MONETIZING MOBILE BANKING FOR SMALL BUSINESS CUSTOMERS
Executive Summary

Mobile banking offers huge potential to improve interaction with small businesses, and yet too often financial institutions give core mobile banking services away for free. Unlike consumers, a wide range of small businesses is readily willing to pay for mobile banking services. For instance, they would be willing to pay up to $5 a month to “conduct peer-to-peer transfers” or “add money to prepaid cards”.

Financial institutions, however, are blindly following broad mobile banking industry trends, offering packages dominated by basic informational services, for which small businesses are unwilling to pay. In many cases, little thought goes into which features institutions should offer to meet the needs of different small businesses or what the optimal price metric and level should be. This leads to mobile banking solutions that are not oriented on creating value for small businesses and consequently, not generating revenue.

The commercial success of mobile banking, not unlike many other products and services institutions already offer, relies on four key aspects:

1. Understanding customer needs,
2. Designing a mobile value proposition,
3. Determining how to price, and
4. Setting the right price levels.

Our four-step Monetizing Mobile Banking framework for defining and pricing winning mobile banking solutions (see Figure 1 on page 3) will enable financial institutions to better realize the commercial benefits of small business mobile banking and provide answers to critical questions, on which institutions frequently deliberate:

» How are small business clients different in their mobile usage needs and behaviors?
» Which features are important and of value to small businesses?
» What combination of features will reach the greatest number of small business customers?
» Should differentiated packages be offered to target different “types” of small businesses?
» What is the optimal price metric?
» What is the optimal price point or range for the offering?

Given the complexity of issues that financial institutions face when developing and launching a new solution in the market place, adopting a systematic approach, such as our four-step framework is highly recommended.

The 2014 Monetizing Mobile Banking for Small Business Customers Study is based on a total of 147 unique survey responses completed by small businesses (of up to $4.99 million in annual revenues) based in the U.S. Over 20 major industries were represented, including retail trade, construction, finance, insurance, professional, scientific, and technical services. Over 75% of respondents are individually responsible for managing all of the day-to-day banking for their business, and therefore are well-placed to respond to questions around small business mobile banking solutions. All survey results were completed in First Quarter 2014. All responses are weighted according to the revenue category in which they fall, using U.S. census data of small businesses as the total population. A range of statistical and analytical methods, including factor analysis, cluster analysis, and TURF analysis, has been used to develop key insights.
Based upon our experience supporting financial institutions over the last two decades, pricing is almost always an afterthought when bringing a new solution to market. It should be present in every step of the process. Additionally, solutions designed without reference to customer needs or values, often result in over- or under-engineered solutions, or in the case of mobile banking services, institutions may experience difficulty in charging for the final mobile solution.

The monetizing mobile banking framework identifies four key steps to reap the full commercial benefits of a small business mobile banking solution.

**Figure 1: Simon-Kucher & Partners’ four-step monetizing mobile banking framework**

01 | UNDERSTAND CUSTOMER NEEDS
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Segment small businesses according to banking behaviors, understand their different needs, and prioritize features that are of value to them.

» How are small business clients different in their mobile usage needs and behaviors?

» What features are important and of value to small businesses?

02 | DESIGN MOBILE VALUE PROPOSITION
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Create a mobile banking solution to meet the identified needs of small businesses.

» What combination of features will reach the greatest number of small business customers?

» Should differentiated packages be offered to target different “types” of small businesses?

03 | DETERMINE HOW TO PRICE
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Identify preferences for the pricing structure and metric by which to charge customers.

» What is the optimal price metric?

04 | SET THE RIGHT PRICING LEVELS
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Understand small businesses’ willingness-to-pay for features and determine the optimal price level or range.

» What is the optimal price point or range for the offering?

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**About Simon-Kucher & Partners**

Simon-Kucher & Partners is a global consulting firm with 700 professionals in 27 offices worldwide focusing on Smart Profit Growth™. Founded in 1985, the company has almost 30 years of experience providing strategy and marketing consulting and is regarded as the world’s leading pricing advisor.