

Online-Only Bonus: The Rush to App: Credit Unions and Smartphones

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Anytime, anywhere: that's today's financial services mantra and it is unavoidable fact.

John Fiore, CEO of the \$730 million Motorola Employees Credit Union in Schaumburg, Ill., said as much in a statement where the 39,000-member credit union announced rollout of its mobile apps for a range of smartphones. "We're very pleased to be able to deliver this mobile banking solution and provide members the information they need anytime, anywhere," he said.

What consumers want and what they are getting are not in alignment, however. The reality is that – pioneers such as Motorola Employees FCU aside – comparatively few credit unions have taken the smartphone app plunge.

A search in the Apple iPhone app store found a couple hundred credit unions with apps. There are the expected (\$44 billion giant Navy Federal). There are the educator-focused credit unions such as the \$1.3 billion Apple FCU (created to serve Fairfax County, Va., educators, not employees at the high-tech giant) and the \$5 billion Suncoast Schools SunMobile. And there are the hardcore tech credit unions (such as the \$1.1 billion NASA FCU).

A search in the Android Market uncovered around 75 credit union apps, mainly issued by credit unions represented on the iPhone. Still fewer credit unions are represented in apps stores for Windows Mobile and BlackBerry, the other two smartphone formats.

Do the math and by any estimate upwards of 7,000 credit unions do not currently have a mobile app.

But the evidence mounts that consumers want to be able to bank from their handheld devices and, in most cases that means an app is needed. Banking with a smartphone via regular websites is just not easy – the screen is the wrong size and few financial websites are optimized for mobile access.

As for the proof that users want this, there is a growing mountain of survey data. In an April 5 press release, for instance, payments provider FIS noted: "50% of all smartphone owners used mobile banking within the last 30 days."

FIS continued: "Mobile banking from smartphones nearly doubled in the past year."

CTIA, the wireless trade association, now pegs the number of smartphones in the US at 78.2 million (up from 49.8 in 2009) and that number means the vast majority of financial services customers now have the ability to use mobile apps.

What is stopping credit unions from developing mobile apps? "They get intimidated by the idea," said Jesse Waites, CEO of Beacon Hill Apps in Boston.

Three big concerns pop up as obstacles: fears about the costs, the time involved, and the complexity are the major roadblocks, say the experts – but those experts also say the fears are overblown.

Cost, for instance, can be as low as \$5,000 to \$10,000 for an iPhone app, said Matt Johnston, CMO at uTest, a software testing firm in Southborough, Mass. That figure probably buys a barebones app. Want a slicker app? At the \$15 billion Pentagon Federal, the three mobile apps it has introduced – for iPad, iPhone, and Android – cost "in the low six figures, total," said spokesman Ben Scandlen.

As for time, Johnston at uTest said that a thorough, deliberate apps development process would not

take more than four months, and that is a schedule allowing for extensive testing.

Mobile games and similar popular apps, incidentally, can be created in much faster timeframes, said Johnston. With financial apps there necessarily will be more testing, to ensure not just that the apps work as hoped but also that privacy and security requirements are met.

A usual procedure is to first test with a small group of employees, then with a larger group of employees and volunteer members, and only then move to a broad rollout. That painstaking testing is why timeframes for release are elongated, Johnston said.

Complexity, said Scandlen at PenFed, is less than many credit unions might fear because PenFed's advice is to partner with a specialist firm that brings extensive mobile sophistication into the deal. "What we found was that, since we worked with a partner, the process was much simpler than we had thought," said Scandlen.

A key – that speeds up a lot of the process – is to deliver apps functionality in stages. The PenFed apps, for instance, do not yet allow members to make mobile payments – though they do allow a range of activities such as finding ATMs and transferring money from one PenFed account to another. As the institution gains experience with apps, Scandlen said functionality will be augmented – but the safe way to proceed is to take it a step at a time.

At Tyfone, a Portland, Ore., developer of apps for many credit unions, only two of their clients currently offer mobile bill paying, for example. But as other credit unions decide to make their app more powerful, building in that feature will typically not be that challenging, said Mark Miyamoto, Tyfone's director of product development for mobile banking.

Another plus of mobile apps – perhaps often ignored – is that they let credit unions build closer relationships with members. PenFed's Scandlen explained this is because "they come with a push capability." That means pertinent messages can be put directly in front of a particular member, inside the app, and the belief is widespread that readership of pushed notices is significantly higher than readership of email. For members who do not want pushed notices, turning them off is a matter of unchecking a box but, so far, few members are asking to be taken out of the notifications, say the experts.

As for the future of mobile banking, it will just get stronger, said Tyfone's Miyamoto. His firm prediction: a substantially larger percentage of credit union members will adopt mobile banking than have ever adopted online banking. The sheer convenience of having what amounts to a handheld credit union branch will win them over, he insisted. "Mobile banking is getting its own identity versus online banking; it's the financial services of tomorrow."