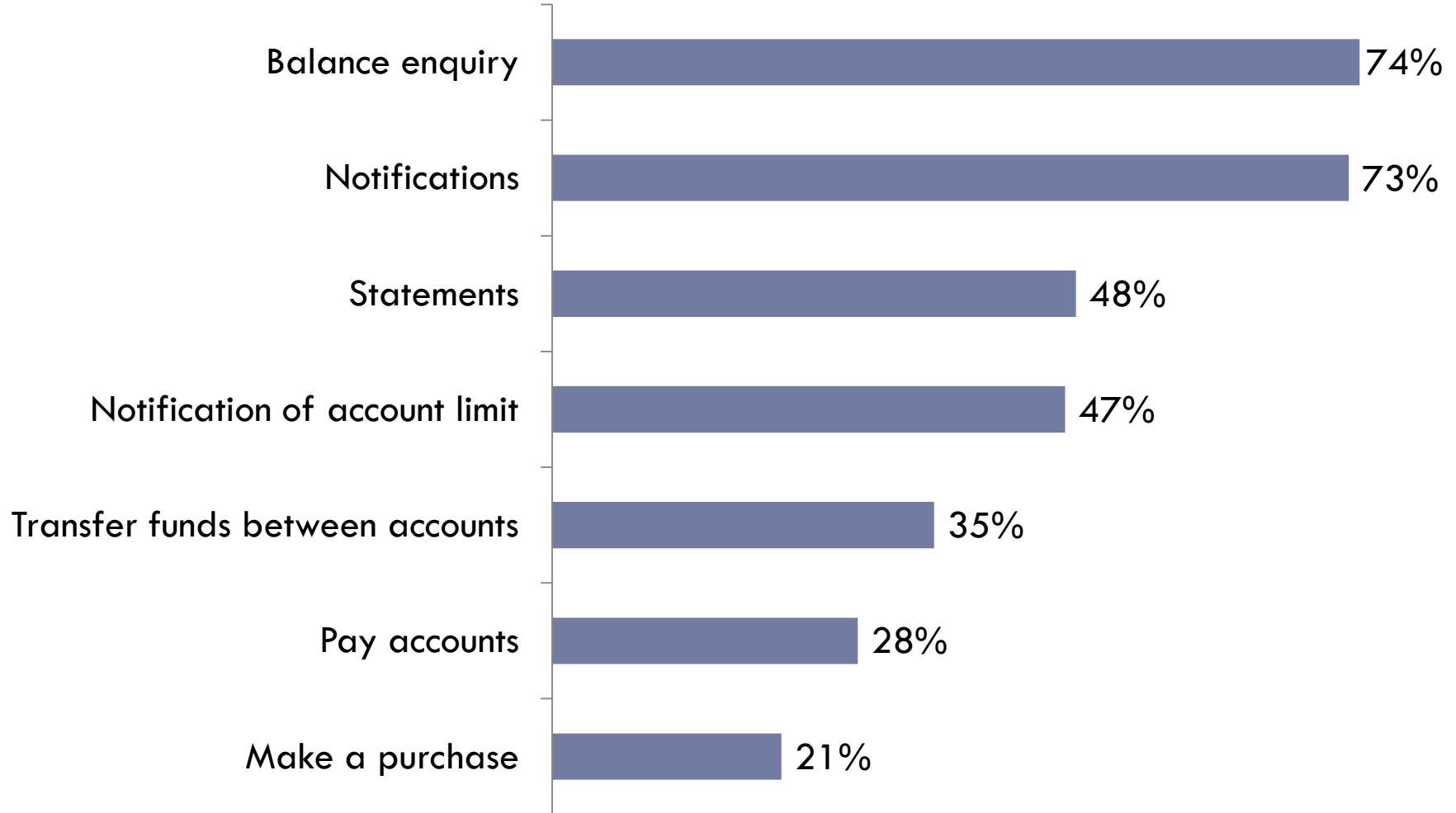
Motivated by Mobility (39%)

Group name, % of adults	Key attributes	Key demographic facts
Digital Collaborators, 8%	Use information gadgets to collaborate with others and share their creativity with the world	Mostly male (56%), late 30s, well-educated and well-off
Ambivalent Networkers, 7%	Heavily use mobile devices to connect with others and entertain themselves, but they don't always like it when the cell phone rings	Primarily male (60%), they are young (late 20s), and ethnically diverse
Media Movers, 7%	Use online access to seek out information nuggets, and these nuggets make their way through these users' social networks via desktop and mobile access	Males (56%) in their mid-30s, many with children, and in middle income range
Roving Nodes, 9%	Use their mobile devices to connect with others and share information with them	Mostly women (56%), late 30s, well-educated & well-off
Mobile Newbies, 8%	Lack robust access to the Internet, but they like their cell phones	Mainly women (55%), about age 50, lower educational and income levels

Source: Pew Internet & American Life Project Survey.

What Consumers Want from Mobile Banking

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Key Barriers to Usage

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- ❑ Security concerns particularly as it relates to adoption as a payments system.
- ❑ Consumer concern regarding loss of a personal mobile device (data being compromised).
- ❑ Lack of know how.

Areas of Opportunity

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- ❑ Banks will focus resources on generating revenue from mobile banking products and services over the next couple of years. Areas of opportunity appear to be:
 - ✓ Real-time and customizable alerts
 - ✓ Bank facilitated Person-to-Person (P2P), Person-to-Business (P2B), and Business-to-Business (B2B) payments
 - ✓ Mobile remote deposit capture (RDC) for consumer and small-business customers
 - ✓ Location-based merchant offers (coupons, discounts, and reward programs)
 - ✓ International remittances
- ❑ Mobile customers are more profitable (estimated by one major bank to be 13% more so).

Remote Deposit Promises Greater Efficiency

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- ❑ The conventional process of depositing checks means that a business loses a lot of time and money. As RDC can drastically reduce the time and cost of depositing checks, almost every bank is now offering RDC to cater to new customers as well as to retain existing ones.
- ❑ RDC has shown an impressive growth rate of 70% from 2004 to 2008.

Bank Investment in Mobile Banking

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- ❖ So what should banks do before they increase their investment in mobile banking?

3 Critical Areas:

1. Strategic Analysis
2. Customer, Product, and Service Analysis
3. Integration Analysis

Bank Investment in Mobile Banking, cont.

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1. Strategic Analysis

- How do we align our mobile banking strategies with the strategies of the other lines of business and with the enterprise?
- How do we integrate mobile banking with other delivery channels?

Bank Investment in Mobile Banking, cont.

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2. Customer, Product, and Service Analysis

- Who are our customers?
- What mobile banking products and services are they interested in? How can mobile banking add to the overall customer experience with our bank?
- Should we target different customer segments to take better advantage of mobile banking potential?
- What is the market potential for adoption and revenue?

Bank Investment in Mobile Banking, cont.

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3. Integration Analysis

- How do we integrate our back-end operations to provide a seamless customer experience?
- How do we integrate our payment channels to manage risk and provide appropriate internal controls?

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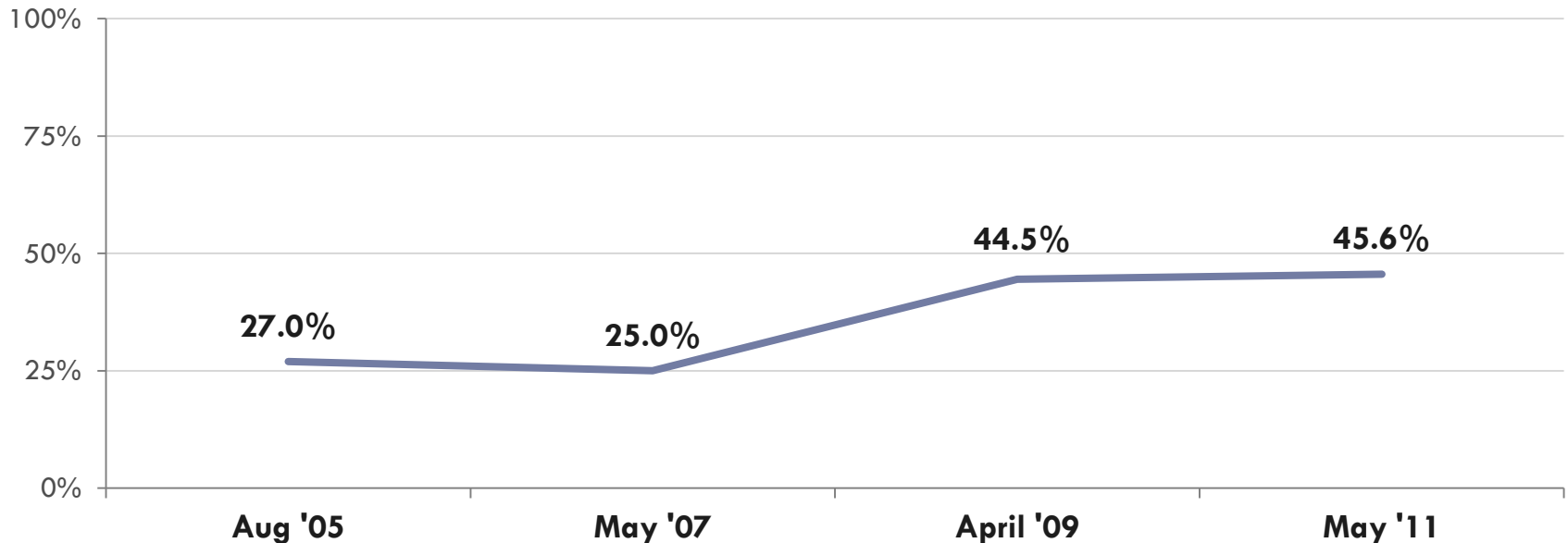
May, 2011 Omnibus Poll Results

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Do you currently conduct online banking for transactional purposes other than checking account balances - such as transferring funds, making payments, applying for loans, etc.?

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Using Online Banking for Transactional Purposes

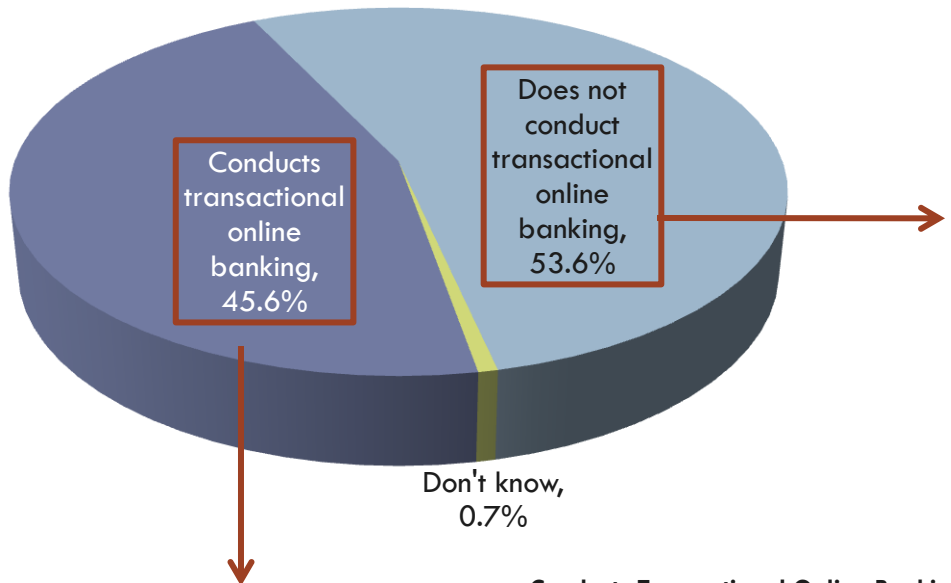


- ▣ Forty six percent of Mainers (45.6%) are currently using online banking for *transactional* purposes.
- ▣ This represents an 18.6 percentage point increase since August 2005. However, the numbers appear to have leveled off in the past two years.

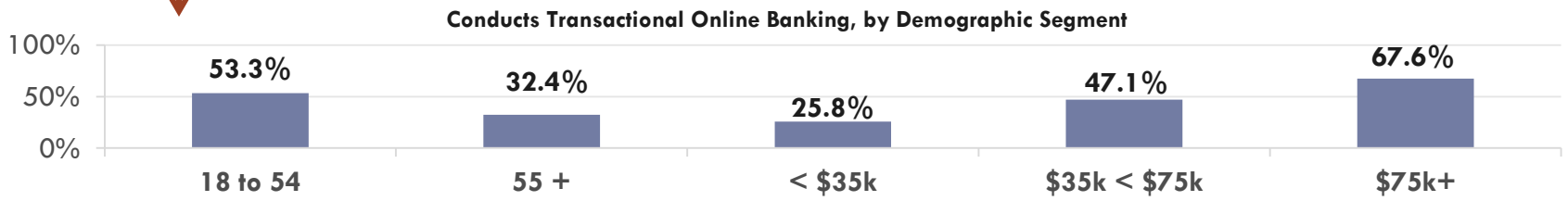
TECHNOLOGY – USE OF ONLINE BANKING

Do you currently conduct online banking for transactional purposes other than checking account balances - such as transferring funds, making payments, applying for loans, etc.? If not, what is the primary reason why you do not conduct online banking?

2011: Transactional Online Banking



Top Reasons	%
Prefer to go to a branch	42.2%
Not confident with security measures	24.8%
Not comfortable on a computer or does not have computer	21.1%

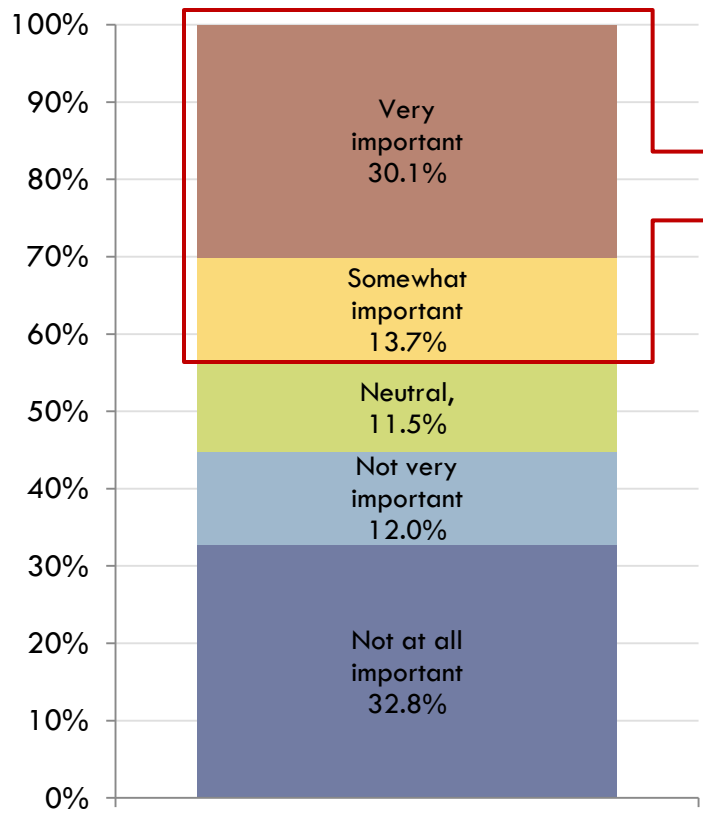


- Mainers between the ages of 18 and 54 are more likely than those 55+ to conduct transactional online banking (53.3% vs. 32.4%, respectively). As income levels increase, the likelihood to conduct online banking for transactional purposes also increases.

Using a scale from 1 to 5, where 1 is 'not at all important' and 5 is 'very important, how important is it to you personally that your primary bank offer:

"A mobile banking app that allows you to make transfers, check account balances, pay bills, etc."

[Asked only of those who reported using online banking for transactional purposes, N=183]



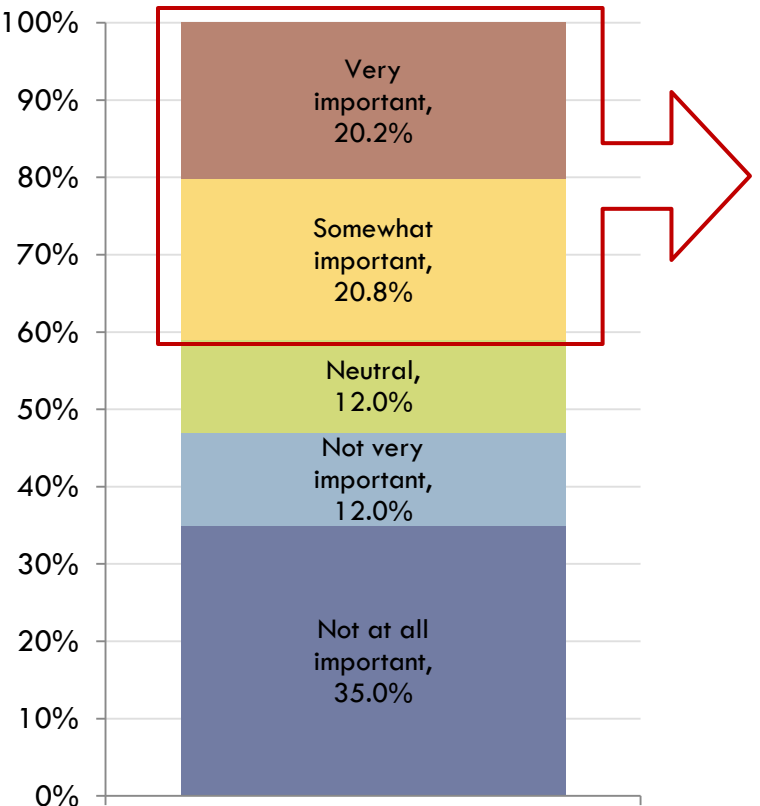
A mobile banking APP that allows you to make transfers, check account balances, pay bills, etc.

- More than four in ten respondents (43.7%) who conduct online banking for transactional purposes reported that it is 'somewhat / very important' that their primary bank offer "a mobile banking app that allows you to make transfers, check account balances, pay bills, etc."
- Conversely, a similar percentage (44.8%) of online banking users indicated that it is 'not at all / not very important' that their primary bank offer this feature; 11.5% were 'neutral' on this issue and 0.0% 'don't know'.
- Respondents under the age of 55 are more likely to find a mobile banking app such as the one tested to be 'somewhat / very important' (48.5%) than those over the age of 55 (29.8%).
- There is an indication that respondents with a household income greater than \$75,000 per annum are more inclined to find a mobile banking app to be 'somewhat / very important' (50.7%) than those with household incomes less than \$75,000 (38.9%)- however this difference is not statistically significant.

Using a scale from 1 to 5, where 1 is 'not at all important' and 5 is 'very important, how important is it to you personally that your primary bank offer:

"Text message alerts from the bank such as if you have a low balance, or reminders for when payments are due"

[Asked only of those who reported using online banking for transactional purposes, N=183]



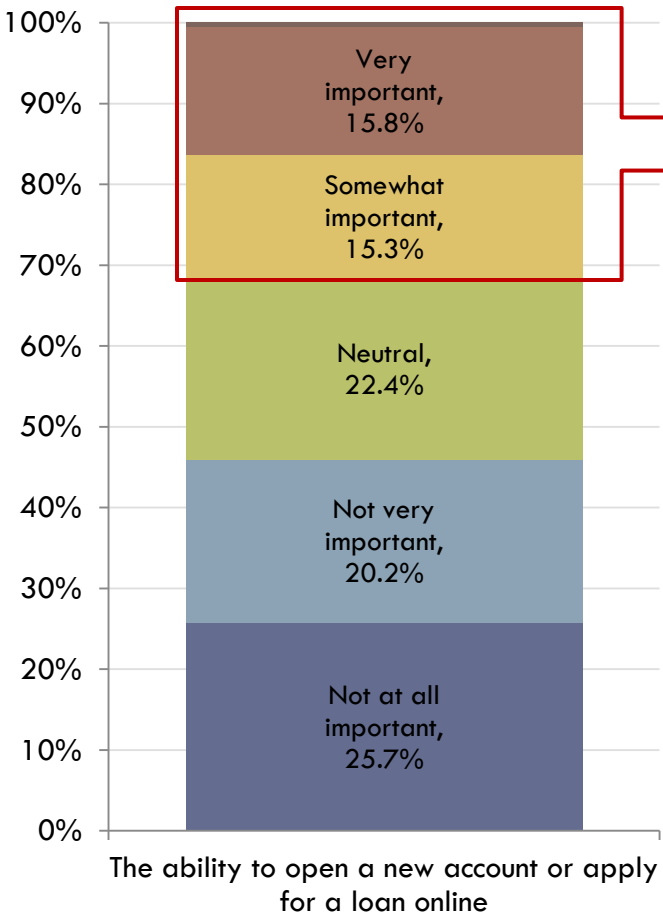
Text message alerts from the bank such as if you have a low balance, or reminders for when payments are due

- Four in ten respondents (41.0%) reported that it is 'somewhat / very important' to them that their primary bank offer "text message alerts from the bank such as if you have a low balance, or reminders for when payments are due".
- A slightly higher percentage of respondents who conduct online banking (47.0%) indicated that it is 'not at all / not very important' that their primary bank offer this feature.
- Twelve percent of respondents (12.0%) felt that their bank offering this service was neither important nor unimportant, and 0.0% 'don't know' if this service is important to them or not.
- Respondents with a household income greater than \$75,000 per annum are more inclined to find receiving text message alerts from their bank to be 'somewhat / very important' (52.1%) than those with household incomes less than \$75,000 (33.3%).
- Although respondents under the age of 55 reported a seemingly higher importance level for receiving text message alerts from their bank than did those over the age of 55 (44.1% vs. 31.9%, respectively), this difference is not significant.

Using a scale from 1 to 5, where 1 is 'not at all important' and 5 is 'very important, how important is it to you personally that your primary bank offer: "The ability to open a new account or apply for a loan online"

[Asked only of those who reported using online banking for transactional purposes, N=183]

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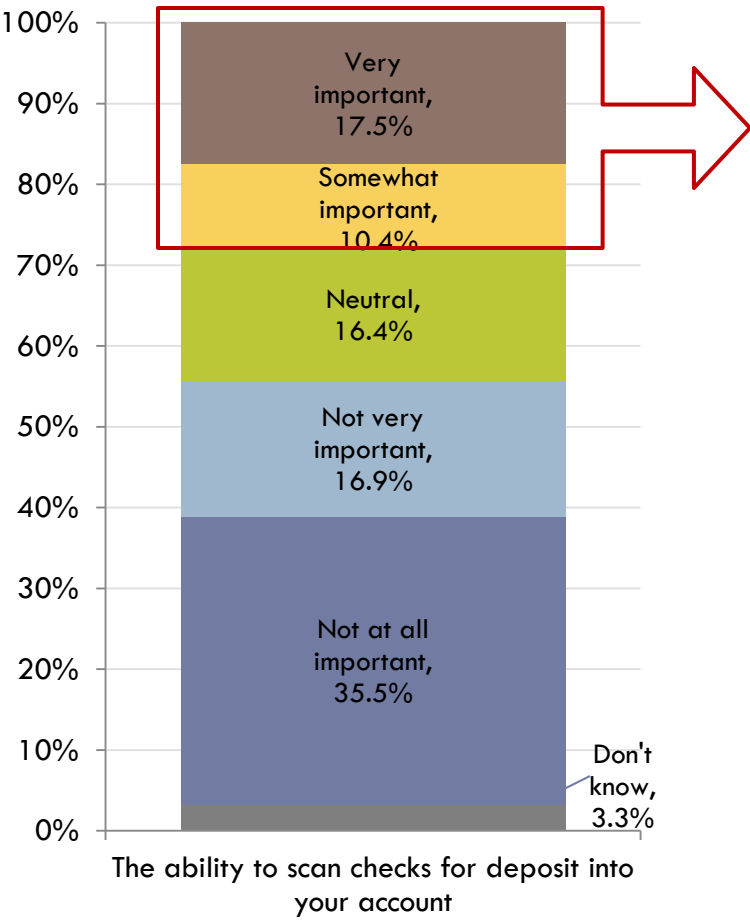


- Approximately one third of respondents (31.1%) reported that “the ability to open a new account or apply for a loan online” is a service that is ‘somewhat / very important’ that their primary bank offer.
- Slightly less than half of respondents (45.9%) indicated that it was ‘not at all / not very important’ that their bank offer “the ability to open an account or apply for a loan online”. A further 22.4% are neutral in regard to this feature.
- Only 0.5% of respondents indicated that they ‘don’t know’ if “the ability to open a new account or apply for a loan online” is important or not to them.
- Variations in importance level for this feature were not reported between age, gender, or income levels.

Using a scale from 1 to 5, where 1 is 'not at all important' and 5 is 'very important, how important is it to you personally that your primary bank offer:
“The ability to scan checks for deposit into your account”

[Asked only of those who reported using online banking for transactional purposes, N=183]

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- Twenty eight percent of respondents (27.9%) reported that it is 'somewhat / very important' that their primary bank offer "the ability to scan checks for deposits into your account". This feature was reported to be the least important of the four services tested.
- Greater than half of respondents who use online banking services (52.5%) indicated that the "ability to scan checks for deposit into your account" is 'not at all / not very important'.
- An additional 19.8% of respondents are 'neutral' (16.4%) or 'don't know' (3.3%) their regard to their primary bank offering this online feature.
- Variations in importance level for this feature were not reported between age, gender, or income levels.

Importance of Tested Online and Mobile Banking Services

Using a scale from 1 to 5, where 1 is 'not at all important' and 5 is 'very important, how important is it to you personally that your primary bank offer the following features?

[Asked only of those who reported using online banking for transactional purposes, N=183]

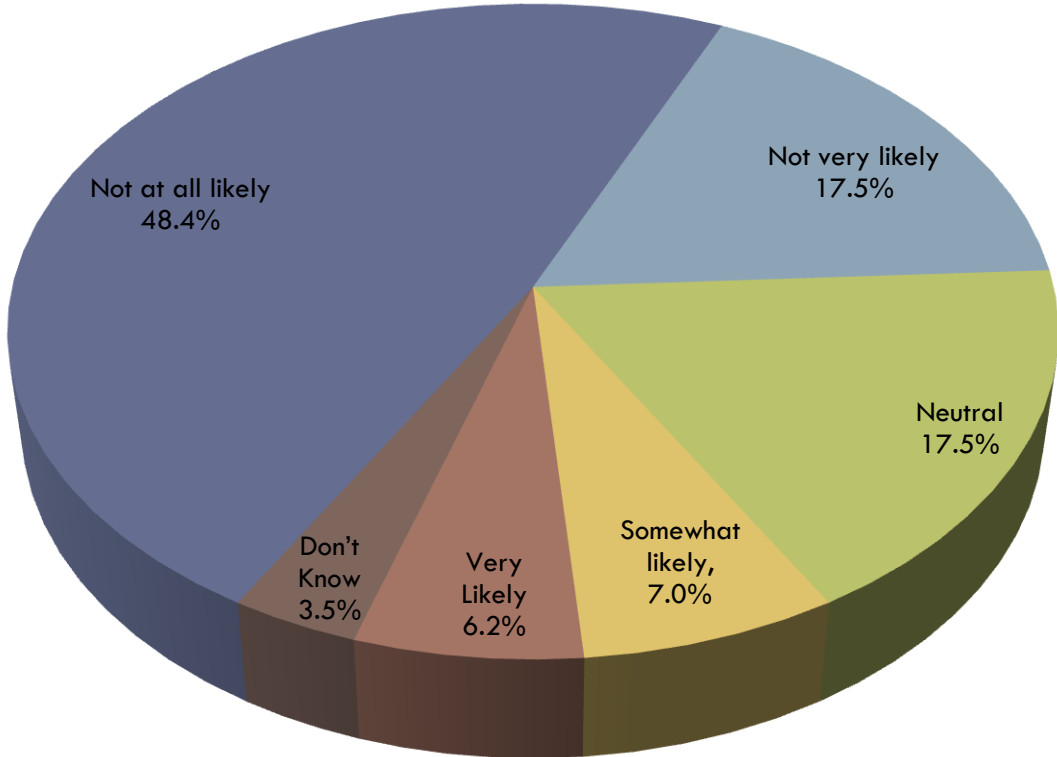
Online / Mobile Banking Service	% of respondents rating this service as 'somewhat' or 'very' important	Mean rating out of 5
A mobile banking APP that allows you to make transfers, check account balances, pay bills, etc.	43.7%	2.96
Text message alerts from the bank such as if you have a low balance, or reminders for when payments are due	41.0%	2.79
The ability to open a new account or apply for a loan online	31.1%	2.75
The ability to scan checks for deposit into your account	27.9%	2.56

- “A mobile banking app [...]” is the most important feature tested that a primary bank could offer (mean 2.96 out of 5), while “the ability to scan checks for deposit into your account” is the least important (mean 2.56 out of 5).

If you were to switch banks in the near future, how likely would you be to switch banks based primarily on the level of technological advancement of its banking and mobile banking services? Please use a scale from 1 to 5 where 1 is 'not at all likely' and 5 is 'very likely'.

[Options were rotated]

- Close to two-thirds of respondents (65.8%) reported that if they were to switch banks in the near future, they would be 'not very likely' (17.5%) or 'not at all likely' (48.4%) to base their decision on the level of technological advancement of the bank's online and mobile banking services.
- Thirteen percent of those surveyed (13.2%) indicated that the level of technological advancement of a bank would be 'somewhat' (7.0%) or 'extremely' likely (6.2%) to be a motivating factor in switching to that bank.
- Seventeen percent (17.5%) were neutral in regard to the technological advancement of a new bank, while 3.5% 'don't know'.
- The likelihood of switching to a bank based on its technological advancement increases with increasing household income- >\$35k : 5.2%, \$35-\$75K : 13.0%, \$75K+ 21.9% 'somewhat / extremely likely' combined.



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So what does it all mean?

Technology Changes Behaviors

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Consumers will...

- ✓ Reduce visits to branches over time
- ✓ Reduce calls to contact centers
- ✓ Change their spending patterns
- ✓ Generate more transactions
- ✓ Become more aware of their money
- ✓ Hopefully become more educated about money

Technology Changes Behaviors

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Banks will...

- ✓ Realize a reduction in costs
- ✓ Be able to generate more customer loyalty
- ✓ Be able to increase their customer base
- ✓ Create new mechanisms to stimulate impulse buying
- ✓ Create new sales and marketing approaches
- ✓ Change the competitor profile through mobile banking

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About Pan Atlantic SMS Group

PAN ATLANTIC SMS GROUP

Pan Atlantic SMS Group

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- ❑ Leading Maine-based marketing consulting and research firm servicing local, national, and international clients.
- ❑ Major emphasis on:
 - Banking and financial services,
 - Consumer products, and
 - Telecommunications / ISP / cable sectors.

Company Overview

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- ❑ Founded over 27 years ago in 1985.
- ❑ Located in Portland, Maine.
- ❑ Full-time staff of 13 – including consultants and market research analysts.
- ❑ Have our own in-house telephone interviewing staff/call center.
- ❑ Pan Atlantic SMS Group has provided in-depth marketing research, consulting, and new business development services to over 450 clients, including more than 70 financial services companies since 1985.

Our Services

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- ❑ Strategic market research
- ❑ Evaluation of customer service standards
- ❑ Customer satisfaction analysis
- ❑ Image and awareness studies
- ❑ Branding studies
- ❑ Segmentation Analysis
- ❑ Economic feasibility studies
- ❑ Employee and management communications studies

Our Services, cont.

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- ❑ Demographic and psychographic analysis
- ❑ Communications testing
- ❑ Advertising expenditure impact studies
- ❑ Communications performance analysis
- ❑ Opinion monitoring and trend analysis
- ❑ Shared-cost, multi-client projects
- ❑ Market assessment for new products and services
- ❑ Competitive analysis and product positioning

Methodologies Used

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Qualitative Methods

- ❑ Focus groups
- ❑ One-on-one executive research interviews
- ❑ Pulse groups

Methodologies Used, cont.

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Quantitative Methods

- ❑ Telephone surveys
- ❑ Online surveys
- ❑ Mail surveys
- ❑ Intercepts

Analytic Offerings

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The following is a list of analytic tools we offer:

- ❑ Data mining
- ❑ Basic analysis
- ❑ Correlations
- ❑ T-test / ANOVAs
- ❑ Decision Tree Analysis
- ❑ Linear Regression
- ❑ Factor Analysis
- ❑ Cluster Analysis / segmentation

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Thank You!!