

**Acceptance of Cell Phone Banking, as distribution channel within
the South African Retail Banking Sector**

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by

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ABSTRACT

Financial institutions, being faced with ever increasing threat of competition, legislative requirements (FSC) and economic downturn, are forced to find alternative ways of doing banking at lower cost structures than ever before. Customer demands and consumerism are playing an ever increasing role, as bank charges are coming under more and scrutiny. New and innovative banking channels like cell phone banking has been developed to cater for the bulk of the day to day transactions undertaken in branches across the country. Migration of customers onto these electronic channels will not only improve customer service because of shorter queues, but also ensure that capacity will be created inside banks, to focus on more revenue generating tasks and responsibilities.

The up take of cell phone banking has been slow in the past. We are seeing an increasing number of customers registering for this functionality as they become more aware of its existence and the benefits that can be realised. The growth in usage of cell phone banking by these customers have not realised the same growth percentage, with a large portion of customers not utilising it consistently.

Major reasons for this is usability of the system, the availability of alternative electronic channels (internet banking) and the trust relationship between the customer and the technology and the financial institutions. Limited functionalities are also an obstacle in the ability of cell phone banking to become a primary banking platform, especially in the rural areas of South Africa. In these areas access to alternative banking channels are limited, because of infrastructure and distances.

Current views from banking institutions are that cell phone banking are considered to be an add-on service, forming part of a bouquet of alternative electronic channels. With limited access, crime, geography and the high cell phone usage in South Africa, this statement might be revised in future, as cell phone functionality becomes more advanced.

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Finally, acknowledgements must go to Bryton Masiya and the rest of the lecture and administrative team at the SBL for their assistance and guidance.

DECLARATION

I hereby declare that the contents of this research report are my own work.

The authors that have been referenced in the body of the script are noted in the reference section of the report, in accordance to the standard required (as per guidelines provided).

In addition I do hereby declare that the research contained in this research report has not previously been submitted to any other institution.

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CHAPTER ONE

1. ORIENTATION

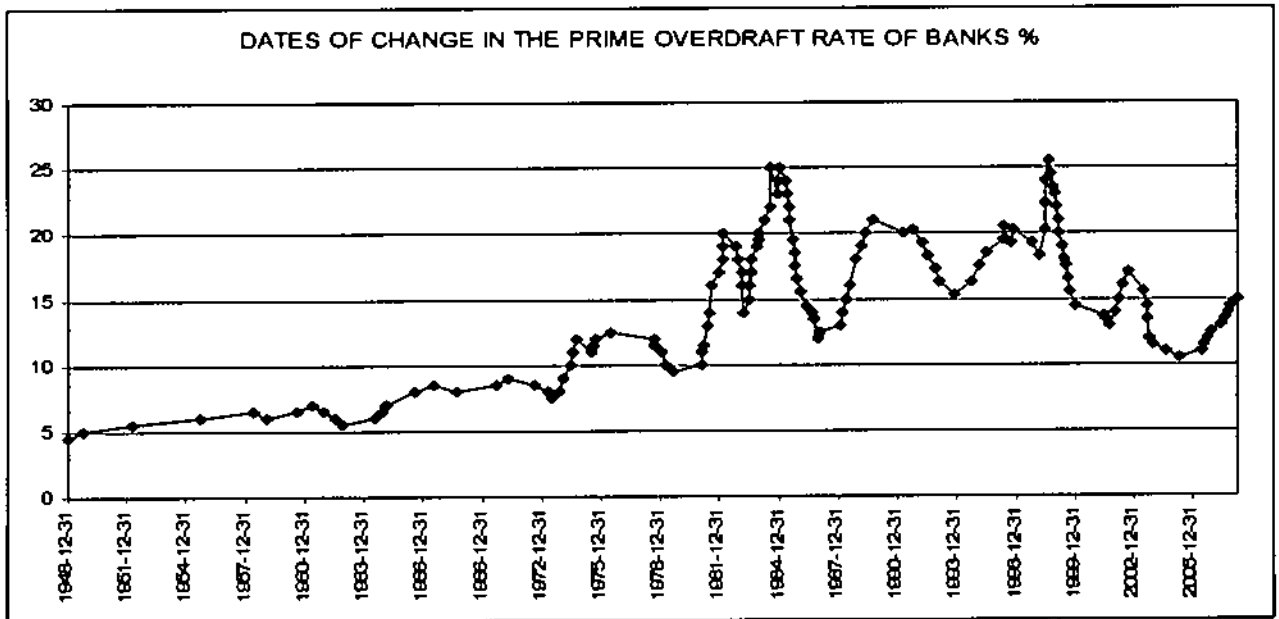
1.1 SOUTH AFRICAN ECONOMIC / BANKING LANDSCAPE

Retail banking in South Africa saw remarkable growth since the 1990s. The political uncertainty and poor economic state of the early-1990s culminated in the 1998 currency crisis and peaking interest rates. Since 2002, however, there were dramatic improvements to household income. Remuneration levels for employees increased. In addition to this, increases in residential property prices are resulting in an increased personal wealth for homeowners and therefore a burgeoning need for retail banking services.

Banks in the region are expanding the range of services they offer to capitalise on the buoyant economy. South Africa's favourable political and financial positions, the low risk of interest rate rises and even the country's successful bid to host the 2010 World Cup resulted in buoying consumer confidence. The net result of this increased personal wealth and increasing consumer confidence were reflected in the spending habits of South Africans. Although still buoyant, we have now seen the growth in household consumption spending over the second quarter of 2007 slowing from an annualised rate of more than 7% to 5.5% as purchases of durable goods contracted, the South African Reserve Bank's (SARB) latest Quarterly Bulletin indicates. (South Africa Online, 2008).

We have seen since the beginning of 2008, a turnaround in the situation, because of the impact of the electricity shortage, oil prices and a general downturn in the world economy (USA sub-prime crises). We have seen interest rate hikes on 9 different occasions since the middle of 2006, with an official movement from 10.5% to the current 15.5%. (Reserve Bank, 2008).

Graph 1 – Change in Prime Interest Rate (South Africa)



Source: Adapted from www.reservebank.co.za, 2008

We are also experiencing rising world oil prices which have resulted in even higher burden on local fuel, transport and food prices. The world's Brent crude oil price has increased from \$61.55 on May, 11th 2007 to \$115.11 a year later. That comes to an increase of 87% in one calendar year. (Energy Information Administration, 2008). We have seen South Africa's fuel prices increase as a result of this increasing world oil prices, with LRD petrol now at R 9.46 per litre. (Shell, 2008).

All of the above factors have led to soaring food prices, which influenced the South African inflation figure, which now is estimated to be in excess of ten percent. Statistics SA figures show that food prices have gone up across the board. Grain and rice prices have doubled in little more than a year on international markets, amid shortages that have provoked riots in some countries. Mike Schussler, chief economist at the T-sec Group, says the rise in food prices is an international phenomenon. "Food prices are rising because a lot of food is now going into bio fuels. On top of everything else, other countries are getting richer fast - India, China, Vietnam and the like. They are eating a lot of meat. Those are the two main reasons." Still, with this downturn, the picture looks promising for South Africa, with expected growth continuing post 2010. (All Africa, 2008).

Banks and institutions that offer financial card facilities are therefore enjoying a period of development and a subsequent marked growth in the number of account holders utilising these services. This can be seen on the extensive increase in number of card distributors in South Africa, i.e. Virgin Card, Edcon, Vodacom and various other retail organisations.

The four major retail South African banks are Amalgamated Banks of South Africa (ABSA), First National Bank (FNB), Nedbank and Standard Bank of South Africa. In addition, there are a number of smaller banks providing retail services. However, the big four account for more than 97% of banking transactions by volume and 89% by value in South Africa. But with new entrants into the market we see this domination now diluting as new entrants increase their footprint. These, like Virgin Money, are offering non traditional banking facilities, focusing on specific niches and product areas. (Whitfield, 2006).

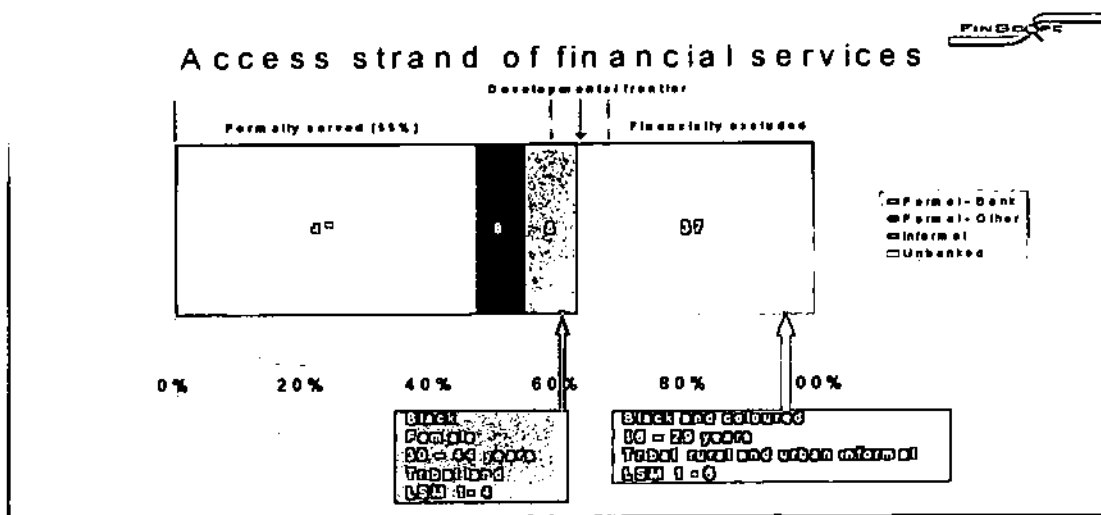
As personal wealth increases, banks are developing new services to accommodate the changes in consumer expenditure. The introduction of a variety of cards is allowing the consumer access to a range of banking options, including debit cards, co-branded gift cards, travel wallets, prepaid fuel cards and cell phone banking, in addition to the more traditional credit cards. On the reverse, because of the current downturn in economic activity, we will see an increase in bad debts resulting from these buoyant times, as well as customers becoming more conscious of banking costs. Alternative banking channels, i.e. cell phone banking would therefore be an attractive option to consumers, eliminating need to travel to visit banks.

There are four primary technologies available to utilise cell phone banking in South Africa, namely SMS, USSD, WIG and WAP. The four major banks have investigated a huge amount into developing their cell phone banking product range because of the threat of emerging competitors emerging from the Dedicated Banks Bill, resulting in cooperative partnerships like that between Standard Bank and MTN. The South African population, as with banking customers world-wide, expect higher levels of service and value driven initiatives, at lower prices. Therefore it is critical for banks to lower cost structures and increase value to their customer base.

The last box, representing 37% are the un-banked adults in South Africa (2005). The demographics of this unbanked portion of the population:

- Black (99%)
- In the 16 – 29 age group
- Live on tribal land (rural) or in urban informal settlements
- Owns no property or assets

Figure 1 – Access to Financial Services (South Africa)



Source: FinScope South Africa, 2005

We know that the un-banked in South Africa are the marginalized poor black people who forms part of the 20% South Africans that earn less than US\$1 a day, with many being part of the 30.5% officially unemployed. (DBSA, 2005).

In respect of this charter, the financial sector commits itself to substantially increase effective access to first-order retail financial services to a greater segment of the population. This is mainly aimed at individuals falling within LSM 1-5. The financial sector specifically undertakes to (by 2008) make available appropriate first-order retail financial services (affordably priced and through appropriate and accessible physical and electronic infrastructure) available, such that (Coetzee, 2006):

- 80% of LSM 1-5 have effective access to transaction products and services

- 80% of LSM 1-5 have effective access to bank savings products and services
- a percentage (to be settled with the life assurance industry) of LSM 1-5 households have effective access to life assurance industry products
- 1% of LSM 1-5 plus 250,000 have effective access to formal collective investment savings products, and
- 6% of LSM 1-5 have effective access to short term risk insurance products and services in accordance with the arrangements concluded with government.

Another study by Falkena, et al. (Falkena, *et al.*, 2004: 80), also highlighted very similar information. It indicated that almost one half of South African citizens are unbanked and have no access to any form of financial services. The 2003 Finmark Pilot Study Banking Survey identified the behaviour of the unbanked South African market segment and focused specifically on the Living Standards Measure (LSM) 3-8 population groups. (Finscope, 2003). The study found that 37% of the LSM 3-8 segments are partially banked and 37% unbanked. The most prominent characteristics of the identified unbanked include the following: (Finscope, 2003 ; Falkena, et al., 2004):

- They typically do not have any form of transactional account
- Tend to be less well educated
- Are resident in informal (rural) areas and townships
- Are mostly black or coloured
- Lack a steady cash flow
- 19% have never had a bank account
- 36% are indirectly banked through either their families or a stokvel
- A large proportion of approximately 55% have no formal evidence of having any form of credit history
- Have no prior interaction with banks, and
- Are not banking product literate.

In order to secure greater accessibility to the appropriate first-order retail financial services, a number of specific products have been created to cater for this. One of the initiatives flowing from the FSC Charter is the innovative Mzansi account, a low cost national bank account, launched in October 2004. All that is required to open an Mzansi account is a valid ID number. Transactions are limited to deposits, withdrawals,

transfers (anywhere in the country) and debit card payments. No management fees are charged, and one free cash deposit per month is allowed. Since inception, debit order facilities have also been introduced as an Mzansi account feature. (Standard Bank, 2007). Since the inception of the Mzansi account, it was supported by South Africa's four major banks, i.e. ABSA, Standard Bank, First National Bank, Nedbank, as well as the Post Office. The majority of the Mzansi account holders (62,5%) are between 25 and 54 years old; 27,1% are between 16 and 24; 8,3% are 55 and above and 2,1 % are below 16 years of age. (Banking Council, 2005).

The statistics showed that an average of R 290 is held in each Mzansi account, with 92.7% of the accounts having a positive balance. Having said this, the question arises on whether access to these accounts will be possible in all areas within South Africa. Three major factors play an important role here, i.e. affordability, geographic access and the actual products features. Geographically, access to these accounts are limited, with a big portion of the population living in rural areas, especially in areas like the North West Province, Limpopo, Mpumalanga, Northern Cape, the Free State and the Eastern Cape.

Taking into account the intended role banks could play to bank the unbanked, the big four banks have indicated that previous attempts to bank the unbanked have not been successful and lacked creativity. (Hawkins, 2004: 199). Although barriers to entry to establish second and third tier banks will be lower, several non-bank institutions are likely to capitalise on extensive distribution infrastructures to bank the unbanked. (Hawkins, 2004: 200). Possible entrants include retailers (Pick 'n Pay), telephony companies (like we have seen with MTN), micro-lenders, non-bank financial institutions (such as Sanlam and Discovery), smaller niche banks (including Capitec and Teba), and so-called 'anomalies,' such as Postbank or Easipay (Feasibility, 2005: 93). Possible competitive advantages these non-traditional providers (especially retailers) might have include strong brands, large and loyal client bases, extensive branch infrastructures and more flexible trading hours (Feasibility, 2005: 95).

Three different pieces of legislation will most directly impact the structure and market response in the South African financial services arena, namely the National Credit Act, the Dedicated Banks Bill, and the Cooperative Banks Bill. These initiatives will deepen the financial sector.

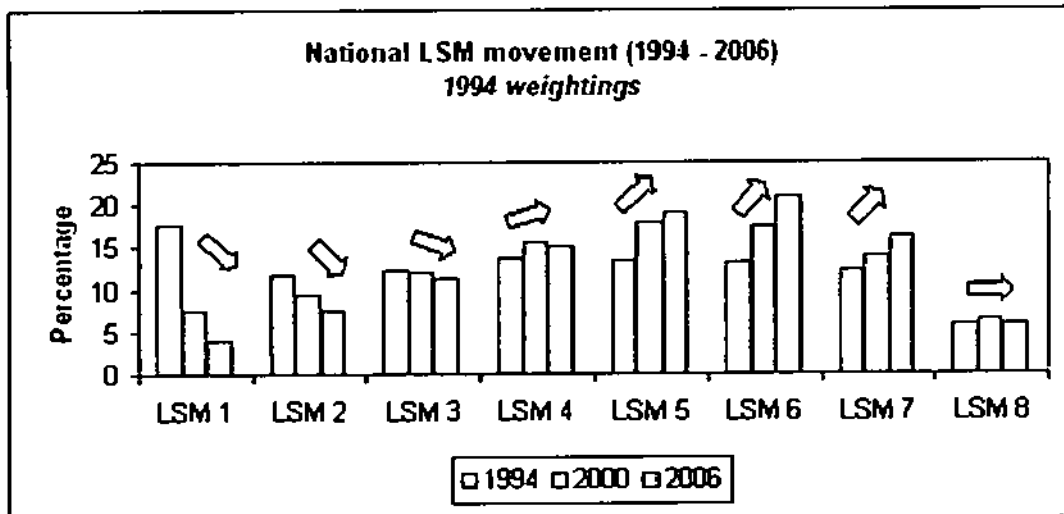
Access to major banks have been improved with the advent of the Financial Sector Charter, requiring all the major banks to work together to ensure either ATM or full banking points of representation within 15 km of all major population areas. The latest spates of bombings have however had an impact on these representative sites, with some of these ATM's only being replaced after some period of time.

Affordability, the other factor, is still and will continue to be a contributing factor that will make effective access to banking services difficult. The graph below indicates that there is a general positive trend in the income levels of most South Africans. There is still a big portion of the country's population falling within the lower LSM levels (Article saved). Approximately 47% of households in South Africa are still falling within the LSM1-4 groupings. (Boehme, Mulaudzi & Haupt, 2007).

Internet based services transcend this physical barrier. Although these financial services are making strides within the upper LSM groups (Ghost Digest, 2005), they do not in the lower end. Main reason cited for this is affordability.

Considering the magnitude of the need for access to financial services, there is a burdening challenge to find alternative solutions to draw the lower and middle income groups into electronic financial services. The revenue opportunities to get this portion of the banking system right are critical. The previously unbanked population and those not utilising banks because of distances, afford banks a great opportunity to widen their revenue streams. Previously no revenue was generated out of this portion of the population.

Figure 2 – National LSM Movement (South Africa)



Source: SAARF, 2007

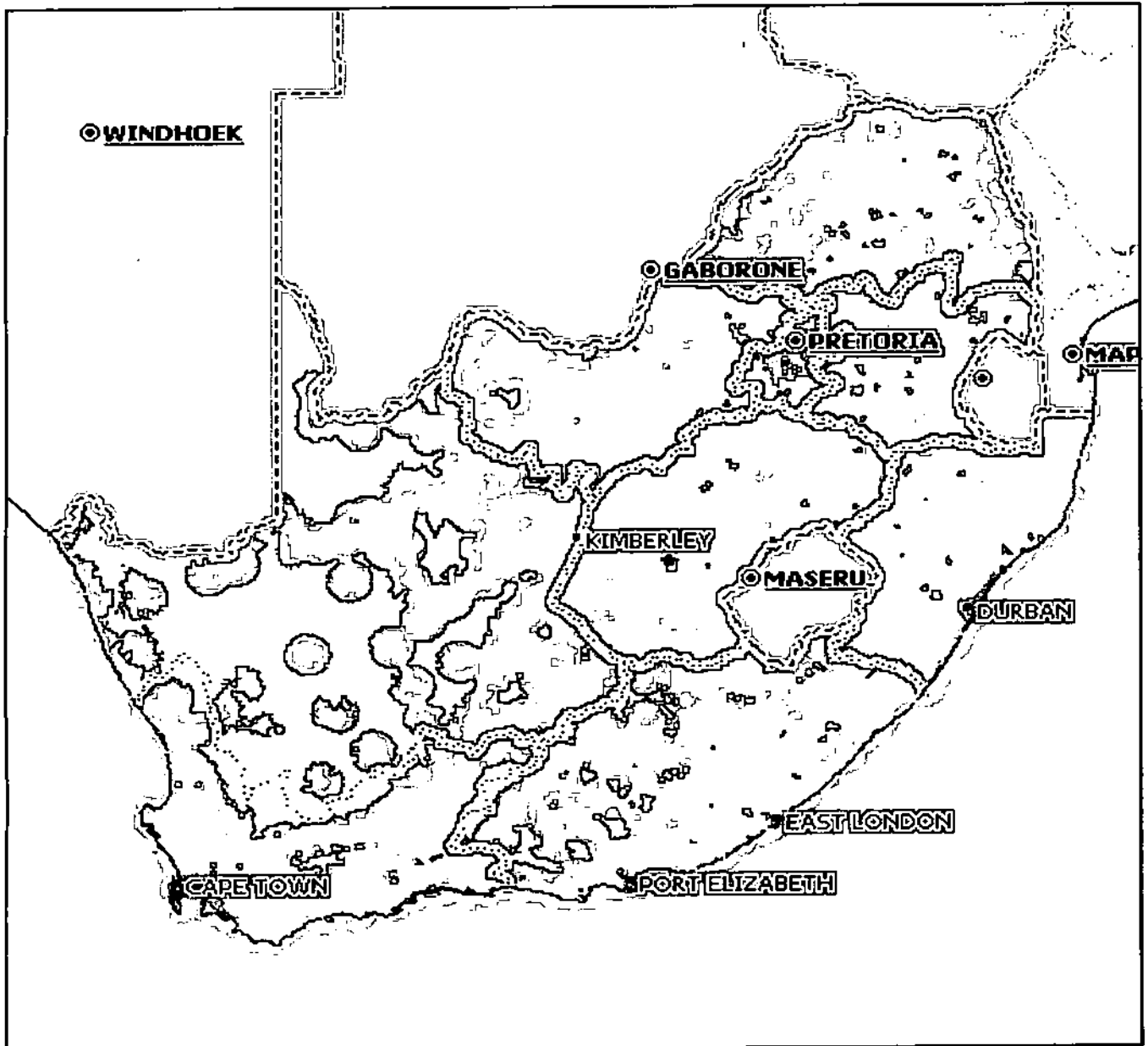
Cell phones play a huge role in the general consumer expenditure within South Africa. It is dominated by Vodacom, MTN and Cell C Consortium. More than 90% of all new connections are prepaid customers. Over 9000 users sign up per day (mostly prepaid). (Market Tree, 2007). The SA market is currently worth R 23 billion and will grow to around R 54 billion by end of 2008. More than 5500 Vodacom base stations are in place to provide coverage to 60% of the geographical area of the country. All three service providers together provide coverage of +/- 71% of South Africa's landscape.

People in previously under serviced areas are making over 35 million calls (65 million minutes) per month from Vodacom's 2 135 community phone shops. Vodago is Vodacom's prepaid package and was launched in November 1996 and now accounts for more than 90% of all new connections to the Vodacom network. Most of the urban areas and national roads in South Africa have GSM 900 coverage. (GSM World, 2007).

Having mentioned all of the above, and the fact that there is a general demand for cheaper and more user friendly banking products, the main obstacles are the slow acceptance of new technology by consumers (especially in the lower end of the market). Consumers must first get use to the idea of trusting new transaction platforms. Yousafzai, et al. has found that it takes up to five years for people to accept

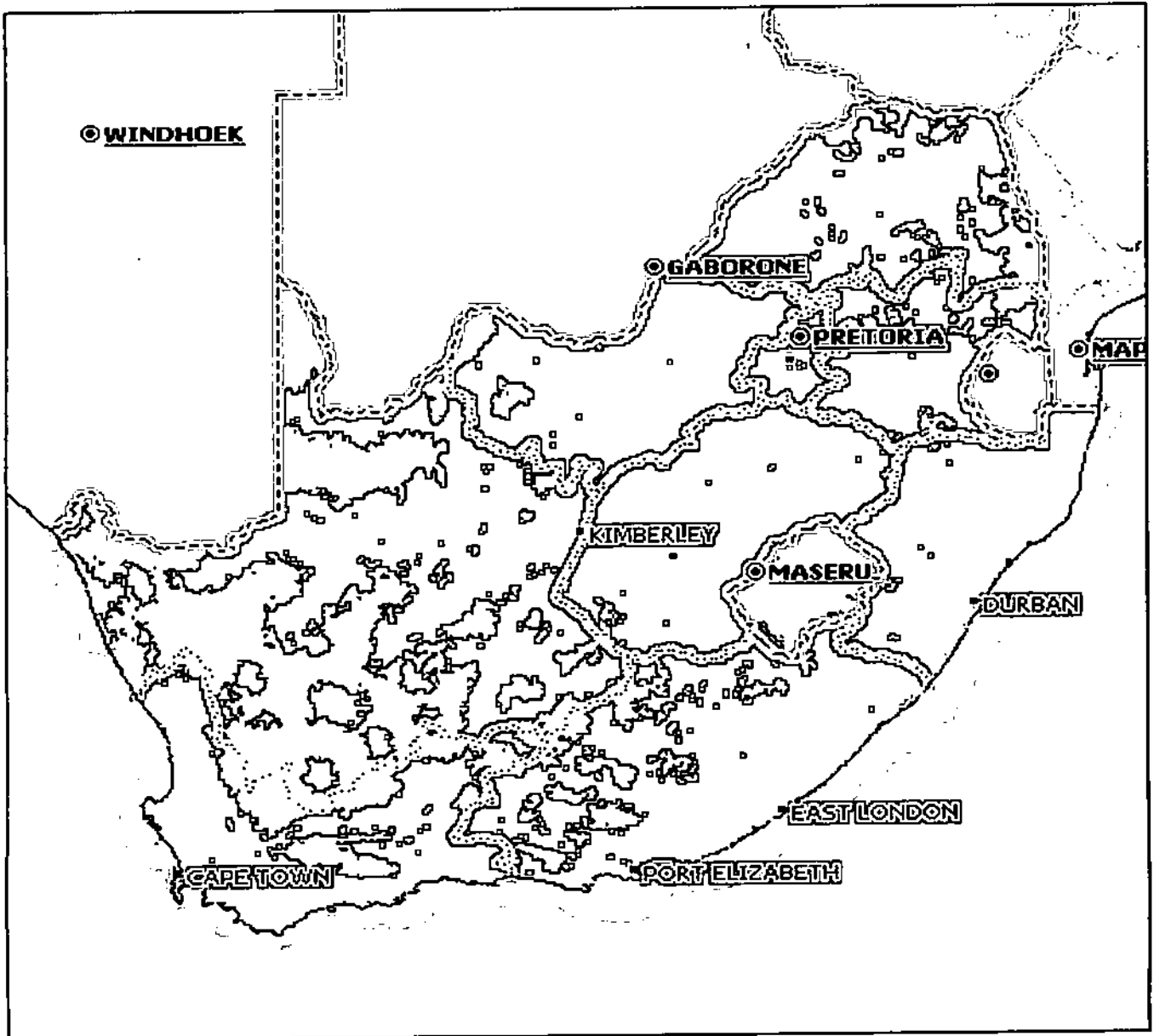
new technology, such as the Internet and cell phones, for use in carrying out their banking. (Yousafzai, Pallister & Foxall, 2003).

Figure 3 – Vodacom Coverage Map (South Africa)



Source: Adapted from www.gsmworld.com, 2007

Figure 4 – MTN Coverage MAP (South Africa)



Source: Adapted from www.gsmworld.com, 2007

1.2 RESEARCH AIM

The research aim is to look at the viability of the existing and continuing use of cell phone services as a separate and profitable self service banking channel in the South African Retail Banking Sector.

1.3 RESEARCH OBJECTIVES

Looking at the options available to the higher end LSM levels, i.e. internet banking, and the fact that they do not have the problems of affordability etc, this study will focus on the lower to middle LSM groups. The objectives of the study are:

- To identify customer readiness for cell phone banking as an alternative banking channel
- To investigate the lower end and middle LSM group's perceptions of cell phone banking as an option for access to financial products and services
- To investigate the perceptions and understanding of cell phone banking and its importance from the banking industry's perspective
- To consider what effect cell phones will have on the potential future revenue streams of the overall retail banking industry
- To understand the perceptions of banking industry staff members around cell phone banking and the introduction thereof to customers
- Acceptance of new technology always coincides with resistance from the consumer. This study will try to look at the best ways in which to communicate the benefits and usefulness of this type of technology for banking purposes.

1.4 IMPORTANCE OF THE PROBLEM

South Africa has 16 million unbanked or "underbanked" citizens, a huge chunk of the nation that is largely excluded from meaningful and convenient access to economic participation. According to the FinMark Trust's 2004 FinScope survey, the overwhelming majority of unbanked South Africans cite unemployment or a lack of sufficient money as the reason for not having a bank account. This fact, even though

most South Africans own a cell phone, irrespective of their LSM levels within the economy.

Physical access to a bank is also a major issue, particularly for South Africa's 8.1 million rural poor, only 5% of whom have a bank "nearby". Unsurprisingly, it takes the average South African 58 minutes to access a financial services point. A trip, or rather an expedition, to the bank becomes a costly experience for the very people that can afford it the least. (DBSA, 2005).

Considering this, it can be derived that there is a huge opportunity for any financial institution, to enter and gain market share in this sector of the population. Not only for immediate benefits, i.e. adherence to the FSC, but also future revenue growth opportunities. Under section 1.1 we discussed the general upward movement in the LSM levels, with more and more South Africans moving to the higher LSM levels. This means that there will be ever greater opportunities for offering alternative products to the customer in years to come. Banks continuously focus on customer service delivery and the creation of lifetime value to both the customer and the bank.

1.5 LIMITATIONS OF THE STUDY

The South African Retail Banking sector is made up of mainly four large banking groups, i.e. Standard Bank of South Africa, ABSA, First National Bank and Nedbank. The banking sector is characterised by innovative technology acceptance, resulting in the South African Banking sector being one of the most advanced internationally. This leads to a void between the technology available and the acceptance of this technology by the South African population.

International legislative requirements, cost pressures and quest for efficiency gains necessitates banks to find innovative, non-labour intensive ways of servicing their customer base. Thus the prevalence of new self service banking channels, where customers are required to make use of electronic channels.

Acceptance and implementation of these technologies is dependant on the market that these banks are targeting. As such customer acceptance of these technologies are critical.

This study does not focus on any of the legislative requirements imposed on the banking industry currently.

Cellular technology has come a long way during the past decade, to where it is currently. The technology exists to make cell phone banking possible, and as such it is not the aim of this study to investigate the actual technology.

1.6 OUTLINE OF THE RESEARCH REPORT

The report is structured in three main areas and will be structured as follows:

- Chapter 2 will focus on the current literature on the topic of cell phone banking and all the relevant theories that are applicable to the acceptance of this technology by the consumer
- Chapter 3 will discuss the research methodology followed for this research study
- Chapter 4 will highlight the main results resulting from the research methodology
- Chapter 5 will focus on the main findings, as well as the conclusions drawn and recommendations made based on the findings of the research done

CHAPTER TWO

2 LITERATURE REVIEW

2.1 INTRODUCTION

Cell phones are already used for music downloads, text messaging, and video games. But here in South Africa, they are beginning to perform another function: that of a bank. With the new technology, a grandmother in rural area can receive money from her son, working hundreds of miles away, with the beep of her cell phone. A teenager can buy groceries with a few punches of keys. Not a coin need change hands. It's a high-tech solution designed to help poor people who never have had access to banks, cash machines, or credit cards. And it's another example of using digital technology to fast forward development in remote areas.

A new example, MTN Banking replaces a physical bank with a system that uses a patented security mechanism, and requires only a phone call and a government-issued identity number to subscribe. There are no monthly charges, only fees for each transaction. (MTN Banking, 2008). The same applies to normal cell phone banking, which are offered by all the major banking groups within South Africa.

Each account is linked to an ATM card - upgradeable to a MasterCard debit card - that can be used nationwide, and that can be used to deposit and withdraw money. The founders also envision the creation of a network of traders who will be able to make transactions in remote areas. The government will also be able to use the accounts to deposit millions of dollars in monthly pensions and grants, helping the elderly receive needed funds without long walks to disbursement centres.

For many poor South Africans, the system offers a first step into a world that can help them save, send, and receive money. With a few key punches, they can send money to a relative or pay for goods without ever seeing an account, a huge benefit in a country like South Africa with its high crime rate.

Nationwide, fewer than half of South Africans have access to a bank. Traditional banks are often located far from poor South Africans, or require documentation to open an account, such as proof of income and address, which many lack. Bank fees in South Africa are also some of the highest in the world. It has led to the creation of web sites, where individuals can compare bank charges on different products, between the different banks. (Think Money, 2008). Without access to a bank account, many poor South Africans are stuck in the informal, cash economy. They can't save securely; borrow money, except at very high interest rates from micro lenders.

For sectors like the banking sector, where focus is continuously on innovative technological change Berman and Hagan states that there are six common principles and practices that companies follow in their approach to strategy development:

- **Consider technology a core input.** Instead of viewing technology only as enabler of their business strategies, businesses should consider it a primary input to strategy formulation.
- **Revisit strategy and technology context regularly.** Companies need to continuously manage and revise strategy to proactively take advantage of the evolving technological environment rather than reacting to technology –induced changes to their markets and businesses.
- **Uniquely manage emerging business opportunities.** Companies need separate organisational procedures, structures and policies to manage emerging business opportunities differently than their core business, allowing market insight and technological know-how to intersect and innovation to take root.
- **Plan for disruptions.** By understanding the power of technology to change long-held business assumptions, companies can better anticipate market changes and actively plan out how to disrupt businesses, sometimes even their own.
- **Manage for today's and tomorrow's context.** Knowing the rapid rate of technological change, businesses should manage a diversified portfolio of capabilities, comprised of both sustaining technologies and emerging technologies.
- **Focus technology on the customer's priorities.** Rather than focusing exclusively on technology-enabled internal efficiencies, companies must also

concentrate on problems their customers are trying to solve and identify technologies and new business models that can impact those particular issues.

Buyer's continued use is central to the survival of self service channel technology. Market shares and revenues of a firm depend on both the number of initial adopters and the number of continued users (Bhattachajee, 2001). The importance of the buyer's continued usage versus initial adoption is evident from the fact that acquiring new buyers may cost as much as five times more than retaining existing buyers, based on the cost of searching for new buyers, setting up new banking accounts, and initiating buyers to use.

Buyer's continued usage depends on two antecedents, namely their acceptance of technology and their satisfaction with service delivery. Whereas most studies examine these antecedents separately, it is likely that they both have an effect on buyer's continued use.

In terms of technology acceptance, perceived usefulness has been found to be a good indicator of how a product or service relates to the buyer's or sellers' context. As defined by Davis et al. (1989), perceived usefulness is "the extent to which a person perceives increased benefits from using the self service technology". Even though a self service technology may be considered excellent, users will not perceive it as being useful if it does not provide them with a benefit. The situation specifically of the user's evaluation of usefulness is central because attitudes that are situation specific are more likely to influence actual behaviour.

Although we have seen huge growth in numbers of cell phone banking users, this channel of banking is still at its infancy, if you think that the total number of active cell phone users currently reflect below a million customers, with a big portion of these not utilising it continuously.

Table 1 – Cell Phone Banking Users (Big Four Banking Groups)

	Customer base	Airtime growth Month on month	Banking platforms
Absa	420 000	28%	WAP, WIG
FNB	370 000	50%	WAP, USSD
Nedbank	N/A	N/A	WAP, USSD
Standard Bank	>100 000	31%	WAP, WIG

Source: Standard Bank, 2007

It is estimated that by the end of 2008, the number of cell phone users for banking will outstrip the number of internet users. With an estimated 22 million South Africans carrying cell phones, the potential is quite evident. Our major banks aren't at this stage considering developing stand-alone mobile banks of their own. Instead the driving principle behind the work they're doing is that mobile banking should be a convenient add-on to existing products and services.

However, there's a big gap between the number of people who register for cell phone banking and those who actually use it. Standard Bank and Nedbank claim that around 90% of their small bases of registered users are active customers on the channel. But FNB says only about 75 000 (30%) of its 250 000 (now 370 000) registered customers transact regularly. ABSA is less specific, saying between 60% and 80% of its 230 000 (now 420 000) mobile banking clients have transacted during the past month. However, both ABSA and FNB are signing up new customers at a rate of between 10 000 and 15 000 a month. (Whitfield, 2006).

The trick the banks now face is encouraging clients to utilise the facility. Although both FNB and ABSA have proved there's a strong appetite for the service through offering free mobile banking transactions for limited periods, both notice a big drop in usage when fees are introduced. David Porteous (Portius, 2005) mentions an analysis tool, which he calls the "Access Frontier Approach" to understanding market development and the acceptance and usage of products and services. In this article he defines the frontier as the maximum proportion of the eligible population who have effective access to a product under certain conditions.

Banks like Nedbank are currently making use of the WAP protocol, which requires new generation cell phones. It does however plan to launch an SMS-based offering, which will make it easier for their clients to transact on virtually any phone.

The second antecedent of continued use is buyer satisfaction, which is considered as the primary motivation for continued usage. Buyers who are satisfied tend to continue their usage, whereas dissatisfied buyers discontinue their usage. Because of buyers' level of satisfaction is believed to affect the buyer's purchasing behaviour, firms must focus on improving it. Satisfaction refers to the self service offering, which means that satisfaction is usually an amalgamation of all channels into an interface between the selling firm and the buyer. As an example, the buyer may use the Internet to search for information during the pre-purchasing stage and then visit a bank to make the final purchasing decision.

This study will show that perceived usefulness is a crucial determinant whether buyers will continue their usage of a self service technology or not. If the self service technology is perceived useful, buyers will more likely continue their usage. However, if buyers perceive the SST to be useful, but, at the same time, are satisfied with traditional interaction channels, it may restrict the buyer's usage of the technology, prompting them to use other channels, i.e. branch network.

The conclusion therefore, might be that in addition to perceived usefulness, buyers' multi-channel satisfaction should be considered important. Very limited research has been done w.r.t. cell phone banking technology and the adoption of this technology by consumers and users. A large volume of work has been done on how users change mindset and thinking in the general technology adoption process.

Part of the literature review will focus on these adoptions of technology models, with the other part focusing on international studies already undertaken w.r.t. to cell phone banking acceptance in general.

2.2 ADOPTION MODELS OF TECHNOLOGY

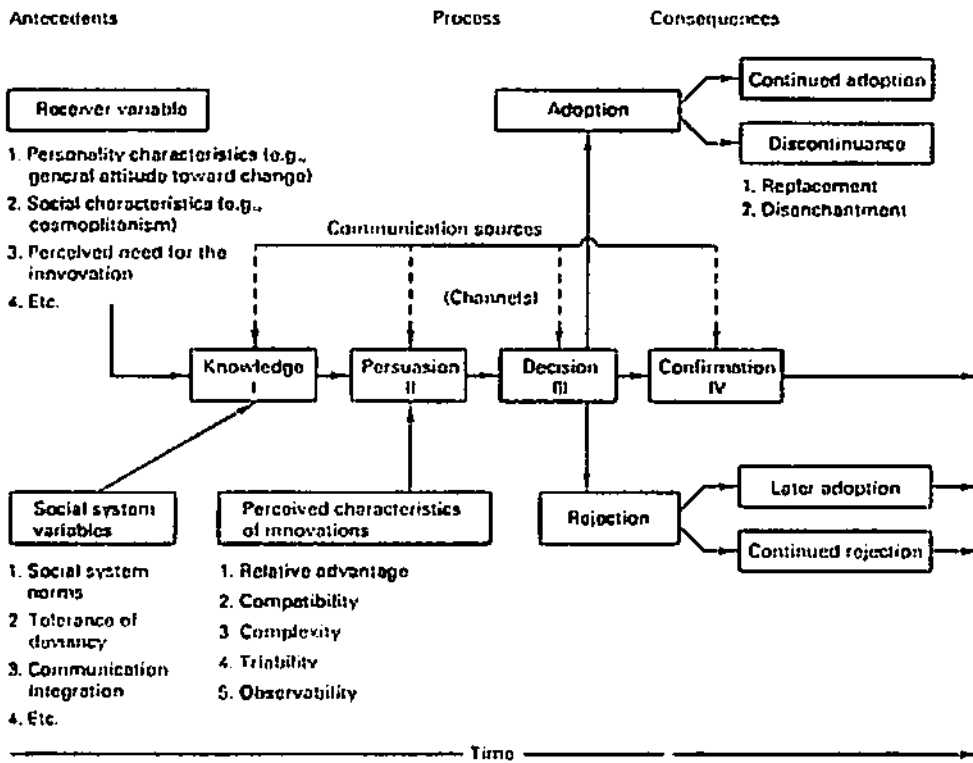
The timing and nature of new technology adoption are fundamental issues in the understanding of firm performance, competitiveness and productivity growth. There are two commonly observed empirical regularities of new technology adoption. First, the adoption of new technology is in general anything but instantaneous. Second, once initial adoption occurs, the inter-firm diffusion path tends to be S-shaped, i.e. some adopt early and others late, with an accelerating adoption process initially followed by a decelerating process when most individuals and firms have adopted.

Diffusion of innovation theory predicts that media as well as interpersonal contacts provide information and influence opinion and judgment. Studying how innovation occurs, E.M. Rogers (1995) argued that it consists of four stages: invention, diffusion (or communication) through the social system, time and consequences. Diffusion is the "process by which an innovation is communicated through certain channels over a period of time among the members of a social system". An innovation is "an idea, practice, or object that is perceived to be new by an individual or other unit of adoption". "Communication is a process in which participants create and share information with one another to reach a mutual understanding." (Rogers, 1995).

The information flows through networks. The nature of networks and the roles opinion leaders play in them determine the likelihood that the innovation will be adopted. Innovation diffusion research has attempted to explain the variables that influence how and why users adopt a new information medium, such as the Internet.

Opinion leaders exert influence on audience behaviour via their personal contact, but additional intermediaries called change agents and gatekeepers are also included in the process of diffusion. Five adopter categories are: (1) innovators, (2) early adopters, (3) early majority, (4) late majority, and (5) laggards. (Rogers, 1995).

Figure 5 – Diffusion of Innovation Model



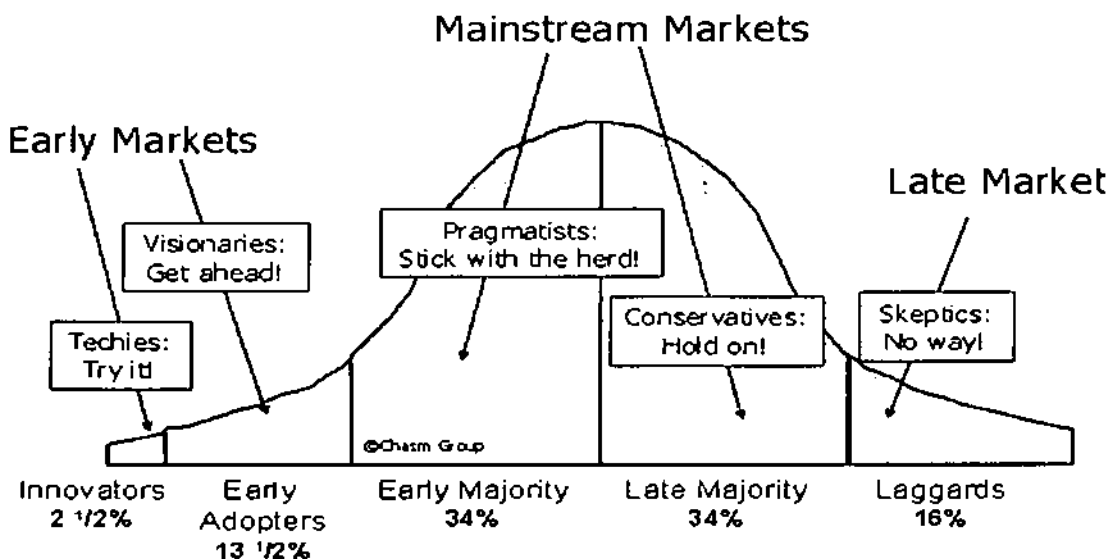
Source: Rogers, 1995

Diffusion research has focused on five elements: (1) the characteristics of an innovation which may influence its adoption; (2) the decision-making process that occurs when individuals consider adopting a new idea, product or practice; (3) the characteristics of individuals that make them likely to adopt an innovation; (4) the consequences for individuals and society of adopting an innovation; and (5) communication channels used in the adoption process.

Another well known model, developed by Mocre (2002), is called the Technology Adoption Life Cycle. This model, depicted in figure 6 has five distinguishable stages in the life cycle of technology innovation.

Figure 6 – Life Cycle of Technology Innovation

Groups are distinguished from each other based on their characteristic response to discontinuous innovations created by new technology



Source: Moore, 2002

Innovators - Innovators are the first to buy into the next great "fad," and the first to retire old technology, when it gets replaced by new technology. The total market size of the Innovators phase is quite small, only about 5% of the entire area inside the life cycle bell curve. While success in the Innovators phase means very little financially to a company, Moore stresses the importance of the Innovators because they are the "gatekeepers." Any discontinuous technology product must get their stamp of approval and support before moving on to the next phase of the technology adoption life cycle, the Early Adopters.

Early Adopters - Moore calls the Early Adopters "visionaries." Early Adopters are eager to embrace new technologies to solve their problems and exploit competitive advantage, and they have money to spend. Unlike pragmatic buyers who are pessimistic in nature, Early Adopters are more optimistic. In technology terms, they are satisfied with a product that provides 80% of the solution to their problem, while pragmatic buyers want a 100% solution. For technology vendors to make headway in

this early market, they must focus solely on product leadership. Once the last of the early adopters has been penetrated, a break in the bell curve exists, called the Chasm.

Early majority - The Chasm represents a critical phase from the last early adopters to mainstream acceptance of the product. To cross the Chasm, Moore suggests that the company focus on a "beachhead" or a total solution for a problem built around the needs of a niche market. Moore calls this total solution a "whole product," an imperative for penetrating the pragmatic buyers. Moore defines the whole product as "the minimum set of products and services necessary to ensure that the target customer will achieve his or her compelling reason to buy."

Once across the Chasm, we move into an area representing the early majority. The creation of the whole product to fulfil the needs of a niche market requires an additional strategy beyond product leadership, called customer intimacy. Once the whole product satisfies the needs of a niche market, pragmatists embrace the technology.

As more niche markets are successfully penetrated, the solution is perceived to be less of a niche product and more of an all-purpose solution. This creates momentum around the technology and the hyper growth phase begins.

Late majority - For an investor, the next phase of the technology adoption life cycle is the most exciting, because the investment opportunities can lead to increased market returns. During the transition from the early majority into the late majority, the technology has proven itself in several niche markets. The product begins to look attractive to mainstream pragmatic buyers. The product focus has also shifted away from the problems of the end user and toward the infrastructure buyer that can implement the technology to solve their problems.

A leader is needed to create stability in the market, and the company that sets the standard for the technology will reap tremendous financial rewards. Companies create value in this phase by balancing product leadership and operational excellence, or the ability to successfully execute the business plan.

Laggards - These individuals are very sceptic. Although sceptics are not regarded as worth pursuing, it may benefit the product provider to consider their scepticism.

Feedback should be carefully received and considered, to ensure that the existing and next level of offering will be improved.

From an investor's perspective, it is important to understand which phase of the life cycle a category of products is currently residing, and whether a company is utilising the appropriate strategy to ensure success along the way.

While much of the prior information technology (IT) research has attempted to explain users' acceptance of new IT, recent research has focused on IT continuance or continued usage. The technology acceptance model (TAM) and the expectation–disconfirmation theory (EDT) are currently the dominant referent theoretical frameworks explaining user acceptance and continuance of IT, respectively. Our findings confirm that both models have good explanatory power with the TAM providing a better prediction of intention. An integrated model, combining TAM and EDT, provided a marginally better explanatory power. (Lee & Jun, 2007).

Technology Acceptance and Extended Model

The Technology Acceptance model (TAM) is one of the most influential extensions of Ajzen and Fishbein's theory of reasoned action in the literature. It was developed by Fred Davis and Richard Bagozzi (Bagozzi et al., 1992; Davis et al., 1989). The TAM model replaces many of TRA's attitude measures with the two technology acceptance measures, i.e. ease of use and usefulness.

TRA and TAM, both of which have strong behavioural elements, assume that when someone forms an intention to act, that they will be free to act without limitation. In the real world there will be many constraints, such as limited ability, time constraints, environmental or organisational limits, or unconscious habits which will limit the freedom to act (Bagozzi et al., 1992).

Earlier research on the diffusion of innovations also suggested a prominent role for perceived ease of use. Tornatzky and Klein (1982) analysed the adoption, finding that compatibility, relative advantage, and complexity had the most significant relationships with adoption across a broad range of innovation types.

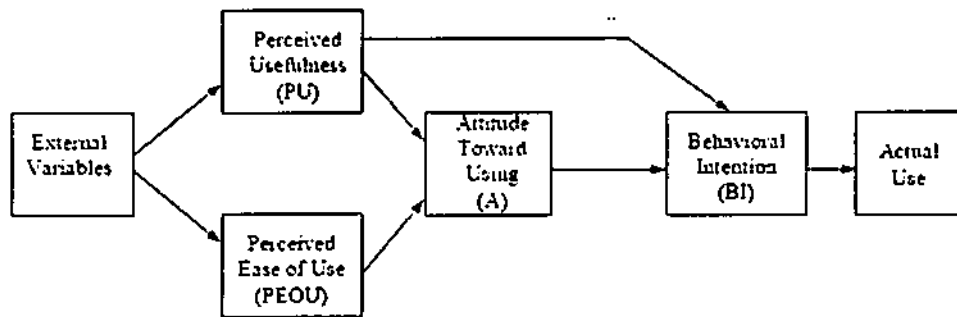
Several researchers have replicated Davis's original study (Davis, 1989) to provide empirical evidence on the relationships that exist between usefulness, ease of use and system use. (Adams, Nelson & Todd, 1992; Davis et al., 1989; Hendrickson, Massey & Cronan, 1993; Segars & Grover, 1993; Subramanian, 1994; Szajna, 1994). Adams et al. (1992) replicated the work of Davis (1989) to demonstrate the validity and reliability of his instrument and his measurement scales. They also extended it to different settings and, using two different samples, they demonstrated the internal consistency and replication reliability of the two scales. Hendrickson et al (1993) found high reliability and good test-retest reliability. Szajna (1994) found that the instrument had predictive validity for intent to use, self-reported usage and attitude toward use.

Segars and Grover (1993) re-examined Adams et al's (1992) replication of the Davis work. They were critical of the measurement model used, and postulated a different model based on three constructs: usefulness, effectiveness, and ease-of-use. These findings do not yet seem to have been replicated.

Mark Keil and his colleagues have developed Davis's model into what they call the Usefulness/EOU Grid, which is a 2x2 grid where each quadrant represents a different combination of the two attributes. In the context of software use, this provides a mechanism for discussing the current mix of usefulness and EOU for particular software packages, and for plotting a different course if a different mix is desired, such as the introduction of even more powerful software. (Keil, Beranek & Konsynski, 1995).

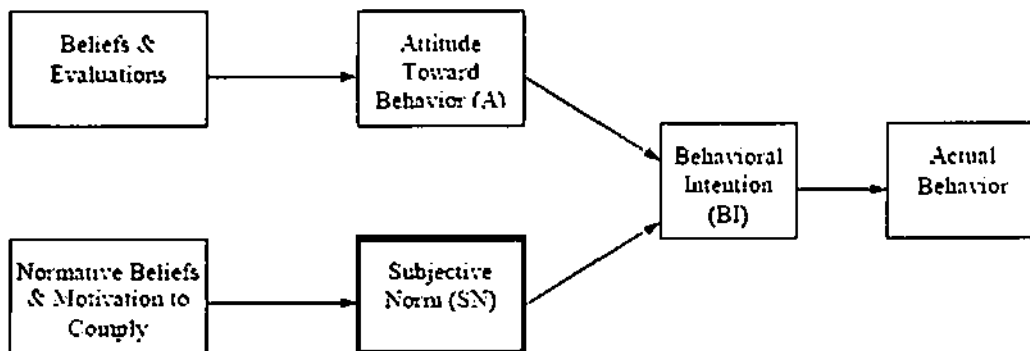
Venkatesh and Davis extended the original TAM model to explain perceived usefulness and usage intentions in terms of social influence and cognitive instrumental processes. The extended model, referred to as TAM2 (Figure 7 and 8), was tested in both voluntary and mandatory settings. The results strongly supported TAM2. (Venkatesh and Davis, 2000).

Figure 7 – Technology Acceptance Model (TAM)



Source: Davis et al, 1989

Figure 8 – Theory of Reasoned Action (TRA)

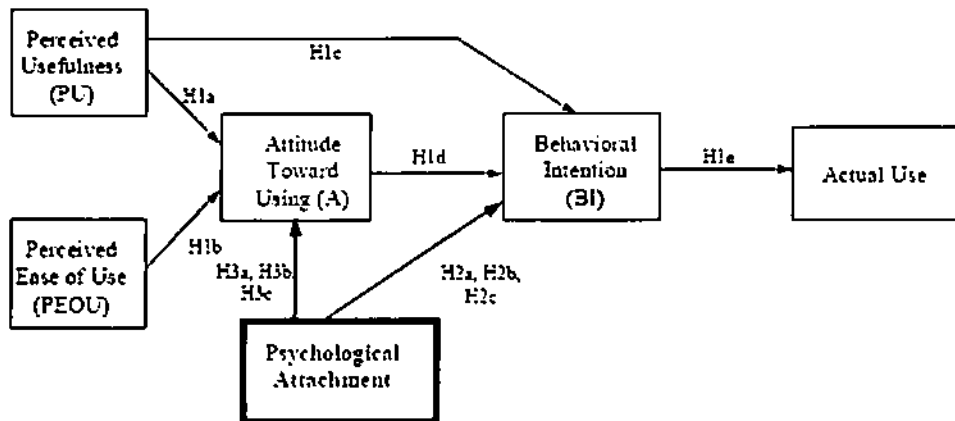


Source: Fishbein & Ajzen, 1975

From their study Mathieson et al (2001), conclude that perceived resources is a critical factor for user acceptance. They also propose that a better understanding of perceived resources is possible by reviewing it in terms of four variables:

- User attributes, which relate to expertise held by the individual as well as his/her situation.
- Support infrastructure provided by other individuals.
- System attributes, which are very particular to the characteristics of the system under investigation
- General control

Figure 9 – Extended Technology Acceptance Model (Social Influences)



Source: Venkatesh and Davis, 2000

THEORETICAL MODELS

Two theoretical models are very relevant to this study, namely:

- The Compass Acceptance Model
- The Disruptive Innovation Model

The two models are very applicable to the acceptance of mobile technology.

2.3.1 The Compass Acceptance Model

Compass (a cooperation model for personalized and situation dependent services) is a methodological approach that specifies a conceptual framework and the fundamental requirements for a service platform to cooperatively develop and provide situation dependent mobile services. (Amberg, Hirschmeier & Wehrmann, 2004).

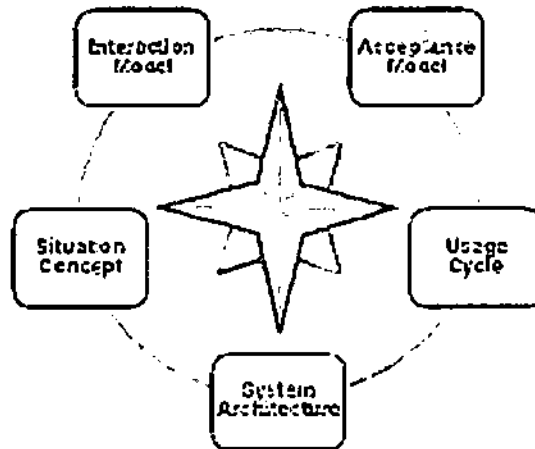
This approach pays attention to the special market situation and considers legal, economical and technical conditions, which are relevant for developing and providing mobile services. Such specialized approaches may affect productivity and service quality positively and finally lead to higher usage intensity of mobile services and increase the revenue of service providers and mobile network operators.

The Compass approach integrates five major components and is presented in Figure 10 in more detail. Considering these components in a balanced way, is proposed to be a critical success factor for the development of mobile services:

- The **Compass Situation Concept** structures the mobile usage context and makes the situation information accessible for the cooperative service production.
- The **Compass Interaction Model** describes the flow of services and information between the cooperation partners.
- The **Compass Usage Cycle** specifies the process to provide situation dependent mobile services and describes several service types.
- The **Compass System Architecture** details the technical adoption of the situation concept and proposes an underlying system infrastructure.

- The **Compass Acceptance Model** provides an instrument for the analysis and evaluation of user acceptance in order to improve the design of mobile services.

Figure 10 - The Compass Approach



Source: Amberg, Hirschmeier & Wehrmann, 2004

The Compass Acceptance Model (CAM) is belatedly added to the Compass approach because of the importance of user acceptance analysis and evaluation during the development of mobile services. The result of user acceptance analysis is considered to have a significant impact on all other components of the Compass approach. If for example the acceptance analysis reveals that the costs of a mobile service have a strong affect on potential users, the cooperation partners may look for strategic alliances to lower these costs (Compass Interaction Model) or further customise their services (Compass Usage Cycle).

If the acceptance evaluation reveals that potential customers feel uncomfortable with the retrieval of their personal data, the accessibility to personal data might have to be limited (Compass Situation Concept). Users with concerns about data security might be satisfied with higher technological security standards (Compass System Architecture).

The Compass Acceptance Model is an instrument designed for the analysis and evaluation of the user acceptance of mobile services. The fundamental design criteria can be summarized as follows:

- **Applicability during the whole product lifecycle** - The analysis and evaluation of the user acceptance is important in all phases of the product lifecycle. In the early phases of service development, the derived knowledge can be used to influence the service design (ex-ante analysis). In the late phases and during the usage of a service, the derived insights can be used to determine exactly strengths and weaknesses of a service regarding the user acceptance and reveal customising potentials (ex-post analysis).
- **Balanced consideration of relevant influencing factors** - For a differentiated analysis and evaluation of user acceptance a balanced consideration of relevant influence factors plays an important role. An acceptance model has to support a systematic identification of important, measurable and independent acceptance criteria.
- **Use as a permanent controlling instrument** - The analysis and evaluation can be conducted either once or multiple times. The analysis at a specific point of time can be seen as an overall position reckoning to reveal the strengths and weaknesses of a mobile service. An iterative analysis and evaluation monitors the effects and impacts of taken actions. By this, an acceptance model contributes to the quality assurance of a mobile service.
- **Adaptability to individual requirements, of a service** - An acceptance model should be able to provide a generic framework, which can be specialized according to the individual requirements of a mobile service. For example, users in private and business life may have completely different requirements and needs. Private users might focus more on playability while business users concentrate on job performance of a mobile service. An acceptance model should be flexible enough to provide a methodical framework for mobile services independent of the special aims. We assume that the listed design criteria are helpful to integrate user acceptance analysis and evaluation effectively and efficiently into the development of mobile services.

The structure of the Compass Acceptance Model is based on the principal idea of the Balanced Scorecard. Accordingly, the acceptance model helps to define a balanced set of individually measurable acceptance criteria for the analysis and the evaluation of the user acceptance.

The Meta structure of the Compass Acceptance Model consists of the following complementary categories (Amberg, Hischmeier & Wehrmann, 2004):

- **Benefits and Efforts** - We distinguish between two categories, which include all positive and negative aspects for the user acceptance. The categorisation in **Benefits and Efforts** is confirmed in many models for user acceptance as a fundamental cognitive consideration in human decision processes.
- **Service and General Conditions of Services** - The product specific aspects of user acceptance are subsumed in the category **Service**. In the complementary category **General Conditions of Services** all surrounding social, cultural, economical and technical conditions are considered, which also play an important role for the user acceptance of a service.

These categories lead to four dimensions that are relevant for an in-depth analysis of user acceptance, namely perceived usefulness, perceived ease of use, perceived mobility and perceived costs.

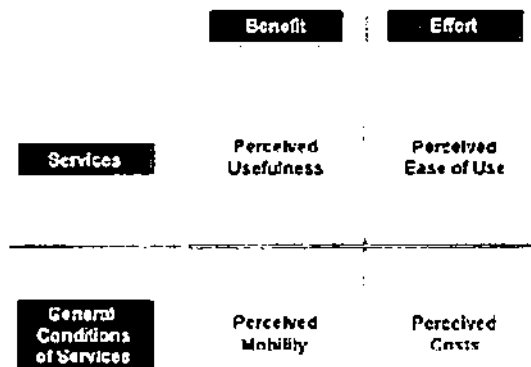
- **(Perceived) Usefulness** - The dimension build by the categories **Benefits and Service** describes the perceived usefulness of a service. Indicators measuring this dimension might be perceived information quality and quantity or conformity of expectations.
- **(Perceived) Ease of Use** - The dimension characterized by the categories of **Service and Efforts** can be identified with the perceived ease of use, the degree to which a person believes that using a particular service would be free of effort. In this context, the ease of use can be interpreted as an effort for the use of a service. Indicators measuring this dimension are for example the ease of configuration or first log-in, overall handling and menu navigation.
- **(Perceived) Mobility** - The categories **Benefits and General Conditions of Services** lead to the dimension of Perceived Mobility. The consideration of the general conditions of a service is important in the context of mobile

services as their acceptance highly depends on the economical, social and technological perspectives. Indicators measuring this dimension might be network coverage, accessibility, technological infrastructure etc.

- **(Perceived) Costs** - This dimension is formed by the categories of Efforts and General Conditions of Services. Mobile services can lead to profound changes in technological and social systems causing monetary and non-monetary costs. Costs transparency, data security and health risks are considered as appropriate indicators.

These four dimensions focus on the subjective perception. This emphasises the valuation of a service by the end user's subjective point of view. The first two dimensions **Perceived Usefulness** and **Perceived Ease of Use** can be found in the Technology Acceptance Model TAM. The Meta structure of the Compass Acceptance Model indicates that the TAM model focuses mainly on the characteristics of a service itself. This focus is not sufficient for an advanced and balanced analysis and evaluation of mobile services as they highly depend on the contextual conditions of a service. The category **General Conditions of a Service** subsumes this expanded view. With the presented framework, the Compass Acceptance Model meets the demands of completeness and balance, and thus the reason for forming the basis of this study.

Figure 11 – Dimensions of the Compass Acceptance Model



Source: Amberg, Hirschmeier & Wehrmann, 2004

2.3.2 The Disruptive Innovation model

The Disruptive Innovation model from Clayton Christensen is a theory that can be used for describing the impact of new technologies (revolutionary change) on a firm's existence. Clayton Christensen first coined the phrase "disruptive technologies" in 1997, in his book "The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail". He showed that time and again almost all the organizations that have "died" or been displaced from their industries (because of a new paradigm of customer offering) could see the disruption coming, but did nothing until it was too late. (Christensen, 1997)

By doing what good companies are supposed to do, cater to their most profitable customers and focus investments, where profit margins are most attractive, established industry leaders are on a path of sustaining innovations and leave themselves open for disruptive technologies. This happens because the resource allocation processes of established companies are designed to maximize profits through sustaining innovations, which essentially involve designing better and better mousetraps for existing customers or proven market segments. When Disruptive Innovations (typically cheaper, simpler to use versions of existing products that target low-end or entirely new customers) emerge, established companies are paralysed. They are almost always motivated to go up-market rather than to defend these new or

low-end markets, and ultimately the disruptive innovation improves, takes up more market share, and replaces the reigning product.

Types of Innovation

Companies have two basic options when they seek to build new-growth businesses. They can try to take an existing market from an entrenched competitor with sustaining innovations. Or they can try to take on a competitor with Disruptive Innovations that either create new markets or take root among an incumbent's worst customers.

Disruptive Innovation Process

- The model shows that, as the performance demanded by the customers of an existing market increases over time, so does the performance provided within a technological paradigm. Often the performance improvement provided has a different trajectory to the trajectory of performance improvement demanded by the customers (see figure). When the trajectory slopes differ, and the performance provided exceeds performance demanded, new technologies that were only performance competitive in remote market niches may migrate into other customer networks. This provides innovators with a vehicle to new customers, who would have previously viewed their offerings as substandard; and enables them to offer established mainstream markets a new set of performance value attributes that are now more relevant than the current paradigm.
- Disruption and commoditisation actually go hand in hand. A company that overshoots simply can't win (a firm that improves a product to the point that it is more than good enough for customers to use and pay a premium for). Either disruption will take its markets, or commoditisation will steal its profits. While new waves of disruption wash over an industry, the place where the money will be will shift across the value chain over time. While this happens, companies that position themselves at a spot in the value chain where performance is not yet good enough will capture the profit.

Limitations of Disruptive Innovation

- Disruptive Innovation requires a separate strategy process. This process must be emergent and focused on unanticipated opportunities, problems and

successes, rather than intended and focused on improved understanding of what works and what doesn't. A company, like the South African banks need to be quick in response, and monitor new trends forming. A good example of a disruptive innovation trend is Ooba, which are paid commission for handling the different bank's home loans, but then also selling other products to the same customers, effectively competing with the same bank.

- Instead of designing products and services that address current behaviour of current customers, the underlying aims of people should inform the design of innovations. Understanding what people really need is however far from easy.
- Disruptive businesses can't achieve big profits very fast, due to their nature (addressing new markets, or addressing low end of existing markets). Venture capitalists are increasingly impatient for businesses to deliver profits.

2.4 CONCLUSION

As can be derived from Chapter 2, and the various models discussed, there is a general trend when assessing these models. A very importance aspect that must also be incorporated into this study is that of trust.

The last decade of the 20th century witnessed profound technological changes among which is the advent of electronic commerce, or the exchange of products and services and payments via telecommunication systems. (Kalakota and Whinston, 1997).

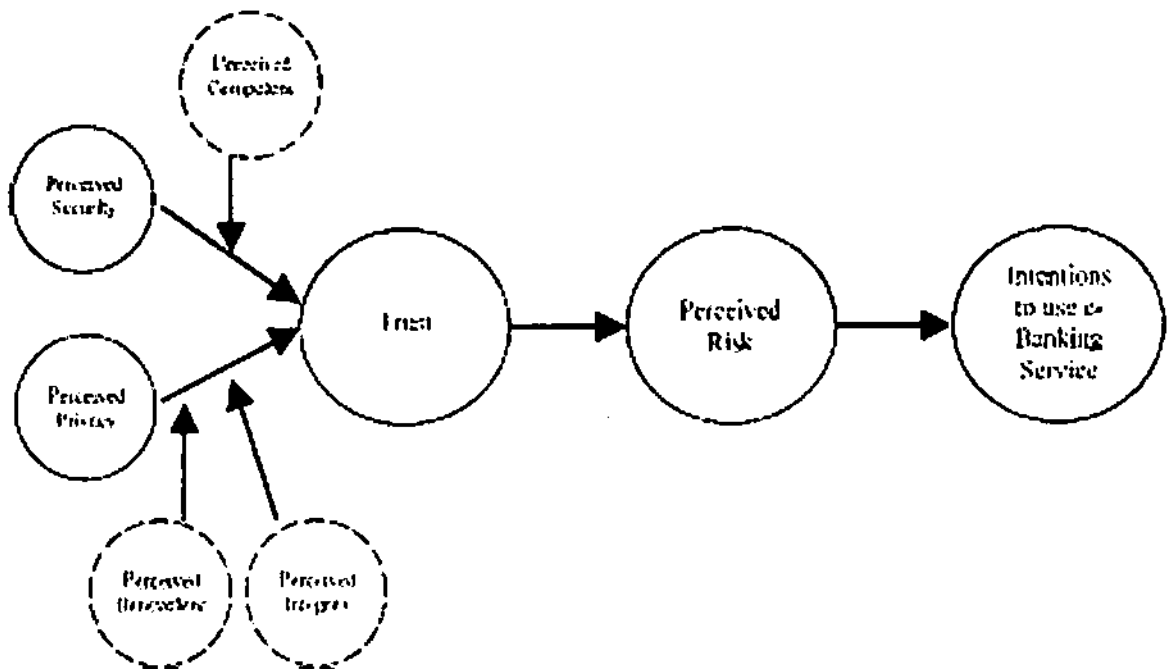
However, nowhere has the presence of electronic commerce been more apparent than in the banking and financial services industry (eMarketer, 2000; Irish Times, 1999). Using telecommunication systems and technologies, a bank can reach out to customers and provide them with not only general information about its services but also the opportunity of performing interactive retail banking transactions.

However, customers have not adopted e-banking in the same degree (Hoffman et al., 1999), primarily because of risk concerns (Palmer et al., 2000) and trust-related issues (Lee and Turban, 2001).

The two main antecedents of trust on electronic banking identified from the literature review are the customer's perception of security and privacy. Adam et al. (1999) claim

that ensuring security and privacy are fundamental prerequisites before any commercial activities involving sensitive information can take place. They add that consumers' concern of privacy and security is the leading barrier to electronic commerce. Cheskin (1999) argue that the 'first and most necessary step' in establishing consumer trust is to provide them the guarantee that their personal information will be safeguarded. Figure 12 highlights a model for trust in e-banking.

Figure 12 – Model for Trust in e-Banking



Source: Yousafzai et al, 2003

CHAPTER THREE

3 RESEARCH STRUCTURE AND DESIGN

3.1 INTRODUCTION

The research aim is to investigate the feasibility of providing mobile banking as an alternative financial services channel and the acceptance of this technology as a banking platform for the future.

It will be specifically channelled to the lower and middle LSM groups. These consumers are the emerging consumers in our country, as was mentioned under section 1.1.

The objectives of the study are:

- To identify customer readiness for cell phone banking as an alternative banking channel
- To investigate the lower end and middle LSM group's perceptions of cell phone banking as an option for access to financial products and services
- To investigate the perceptions and understanding of cell phone banking and its importance from the banking industry's perspective
- To consider what effect cell phones will have on the potential future revenue streams of the overall retail banking industry
- To understand the perceptions of banking industry staff members around cell phone banking and the introduction thereof to customers
- Acceptance of new technology always coincides with resistance from the consumer. This study will try to look at the best ways in which to communicate the benefits and usefulness of this type of technology for banking purposes.

In order to test this, use will be made of the Compass Acceptance Model, in order to identify and re-iterate those factors that lead to customer decision making and acceptance of this financial access channel.

Acceptance of this technology and the perceived usefulness thereof, linked to the potential innovative applications could open the door for alternative banking platforms and new competition models.

With the majority of South Africans not being able to afford computers for internet access, cell phones of the future will create an easy and convenient platform for internet access and alternative applications, i.e. banking, advertising etc.

3.2 RESEARCH METHODOLOGY

This is an exploratory study, making use of both qualitative and quantitative research method, i.e. theoretical analysis and data collection (questionnaires and interviews).

Out line of the research methodology:

- **Theoretical.** Literary review focusing on the major theories and models
- **Interaction** with relevant financial organisations, i.e. Standard Bank of South Africa, to understand their insight and future strategy w.r.t. cell phone banking and other uses of cell phones
- **Interaction** with Standard Bank employees in the form of a focus group to highlight their insight into cell phone banking, i.e. uptake of cell phone banking
- **Field research**, where data are collected via use of quantitative data (questionnaires), as well as interviews/focus groups (qualitative analysis).

3.3 PRIMARY DATA COLLECTION METHODS

The research was done in the format of questionnaires, which were discussed with existing Standard Bank customers who have visited Standard Bank branches within the North West geographical area. The area included the following towns (both rural and suburban):

- Brits
- Carletonville
- Coligny
- Ga-Rankuwa

- Itsoseng
- Jouberton
- Khuma
- Klerksdorp
- Letlabile
- Lichtenburg
- Mafikeng
- Magalies
- Marikana
- Motlasana
- Mooinooi
- Orkney
- Potchefstroom
- Rustenburg
- Schweizer Reneke
- Setlagole
- Stilfontein
- Sun City
- Ventersdorp
- Vryburg
- Westonarea
- Wolmaranstad
- Zeerust

The questionnaire questions were asked to existing **Standard Bank customers** who were at Standard Bank's premises, either transacting inside or outside at ATM centres. The customers were chosen at random, as the purpose of the study is to identify understanding of the technology across income groups and perceived usefulness and acceptance of the technology (Appendix A).

The aim was also to try and understand why so many registrations for cell phone banking become dormant in usage, and the methods of creating value for customers. General trust and perceptions around cell phone banking were critical questions as well.

Focus group discussions were held with **product owners** (Appendix B) of electronic channels within Standard Bank (Johannesburg) to understand their perceptions around limited usage of the existing technology, and what channels they plan to utilise in creating more acceptance and usage of the technology.

Standard Bank staff (Appendix F) were also surveyed, to ascertain relevance and perceived usefulness on the part of the customer, and to determine their perceptions around cell phone banking as a future core banking platform.

Existing Standard Bank customers, who are currently registered for cell phone banking, and utilising it, were chosen at random, and were asked in a group to comment on certain questions, and to elaborate on certain statements relating to their perceived usefulness of cell phone banking. (Appendix D).

A number of demographic and other variables were included under the questionnaires, namely:

- **Gender** - In a South African context and especially in the African community, financial responsibility lies with the male member of the household. It is of interest to see the differences in perceptions, if any between male and female respondents
- **Age** - Age is an important determinant of acceptance of technology in the South African community. The younger generation of South Africans are more susceptible to technology and ease of use.

3.4 RELEVANCE OF ANALYSIS METHOD EMPLOYED

3.4.1 Sample

For this study, existing customers of Standard Bank were chosen at the respective ATM centres, or inside Standard Bank premises. They were asked whether they were Standard Bank customers. Therefore this study includes only Standard Bank customers, which were chosen through a random sampling process. Every member of the population (Standard Bank customers in the particular geographical area/town) thus had the same chance of being selected. Through this method of cluster sampling, every Standard Bank customer, whatever their demographics had a chance of being chosen. The administrators were asked to pose the questionnaire questions to every tenth individuals in the banking queue.

Standard Bank, being one of the leading suppliers of the cell phone banking product, was considered to be a reasonable choice, representative of the general market. With all major banks offering the same product types, achieving very similar service results (CUSSATS, 2006), the perceptions of their customers are equally applicable for the general population of the middle/lower end segment of the South African market.

A total of 484 questionnaires were completed by the respondents. It is believed that this sample of 484 is a representative sample of the total population. It can therefore also be assumed that the characteristics of the sample approximate the characteristics of the total population. Leedy and Ormrod (2005, 207) states that with a population size of 5000 and more (which is the case with this study), the population size is almost irrelevant, and a sample size of 400 and more sufficient.

3.4.2 Method of measurement

Qualitative research employs methods of data generation sensitive to the social context in which the data is produced. This is especially useful in situations where the variables studied are not easily measurable by numerical means (Cooper & Schlinder, 2003). In the case of this study, a two phase design method was used, which according to Creswell (1994, 177 -178), constitutes a quantitative study being followed

by a qualitative study, and this sequencing implies comparable standards or methodological rigor. The process of measurement can be thought of as a process whereby symbols are assigned to characteristics of the elements being studied.

Because existing theory of cell phone banking and the acceptance thereof has not been sufficiently developed, the researcher has adopted a more exploratory mode. The singular advantage, according to Lee of the two phase design is that it capitalises on the unique strengths of two traditionally separate research orientations.

In this study the researcher has made use of questionnaires, which was administered by 5 individuals who assisted the researcher. The questionnaires were completed on site by the administrators. These administrators administered the questionnaires in English and Afrikaans. In cases where the respondent could not clearly understand the questions posed, an interpreter was utilised. This intervention was only necessary in a very small percentage of the 484 respondent questionnaires completed. The questions were posed to the respondents in a structured way, with no deviation from the set of questions allowed.

The administrators reflect all races of the South African population, i.e. African, Coloured and White individuals. They are relatively senior employees of Standard Bank (Team Leader level), working within a multi-cultural environment. It is therefore safe to deduct that they are sensitive to issues of social class, language preference, education, race, response bias, etc.

Leedy and Ormrod (2005, 185) states that questionnaires do not always have a good success rate because of the fact that they have a low return rate. By administering the questionnaires face-to-face, the return rate was a lot higher. Out of the 500 proposed questionnaires, 484 were completed, which equates to 97% return rate.

The questionnaires had 18 questions, highlighting different demographical variables, issues of preference, cost and value for money (Appendix A). The researcher used a rating scale (Likert scale), as well as checklists in the questionnaires. In some of the questions, use was made of dichotomous variables, where only one of two values could be chosen. Other types of measurements used in the questionnaire include

checklists and direct ratings. In developing this questionnaire, cognisance was taken from Leedy and Ormrod's (2005, 190) guidelines in construction of a questionnaire, i.e.

- Keeping the questionnaire short
- Simple and clear language
- Eliminate unwarranted assumptions implicit in the questions
- Word questions, without leading the respondents to possible preferences from researcher
- Check for consistency
- Determine in advance how the responses will be coded
- Keep the respondent's ask simple
- Provide clear instruction to administrator and respondents
- Give rationale for any items whose purpose might be unclear
- Make the questionnaire attractive and professional looking
- Conduct a pilot test
- Scrutinise the almost final product carefully to ensure it addresses the need

A separate questionnaire was posed more for discussion purposes (Appendix B), to determine the key focus areas for Standard Bank presently as well in future when it comes to cell phone banking. Questions were posed to determine the product owners' and executive teams' insight into this new banking platform, their reactions to it and the opportunities that they foresee. Questions were also posed to determine their insight into the impact that cell phone banking will have on current and future revenue streams of Standard Bank.

Other key insights sought through the use of this questionnaire/group discussion were the following:

- Advertising focus
- Insight into customer's perceptions around ease of use, availability, value for money etc.
- Impact of cell phone banking on the traditional banking platforms
- Opportunities seen in the major rural areas within Standard Bank

- Opportunities seen w.r.t. other African countries in which Standard Bank currently have and propose to have representation in future

In terms of this study it is critical to establish a clear understanding of the perceptions held by the target market, which in the context of this study is understood to be predominantly the middle class and emerging consumer.

Interviews can provide a great deal of useful information. The researcher can ask questions related to a number of topics (Silverman, 1993):

- Facts
- People's beliefs and perceptions relating to these facts
- Feelings
- Motives
- Present and past behaviours
- Standards of behaviour

Interviews conducted under qualitative study are not as structured as those undertaken under a quantitative study. They are rather open-ended or semi structured. In order to ensure time maximisation, these interviews can be conducted with several individuals at the same time, in the form of focus groups. Focus groups are useful under the following circumstances) (Leedy & Ormrod, 2005):

- Time is limited
- More response from groups than from individuals
- Interaction amongst participants may be more informative than individually
- The researcher has difficulty in interpreting what he or she has observed.

These focus group discussions were held with employees of Standard Bank of South Africa, on their perceptions, experiences and feedback from customers on reasons for take-up, process design and non utilisation after registration (Appendix F).

A separate focus group discussion more open-ended questions were posed to a group of existing Standard Bank customers to try and get more insight into their perceptions of value for money, cost, ease of use etc (Appendix D).

The information gathered out of the different questionnaires were analysed to determine any common trends in responses from the different stakeholders i.e. customers, employees and product owners from within Standard Bank. This information will be critical in determining opportunities out in the market, and especially in rural areas within South Africa and the rest of Africa, where Standard Bank has current representation. Africa, with its fast population sizes, and increasing utilisation of cell phones, represents a great opportunity for the future. This can be seen in the focus being placed on African countries like Nigeria and even Angola by cell phone companies.

3.4.3 Bias in research sampling

In research, bias is any influence that could distort data, the analysis and interpretation thereof (Leedy and Ormrod, 2005). Among the conditions that could lead to bias is any influence that could have influenced the way in which the randomness by which the sample population has been selected (sampling bias).

In the case of this sampling process, the researcher feels comfortable with the fact that the process followed excluded sample bias as far as possible. Each administrator chose every tenth Standard Bank customer in either the ATM queue, or the in branch queue. Therefore, each Standard Bank customer in that geographical area had the same chance of being selected, as they all have access to the financial services. Both major towns, as well as more rural areas within North West Province were chosen to get a more representative sample of the total population.

Banking customers within South Africa have free and fair access to financial services, which is one of the Financial Services Charter requirement, namely that all South African (irrespective of their sex, creed, income levels) should have access to financial services. This can take the form of mobile banks (vehicle or pre-fabricated), brick-and-mortar banks, or ATM representation. As mentioned earlier, all major banks offer the same types of products, with service being the only differentiating factor. It is therefore safe to derive that representative populations amongst the different banks are similar in make up and preferences.

The sampling process, as specified by Diamantopoulos and Schlegelmilch (2004) were followed:

- **Define the population** – the researcher determined that only Standard Bank customers would be sampled, within the North West Province (both rural and more urban areas)
- **Specify sampling frame** – at ATM and branch queues, every tenth customer were chosen.
- **Select the sampling method** - if the customer was a non Standard Bank customer, the count will continue (every tenth individual)
- **Determine sample size** – the intention was to complete 500 questionnaires, with 16 respondents not willing to do so. Therefore 484 questionnaires were completed, which according to Leedy and Ormrod (2005) is a sufficient sample size for population sizes over 5000.
- **Draw the sample and collect the data** – because of costing, and time available, a simple random sampling method was used. It is therefore believed that the data collected is representative of the entire population, although the impacts of sampling errors are a possibility.

3.4.4 Concerns with method of measurement

With any measurement tool, especially when it comes to human behaviours and perceptions, it is critical to put the measurement tool to the validity and reliability test.

Leedy and Ormrod (2005) describe validity of a measurement instrument as the extent to which the instrument measures what it is actually intended to measure. It is inappropriate to speak of a measurement instrument as inherently valid or invalid. It is only meaningful to consider the validity of a specified purpose or interpretation of the resulting scores. Since multiple types of inferences may be entertained for scores from a given instrument, depending upon the situation in which it is to be used, the validity of each inference must be established.

To the extent that the user of a measurement instrument proposes to use it for purposes different from those intended by the developer and supported by existing evidence, the user becomes responsible for producing evidence regarding the validity

of his/her proposed interpretations. It is at times suggested that the validity of an interpretation or use of a measurement instrument can be judged by those who might use it or those on whom it might be used, on the basis of whether the content of the instrument appears to be relevant to the construct to be measured.

Leedy and Ormrod (2005) speaks of construct validity, which refers to the extent to which the instrument used measures a characteristic that cannot be directly observed, but must instead be inferred from patterns of human behaviour. Because of the fact that peoples behaviour, perceptions and biases cannot be directly measured in a quantitative manner, such as in this project; qualitative measurement techniques will mostly be used.

The reliability of a measurement instrument is the extent to which it yields consistent, reproducible estimates of what is assumed to be an underlying true score. A current approach to estimating reliability, referred to as "generalisability theory," allows for estimating the various sources of variation in scores, including variation due to errors of measurement. Reliability can be assessed using several experimental designs, i.e.

- **Test-retest reliability** refers to the extent to which an instrument consistently yields the same scores on two successive occasions if the quality of life of the individual to whom it is applied has not changed in the intervening period, or, by inference, the extent to which the measurement tool would give the same results when administered to two different individuals. A failure to give the same results on different occasions, when that would be expected, suggests that some source of error variance is affecting scores.
- **Internal consistency reliability** refers to the degree of homogeneity of items in an instrument or scale, i.e. the extent to which responses to the various components of the instrument (i.e. its individual items or its subsections) correlate with one another or with a score on the instrument as a whole. Substantial intercorrelation of these elements is interpreted to mean the items or components are measuring the same or closely related constructs in a reliable manner. Low levels of correlation among items suggest that the construct is not being measured reliably.

- **Split-halves reliability** refers to another experimental design commonly used to evaluate the reliability of a measurement instrument. The strategy in this case is to assign the items randomly to two "split halves" and calculate the intercorrelation of scores derived from each half. A high level of correlation is taken as evidence that the items are consistently measuring the same construct.

The researcher has had a session with the administrators to discuss issues of validity and reliability and to ensure consistency in approach. As stated under the previous section, the administrators used are representative of the South African population, and discussions were held with them to ensure that no biases/judgements intervened. The questionnaire was also constructed in such a way, that biases/judgements could not really affect the outcome of the discussion.

CHAPTER 4

4 RESEARCH RESULTS

4.1 INTRODUCTION

As stated, the analysis was done within the borders of the North West Province. Questionnaires were administered in 27 towns within North West Province, with a total of 484 respondents being interviewed and questionnaires completed. As stated, the customers are existing Standard Bank customers, who were asked to complete a questionnaire while they were transacting, either in-branch or at a Standard Bank ATM.

These towns are Brits, Carletonville, Coligne, Ga-Rankuwa, Itsoseng, Jouberton, Khuma, Klerksdorp, Letlabile, Lichtenburg, Mafikeng, Magalies, Marikana, Motlasana, Moinooi, Orkney, Potchefstroom, Rustenburg, Schweizer Reneke, Setlagole, Stilfontein, Sun City, Ventersdorp, Vryburg, Westonarea, Wolmaranstad and Zeerust.

The questionnaire was posed to the respondents to investigate the general perceptions of cell phone banking, their usage thereof, and how applicable cell phone banking would be in their daily lives, should they decide to take up the product offering. It further highlights the receptiveness of the target market for the product offering, to try and establish their readiness and possible take-up.

4.2 ANALYSIS OF VARIABLES

4.2.1 Demographic Variables

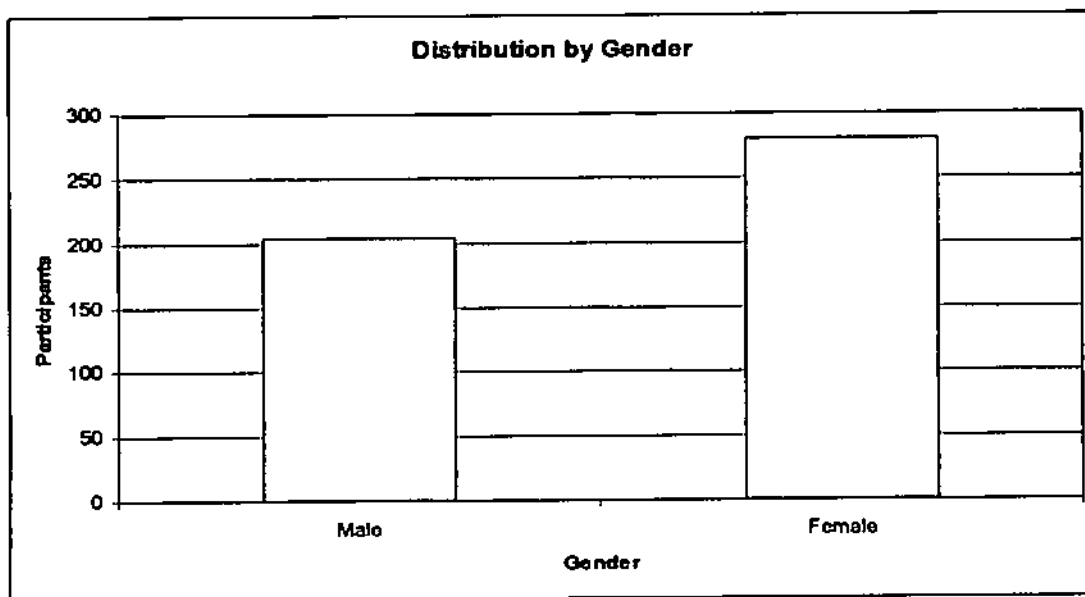
Gender Distribution

Out of the total sample of 484 respondents, 204 (42,15%) were male, and the remaining 280 (57,85%) were female. As no preference were given to sex (sample obtained at random – every tenth customer), the sample breakdown are considered as

being representative of the demographics of this region. As such, the respondent's perceptions around the questions posed to them, are considered equally appropriate to both.

As under section 3.4.3 (Sample Bias), both male and female administrators formed part of the group, and as such they are deemed representative as well.

Figure 13.1 – Gender Distribution of Respondents



Age Distribution

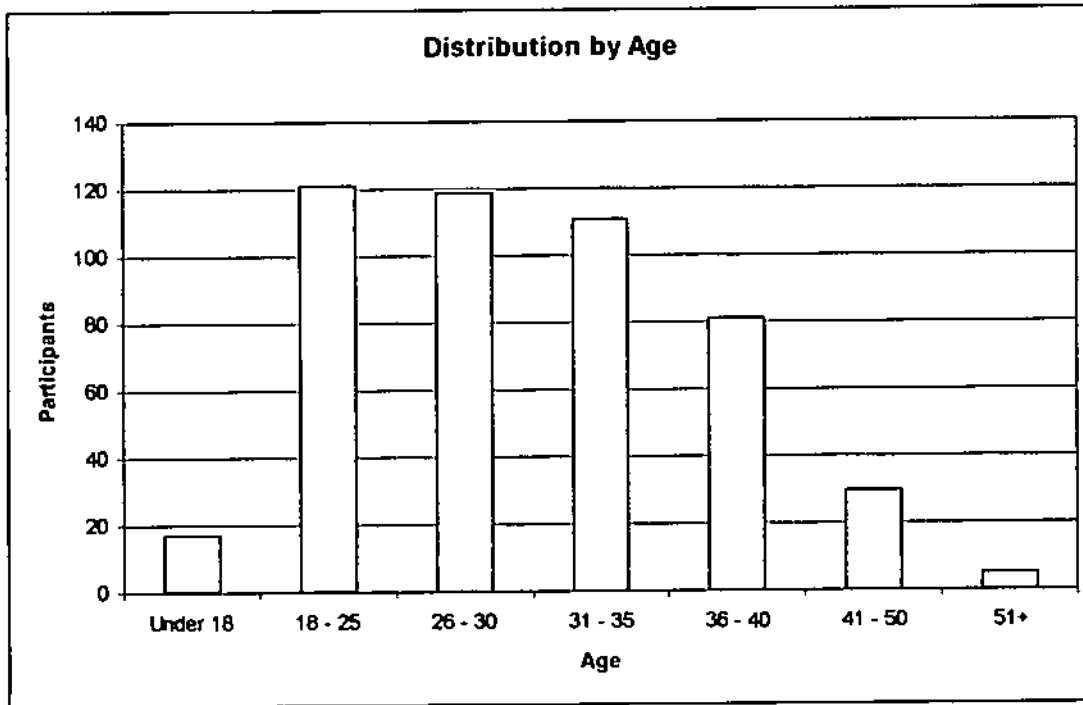
The participants were asked to complete a grouped frequency distribution in order to determine the age of the participants.

From the 484 participants, 17 (3.51%) were aged below 18 years; 121 (25.00%) were aged between 18 and 25 years; 119 (24.59%) were aged between 26 and 30 years; 111 (22.93%) were aged between 31 and 35 years; 81 (16.74%) were aged between 36 and 40 years; 30 (6.20%) were aged between 41 and 50 and 5 (1.03%) were aged above 51 years.

As the aim of the questionnaire was to target existing Standard Bank customers, who have existing banking facilities, the age distribution represented in the group of

respondents are deemed representative of this group, and their perceptions deemed representative and equally valid to all age groups.

Figure 13.2 – Age Distribution of Respondents



Language Distribution

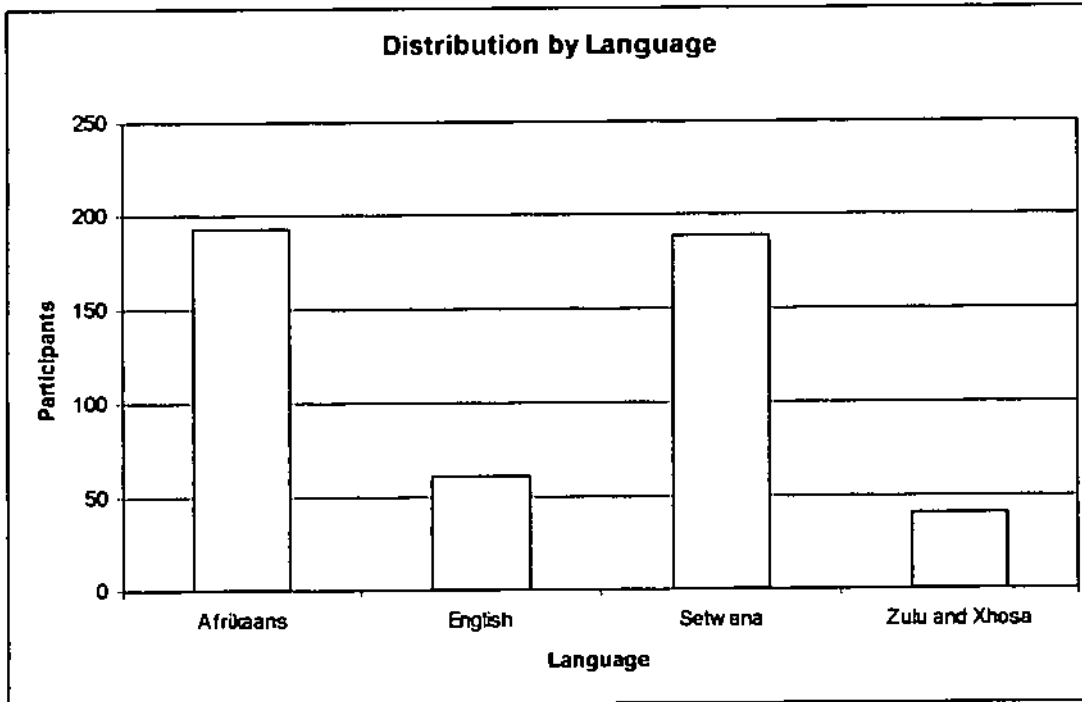
The respondents were asked their home language preference. The options supplied included English, Afrikaans, Setswana, Xhosa and Zulu. The language distribution from the 484 questionnaires completed was as follows:

Afrikaans	193	(39.88%)
English	61	(12.60%)
Setswana	189	(39.05%)
Izulu and iXhoza	41	(8.47%)

From the interviews it became quite apparent that part of the reason why cell phone banking is not currently an option for a big percentage of the customers, was because of the language barrier and that they do not understand the full detail and usefulness of the product offering. As discussed under section 3.4.2. only a very small percentage of

the respondents were not able to answer the questionnaire in English and Afrikaans. Those who were not able to were asked in their language of preference.

Figure 13.3 – Language Distribution of Respondents



4.2.2 Level of Qualification

The next question that was posed to the participants was their highest level of education. Out of the 484 respondents 39 (8.06%) were still in school or did not complete school; 283 (58.47%) only had a matric qualification; 68 (14.05%) has some tertiary education, i.e. semester-courses; 85 (17.56%) had a university degree or college diploma and 9 (1.86%) had a post-graduate qualification.

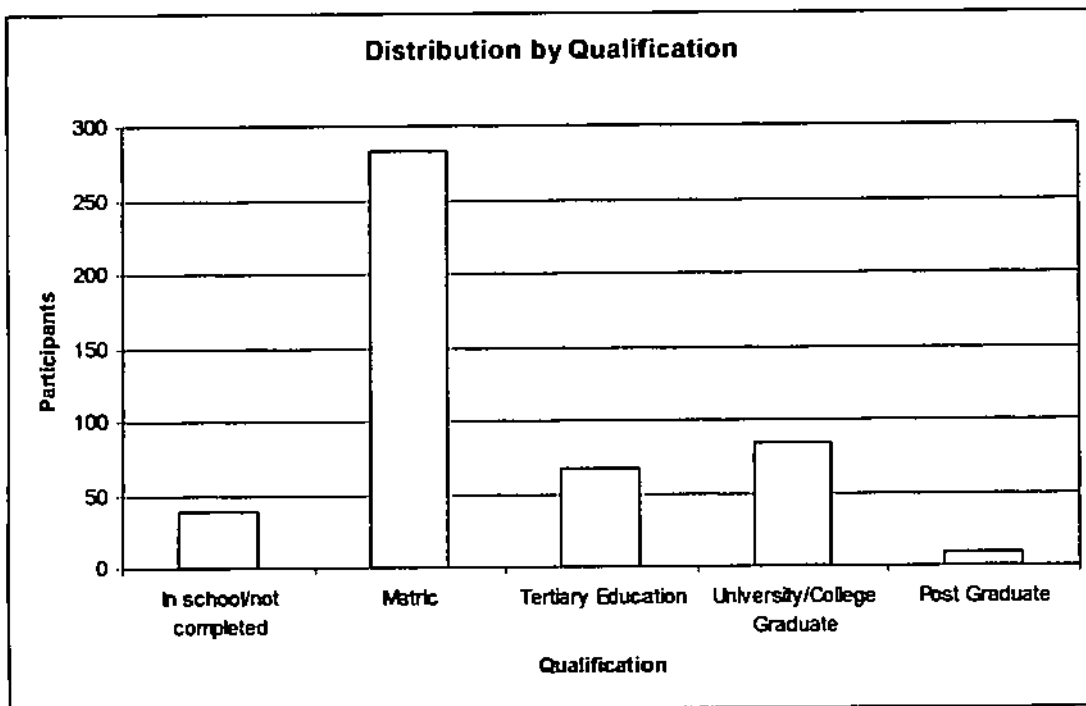
If we postulate the results per qualification band, the following becomes apparent:

	<u>Utilised Cell Phone Banking</u>	<u>Ease of Use (Difficult/Very Difficult)</u>
In school/DNF	38.46%	2.56%
Matric	34.62%	7.77%
Tertiary Education	26.47%	8.82%

Graduate	29.41%	2.35%
Post Graduate	33.33%	0%

From the above information there also seems to be no correlation between qualification levels and the level of cell phone banking usage. Once again it is highlighted that the respondents do not perceive cell phone banking as a difficult channel for banking.

Figure 13.4 – Level of Qualification Distribution of Respondents



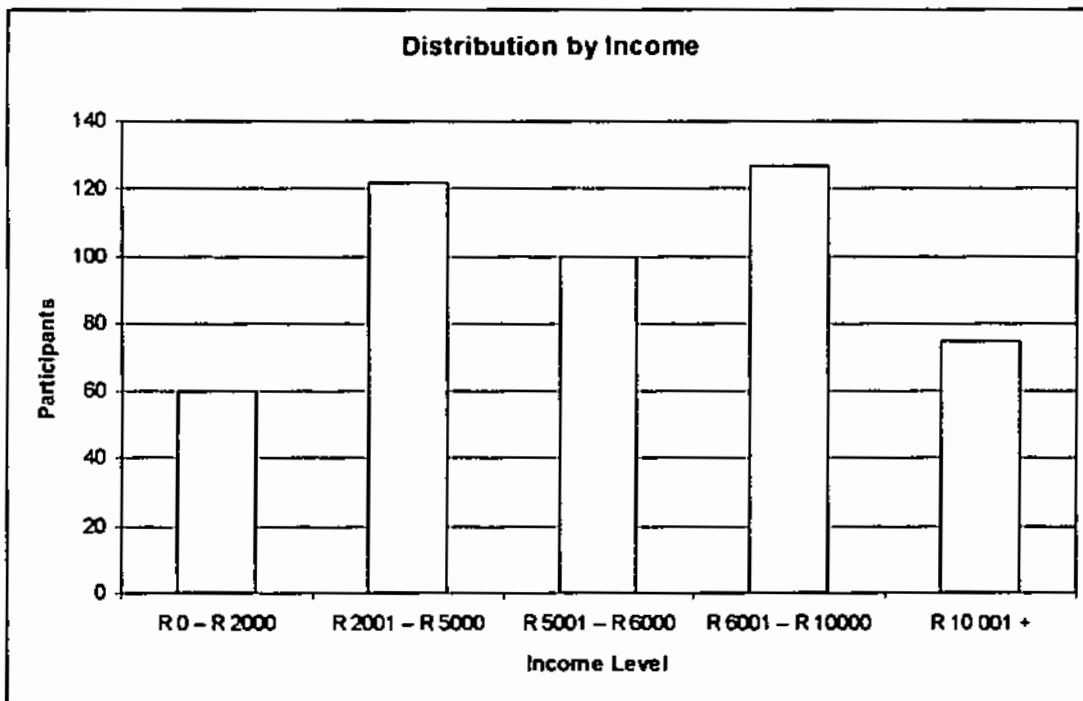
4.2.3 Income Levels

Income level distributions between the 484 respondents were as follow:

- R 0 – R 2000 60 (12.40%)
- R 2001 – R 5000 122 (25.21%)
- R 5001 – R 6000 100 (20.66%)
- R 6001 – R 10000 127 (26.24%)
- R 10 001 + 75 (15.50%)

As the biggest portion of the respondents (based on income levels – 84.5%) are earning below R 10 000, it is deemed representative of the target market, lower end (convenience) to lower-middle income group. Standard Bank offers their E-Plan and Mzansi accounts to customers earning less than R 5000 a month (Standard Bank, 2008), which makes up 37.61% of the respondents.

Figure 13.5 – Income Distribution of Respondents



4.2.4 Cell phone Acceptance/Usage

9 out of the 484 respondents that completed the questionnaire do not make use of cell phones. That means that the other 475 (98.14%) do make use of cell phones in one or the other way. There seems to be no correlation between gender and cell phone usage, as both percentages (2.94% male and 1.07% female) non-users are low. This highlights the premise that a very high percentage of South Africans have cell phones, and can utilise it for cell phone banking, if they wish to do so. This correlates with the statistics highlighted under section 1.1.

The participants were asked to complete a question on the current applications used on their cell phones. The majority of the 475 participants with cell phones used their cell phones to make calls with the exceptions of 11 participants who exclusively use their phones for sms and call receiving functionalities.

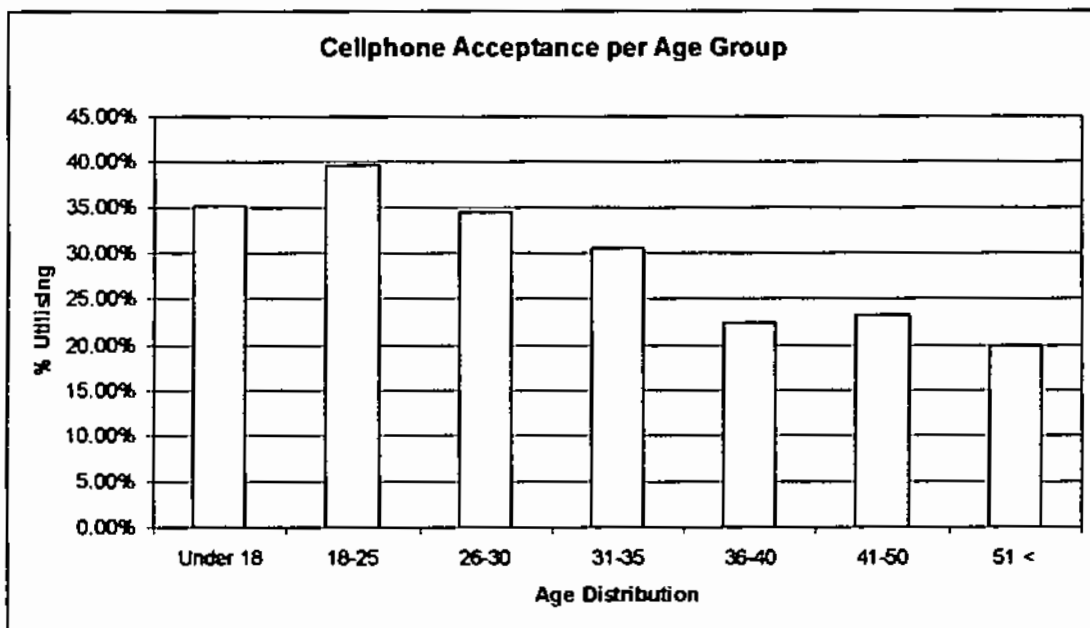
- 357 use their phones for sms functionality.
- 117 use their cell phones for playing games
- 164 use it for accessing the internet
- 208 use their cell phone calculator function

Only 95 (19.63%) of the participants currently use their cell phones for banking purposes. That is a low percentage, and also a great indicator of the potential lying within Standard Bank's customer base. 159 of the respondents stated that they have in the past used their cell phone for banking services, which means that a large portion of registrations (40.26% of respondents) are not utilising their cell phone banking functionality post-registration. This confirms the current obstacles that existing banks within South Africa face in trying to keep their registered users active (section 2.1). Of the 159, 74 of the male respondents (37.37%) and 85 (30.68%) of female respondents (who have cell phones) have used their cell phones for banking.

Age distribution linked to cell phone banking usage reflects the following:

- Under 18 17 35.29%
- 18-25 121 39.66%
- 26-30 119 34.45%
- 31-35 111 30.63%
- 36-40 81 22.33%
- 41-50 30 23.33%
- 51 < 5 20.00%

Figure 13.6 – Cell Phone Acceptance Distribution of Respondents



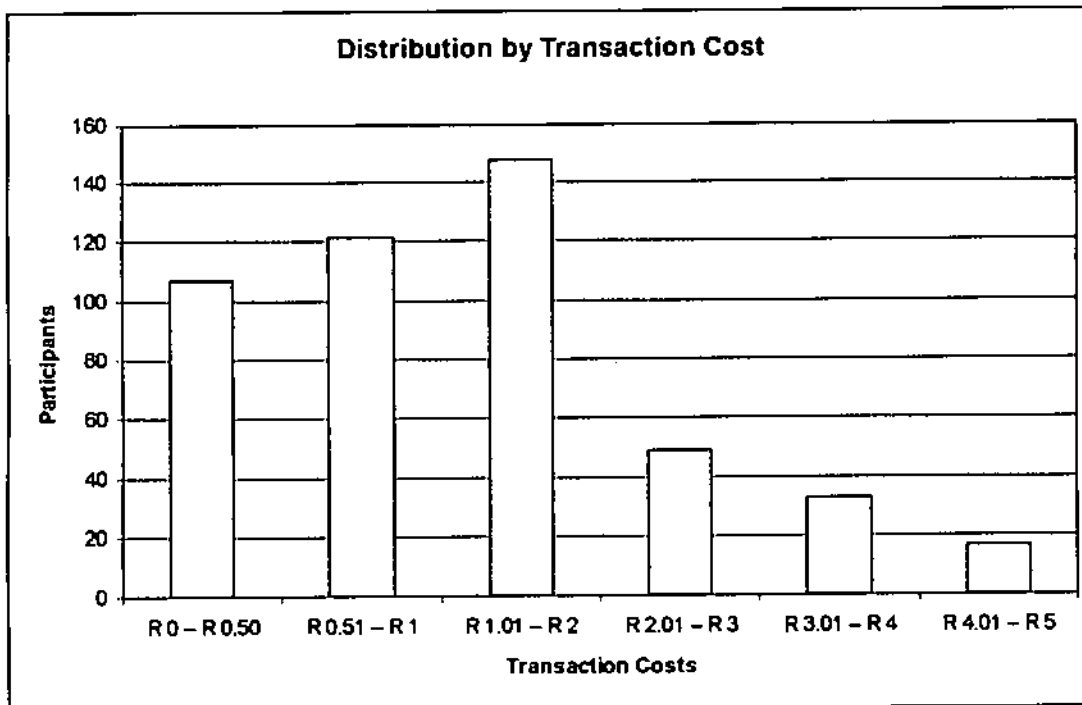
From this histogram it is clear to see that there is a downward trend w.r.t. the utilisation of cell phone banking, linked to age groups. Possible reasons could be that the younger generation are considered to be more technologically inclined.

4.2.5 Participants' perceptions around banking and cell phone banking

Participants were asked what they consider to be an acceptable transaction fee for transacting via his/her cell phone. 107 (22.11%) of the participants responded by saying that up to 50c per transaction is acceptable. The rest of the distribution looked as follows:

- R 0 – R 0.50 107 (22.11%)
- R 0.51 – R 1 121 (25.00%)
- R 1.01 – R 2 148 (30.58%)
- R 2.01 – R 3 49 (10.12%)
- R 3.01 – R 4 33 (6.82%)
- R 4.01 – R 5 17 (3.51%)

Figure 13.7 – Distribution by Transaction Cost Preference of Respondents



From the attached graph it is clear to see that the distribution is skewed towards the lower end of the transaction cost scale. In order for customers to accept cell phone banking as an alternative banking channel there needs to be some distinguishing factors, i.e. cost.

Combining the transaction costs with income levels, it is quite evident that the mostly accepted transactional fee structure is that between R1.01 and R2.00. In order for participants and customers in general to accept cell phone banking, the fee should be in this region, and should be lower than the in-branch transactional fees.

Figure 13.8 – Income versus Transaction Cost Distribution of Respondents

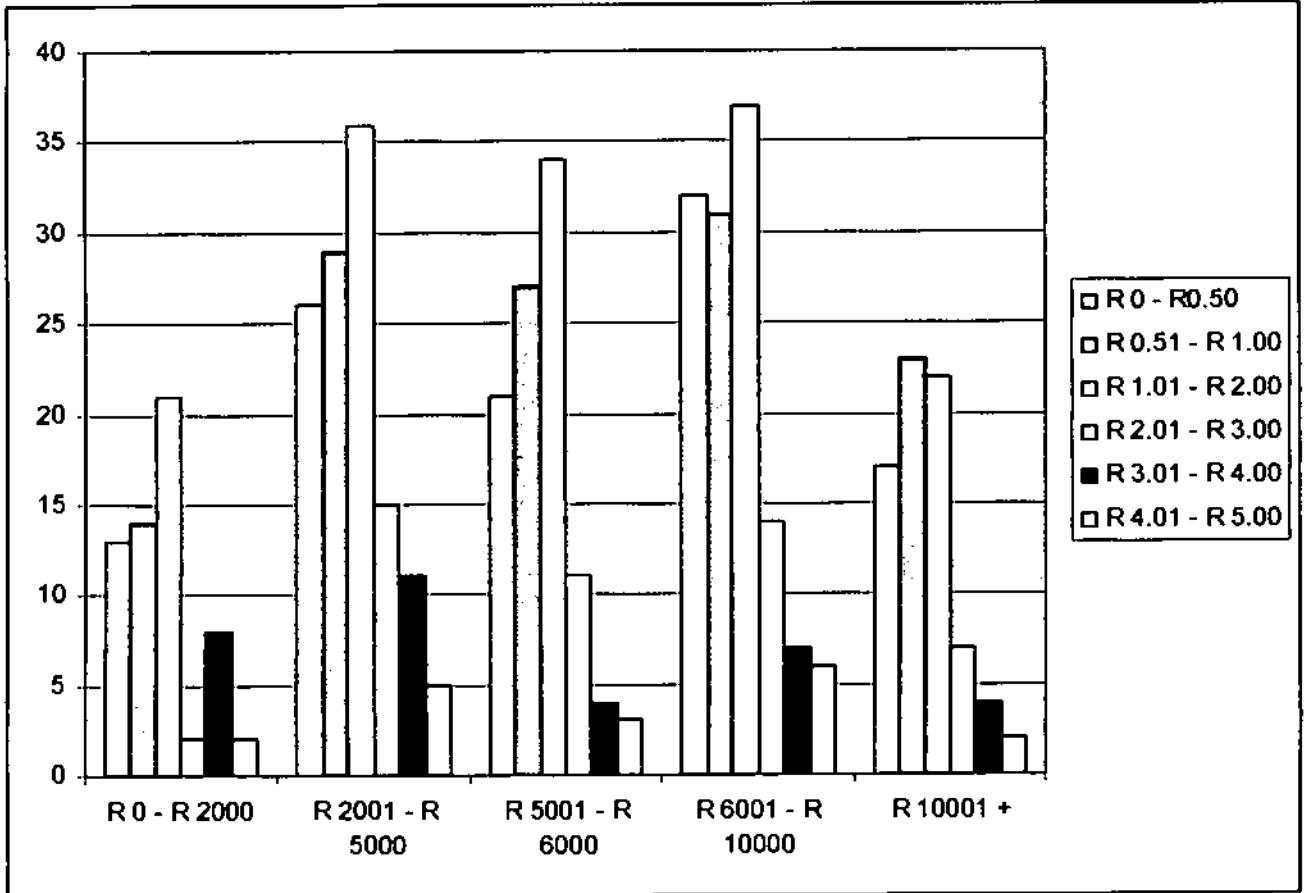
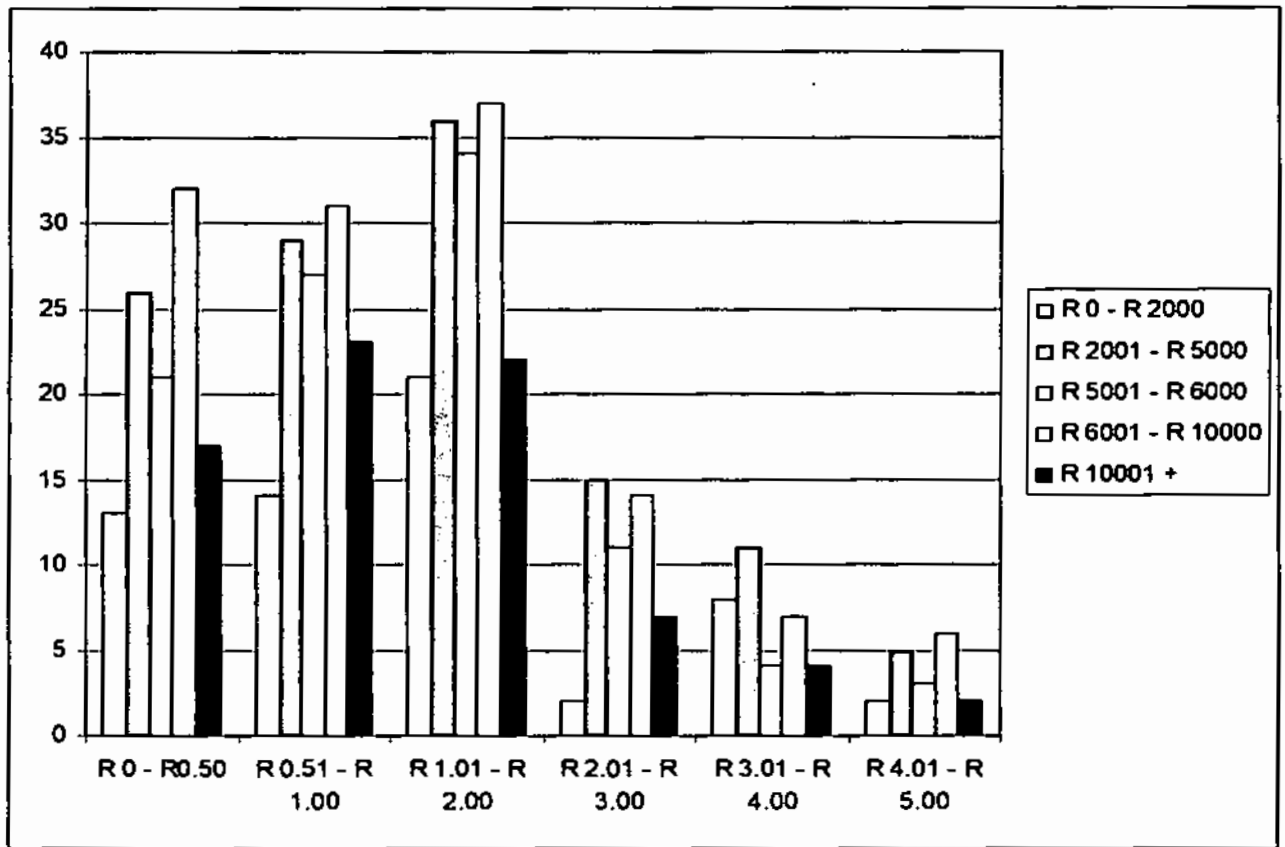


Figure 13.9 – Transaction Cost versus Income Distribution of Respondents



Appendix G highlights the 2008 in-branch transactional fee structures for Standard Bank (Standard Bank, 2008). From these it can clearly be seen that cell phone banking is the cheaper banking option. Comparisons reflect the following (on E-Plan account):

	<u>Branch</u>	<u>AutoBank/Plus</u>	<u>CPBanking</u>
Balance enquiries	R3.25	R1.20	Free
Mini statements	R3.25	R1.20	Free
Statements	R8.80	R3.25	N/A
Inter-Account transfers	R30.00	R5.35	R3.25
Beneficiary payments	R30.00	R5.35	R3.25
Cash withdrawal	1% / R19	R5.35	N/A
Cash deposits	R3.25 / 0.95%	R5.35	N/A

The table below compares cell phone banking charges, and other relevant information between three of South Africa's major banking groups, i.e. Standard Bank, ABSA and FNB.

Table 2 – Cost Comparison of Cell Phone Banking between Banks

		Standard Bank	ABSA	FNB
Cost Effective	Monthly subscription	Free	Free	Free
	Balance Enquiries	Free	Free	Free
	Mini- Statements	Free	Free	Free
	Prepaid transaction	Free	Free	Free
	Inter-Account transfers	R 3.25	R 3.00	Free
	Beneficiary Payments	R 3.25 / 0.65% / R 14.50	R 3.00 / R 0.60 / R 12.50	Free
	Information Related Charges	Free	Free	Free
	Network Provider Charges	Dependent of Service Provider	Dependent on service provider	Dependent of Service Provider

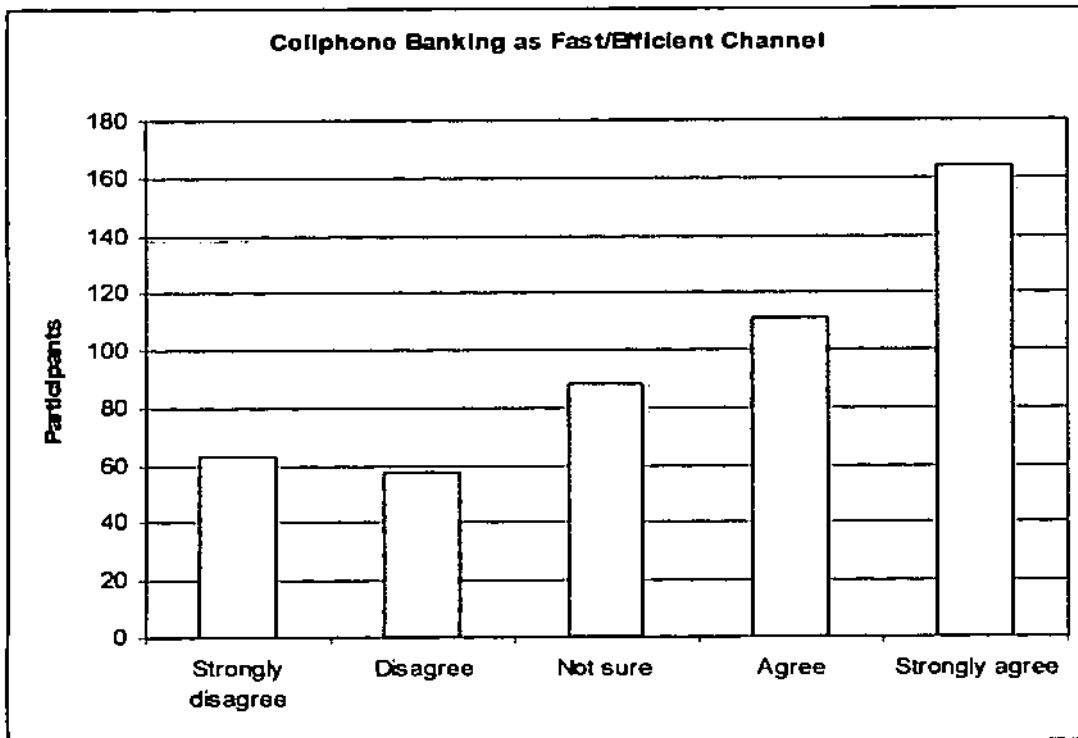
Source: ABSA, SBSA & FNB, 2008

From the above data, it is clear that inter-account transfers and beneficiary/third party payments do not fall within the R 1.01 to R 2.00 bracket. FNB has free inter-account transfers and beneficiary/third party payments on these transaction types as well. Even with this in mind, ABSA still has shown an average annual increase in registrations for cell phone banking of 41.30% (2006 and 2007); versus that of FNB (for the same period) of 24.00%. This even though their offering is more affordable.

What must be kept in mind are the benefits that are arrived out of cell phone banking in the form of ease-of-use and mobility of the offering. Cost might not be the only factor to focus on when trying to convert existing banking customers to the cell phone offering. 344 of the respondents said that they have never used cell phone banking before. Out of these 245 (71.22%) said that they would consider using cell phone banking in future. On the question on whether the respondents believe cell phone banking is an easier and faster transaction channel, only 164 (33.88%) strongly agree. The rest of the respondents:

- Strongly disagree 63 (13.02%)
- Disagree 58 (11.98%)
- Not sure 88 (18.18%)
- Agree 111 (22.93%)
- Strongly agree 164 (33.88%)

Figure 13.10 – Cell Phone Banking as Fast/Efficient Channel



On the question on whether they would consider cell phone banking as a difficult mode of transacting the results were as follows:

- Strongly disagree 180 (37.19%)
- Disagree 114 (23.55%)
- Not sure 117 (24.17%)
- Agree 55 (11.36%)
- Strongly agree 18 (3.72%)

From these results, it is clear that the respondents (even though the majority of them have not utilised cell phone banking before), have the perception that cell phone banking will be easy to use.

Of the 140 respondents who have utilised cell phone banking before, the distribution reflects the following:

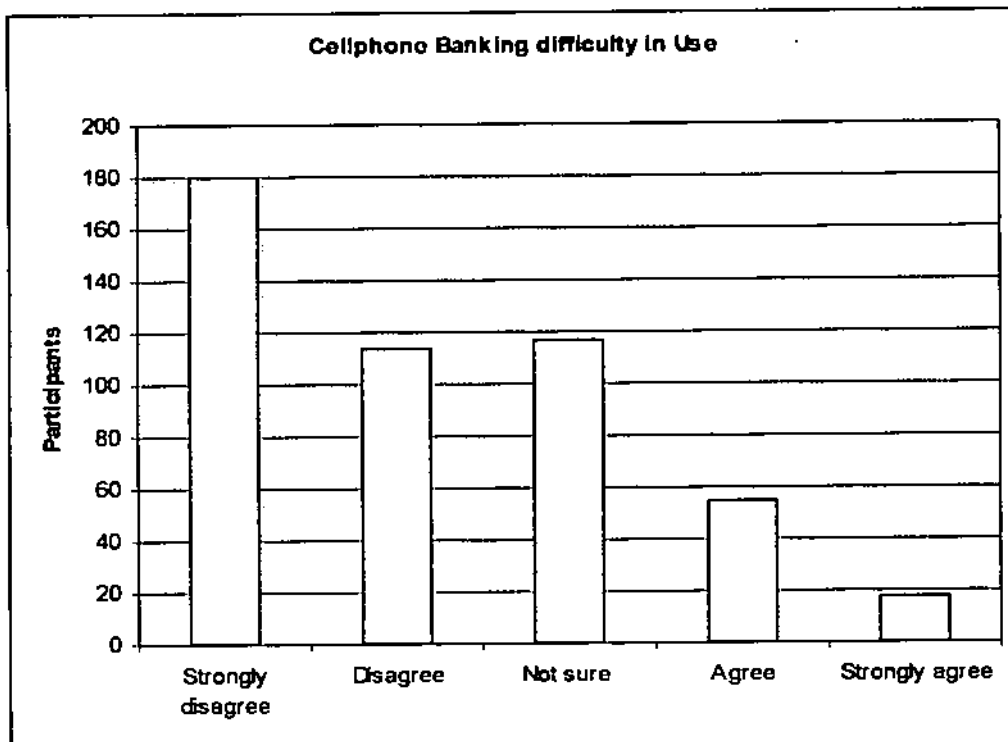
- | | | |
|---------------------|----|----------|
| • Strongly disagree | 71 | (50.71) |
| • Disagree | 24 | (17.14%) |
| • Not sure | 29 | (20.71%) |
| • Agree | 26 | (18.57%) |
| • Strongly agree | 5 | (3.57%) |

The same trend and trail of thought can be derived from the results, with a relatively small percentage of respondents (who have utilised cell phone banking before), being of the opinion that cell phone banking is difficult to utilise.

	<u>Ease of Use (Difficult/Very Difficult)</u>
In school/DNF	2.56%
Matric	7.77%
Tertiary Education	8.82%
Graduate	2.35%
Post Graduate	0%

From the above, again it is highlighted that the respondents do not perceive cell phone banking as a difficult channel for banking, irrespective of their level of education. The major question should then be, if the perceptions amongst the respondents are so positive towards the ease of use of cell phone banking, why do so many customers not to utilise it frequently and continuously.

Figure 13.11 – Cell Phone Channel (Difficulty of Use)



Another factor that greatly influences the adoption of a certain technology is the risk implied and the perception thereof in the view of the user. On the question on whether the participants view cell phone banking as risky the following trend realised:

- Strongly disagree 162 (33.47%)
- Disagree 135 (27.89%)
- Not sure 77 (15.91%)
- Agree 81 (16.74%)
- Strongly agree 29 (5.99%)

The above statistics clearly shows that there are some negative risk perceptions towards doing banking using your cell phone. 38.64% of the 484 respondents (184) are either not sure, or of the perception that cell phone banking is risky. As was mentioned under section

2.4 customers have not adopted e-banking in the same degree (Hoffman et al., 1999), primarily because of risk concerns (Palmer et al., 2000) and trust-related issues (Lee and Turban, 2001). The two main antecedents of trust on electronic banking identified from the literature review are the customer's perception of security and privacy. Adam

et al. (1999) claim that ensuring security and privacy are fundamental prerequisites before any commercial activities involving sensitive information can take place. They add that consumers' concern of privacy and security is the leading barrier to electronic commerce.

Figure 13.12 – Cell Phone Banking as Risky Channel

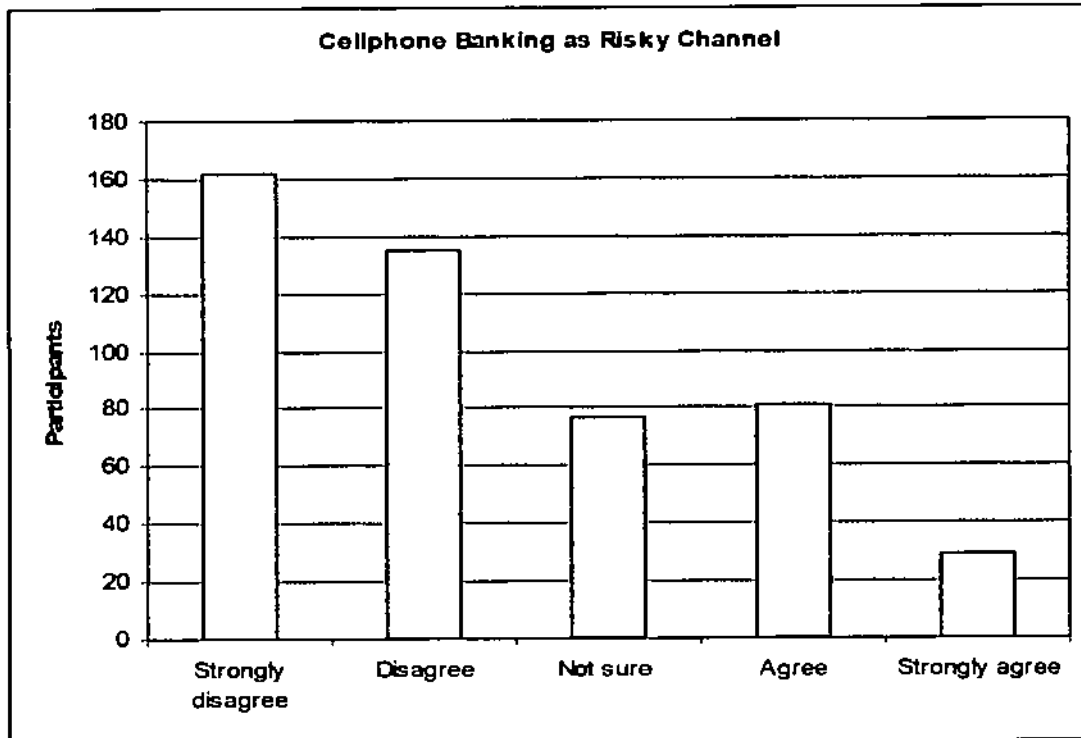
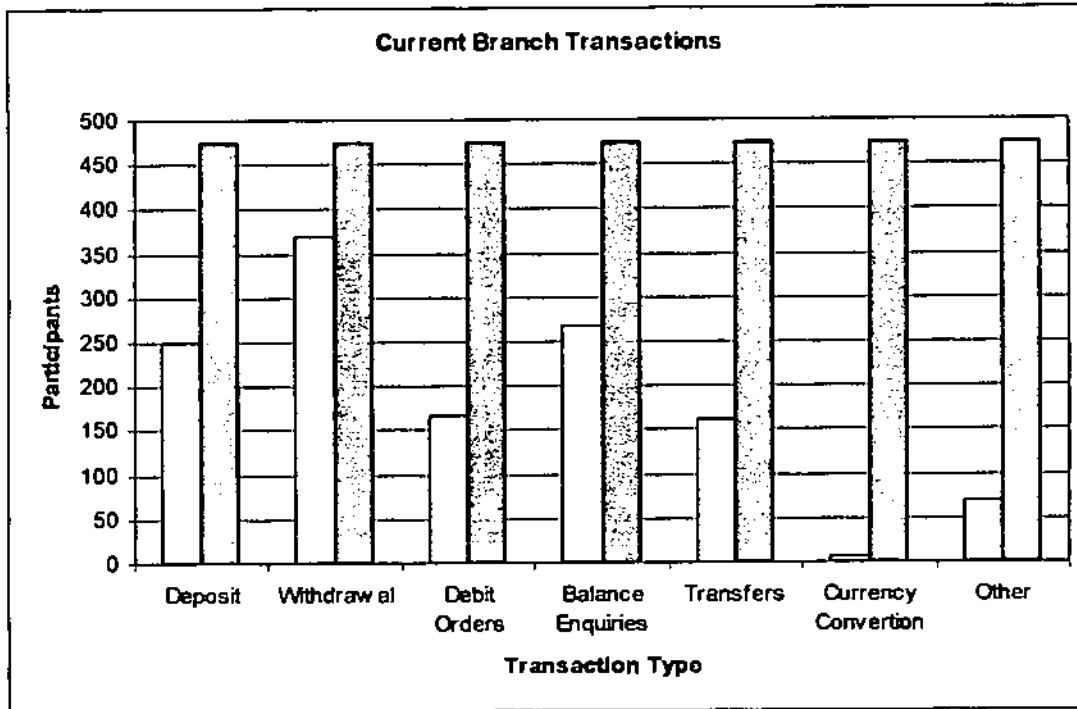


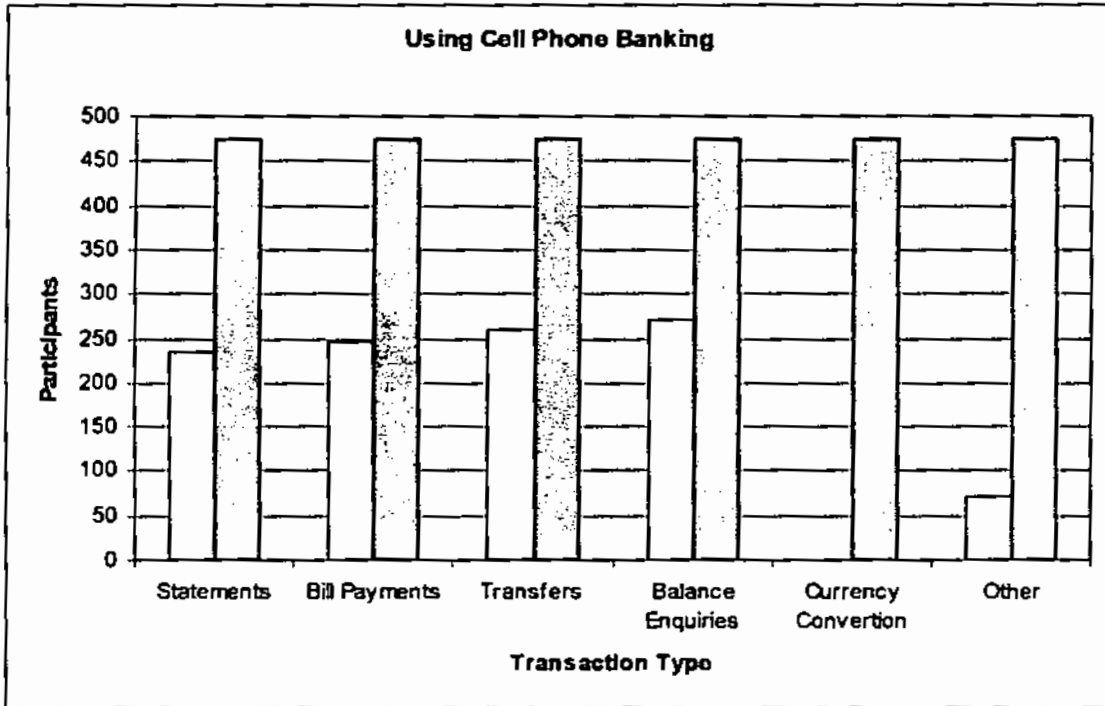
Figure 13.13 – Current Branch Transaction Distribution of Respondents



The respondents were asked to state the types of current banking transactions that they are making use of when they go to the bank. It is clear that withdrawals, balance enquiries, deposits and debit orders to a lesser extend makes up this usage.

- Withdrawals 77.89%
- Balance Enquiries 56.42%
- Deposits 52.84%
- Debit Orders 34.94%
- Transfers 34.31%

Figure 13.14 – Current Cell Phone Banking Usage Distribution of Respondents



When the respondents were asked which types of banking transactions they would fulfil when utilising cell phone banking, the following were highlighted:

- Balance Enquiries 57.05%
- Transfers 54.73%
- Bill Payments 52.00%
- Statements 49.68%

From this analysis, it can be seen that cell phone banking can play a vital role in reducing the need to queue, which will benefit both the customer, as well as the banking institution. Balance enquiries, transfers, bill payments and statements are all functions that can be done using a cell phone. The need for cash is still prevalent, with withdrawals and deposits being two of the major reasons for branch visits. But even these can be reduced, by using cell phone banking, an account and debit card facilities, to allow others to transfer money into their accounts, and doing the same for payment. If need be, cash can be withdrawn from any ATM, which are located within all major rural and urban areas within the North West Province (FST requirement; section1.1).

4.3 TARGET MARKET PERCEPTIONS AROUND CELL PHONE BANKING USAGE

This section highlights the general perceptions of existing cell phone banking users, all Standard Bank customers, to try and evaluate possible reasons why cell phone banking take-up is slow, and why users, once registered for cell phone banking, do not utilise the product offering continuously. As discussed under section 3.4.2 this separate focus group discussion were held with customers in the lower and middle income group levels. It was highlighted under Chapter 2, Section 1 (Introduction to Literature Review), that buyer's continued use of cell phone banking is key to the survival of self service channel technology.

With customers continuously demanding better levels of service, at lower cost structures, banks are forced to employ self service technology to try and bring cost structures down. By limiting the growth in the number of in-branch customers to be served, they can save costs through better utilisation of existing staff structures (increasing focus on sales and other higher revenue generating areas within the branch), and also through cost containment (lower levels of staff). With most service based companies, staff salary expenditure makes up the highest portion of overall expenditure). In Standard Bank's case, this comes to 56.97% of total company expenditure (R 8.896 billion staff costs versus R15.613 billion total expenditure) (Standard Bank, 2008).

The focus group discussion was held in an informal setting with open-ended questions posed to the customers around cell phone banking. The questions used were based on the Compass Acceptance Model, which was highlighted under section 2.3.1. It specifies a conceptual framework and highlights the fundamental requirements for a service platform to cooperatively develop and provide situation dependent mobile services.

The CAM highlights four dimensions, and the information gathered around customers' perceptions relating to cell phone banking (Appendix D) is grouped under these four dimensions, namely:

- Perceived Usefulness

- Perceived Ease of Use
- Perceived Mobility
- Perceived Costs

4.3.1 Perceived Usefulness

This dimension of the CAM model describes the perceived usefulness of a service, and highlights those factors which the potential user will perceive as being of benefit to him/her, and will encourage adoption of the self service technology. (Amberg, Hirschmeier & Wehrmann, 2004)

Convenience

It is clear from the focus group research that the majority of the customers perceive cell phone banking to be a convenient method of banking. It was mentioned that queuing at branches are not ideal, and are considered as time wasters.

"I find cell phone banking to be very easy"

"Great at getting money into my beneficiaries' accounts"

"I use it to top-up my airtime on my cell phone. So I will never run out of airtime"

"Queues are something I can't handle"

It is also clear that the one of the major benefits are that of not having to go to the bank and doing your cell phone banking anywhere the customer likes. As stated it saves them a trip to the bank, which saves them time, and in today's high inflationary times (i.e. petrol price), saves them in travel costs.

"With the price of petrol going up all the time, it is very cost effective"

"I stay far from the bank. It costs me a lot of money to go to the bank"

"I never use to go to the bank anyway!"

It was also highlighted by one of the customers that he still prefers to go to the bank directly to transact, with another customer highlighting that he would prefer more functionality when doing banking on his phone. This highlights that they prefer to use cell phone banking as only one of a variety of banking and self service banking channels. Greater choices of functionalities are sought.

With the majority of the respondents perceiving cell phone banking to be very convenient, it can be derived from the feedback, that this channel of banking is considered a relevant and useful channel. This is especially true of individuals in the rural areas of South Africa, where the nearest brick and mortar bank are some distances away.

Information Quality

Information quality is critical to ensure that a product, and its service component, is reliable and can be accepted as correct. From the feedback received, it can be derived that the respondents are conscious of the fact, and that they trust the quality of information that they receive on their cell phone. From the discussion it also became apparent that information quality was not something that the majority of respondents took cognisance of. Some doubt in the minds of the respondents was detected with comments like "Isn't it?".

"When I top up my airtime, it has always been there"

"I don't know, I have always trusted the information"

"Isn't it?"

It was stated by one respondent that she uses the AutoPlus machine to get paper-based statements. In the lower end of the market (especially the Convenience segment), they often require three or six month statements, if they want to apply for credit somewhere else.

"I use the branch machine for statements, as my cell phone only does small statements"

From the above, it is clear that cell phone banking might not fulfil all information requirements of the respondents, but that they perceive the quality of the information they receive, or that are transferred on the cell phone, i.e. inter account transfers etc, to be correct.

Personal Safety

Personal safety, when it comes to banking, and the handling of cash, is of major concern in South Africa at the moment. Major trends are card cloning, card skimming, and robberies at place of residence, work, or in some cases even at the bank.

Therefore, as is clear from the focus group respondents' feedback, cell phone banking could be playing a role currently and in future, at curbing these kinds of crimes. Cell phone robberies on the other hand are also on the increase, which could also play out as a possible problem with cell phone banking.

"Where I stay they steal a lot of cell phones"

"The cell phone makes it very safe to transfer money to someone"

"You don't carry cash"

"You always will need cash on you, but you can limit the amount"

"I don't pay my workers in cash anymore. I don't use cheques anymore"

One of the major reasons for the Banking Charter, and government's focus to try and limit the number of un-banked population in South Africa, is that of safety and trying to limit the amount of cash carried around. Banks in South Africa have a huge role to play in this regard. Cash related crime target's the elderly, and the uninformed. The latest trend of card cloning has had a huge impact on the lives of a lot of South Africans. Even though in the majority of cases, the clients are refunded (either full

amount or half the amount, they receive these refunds only after a period of 3 – 4 weeks. (Standard Bank, 2008).

Width of cell phone banking offering

Feedback was requested from the respondents on their perceptions around choices and options they have on cell phone banking. From the feedback it became quite apparent that a big portion of the respondents feels that cell phone banking is limited in the number of transactions that can be undertaken.

Comments were made around them not being able to apply for a loan, or increase limits etc.

“It is a bit limited. You still need to see someone to borrow money.”

“I use my internet for other things, like borrowing”

“You must still have access to a bank if you need something important to be taken care of”

It is clear from the responses that cell phone banking alone can't fulfil the full spectrum of offerings electronically, and that the use thereof, in conjunction with internet banking and other electronic means, are possible. On the reverse side, as stated in Chapter 1, a large portion of the population does not have access to a computer, let alone internet access. This limits their potential of meaningful banking.

General Benefits

The next open ended question that was posed to the respondents was to receive feedback on any other possible benefits that they perceive in using cell phone banking. Cost was mentioned as a possible perceived benefit, coupled with the fact that you don't have to leave the confines of your home to transact.

The convenience of being able to utilise this channel 24 hours a day, 7 days a week was also highlighted. Mention was made of the ease of transferring money to beneficiaries, i.e. family.

The question arose, why do you need cash? To pay bills, pay for groceries, pay friends and family and other reasons. Most of these can be covered by utilising cell phone banking, coupled with the use of a debit card that can be swiped at any retailer that has card facilities. It is clear that cash usage can be limited to a great extent through cell phone banking.

Cell Phone banking as primary method of banking

Can cell phone banking be utilised as the primary method of transacting? That was the next question posed to the focus group respondents. Most of the respondents are of the opinion that it can't be used as a primary method for banking. They highlighted the limitations w.r.t. paper-based statements, still needing cash and for other banking transactions, i.e. borrowing.

"Mostly go to the bank to draw cash"

"I prefer using my laptop to do banking on the internet"

"The AutoPlus machine is nice to use, if queues are not to long"

"I consider it an add-on, as it is very easy and convenient, but with a limited number of transactions"

There is no doubt that according to the respondents there is a benefit to cell phone banking. Used in conjunction with alternative electronic means, the need to visit an actual branch is limited.

4.3.2 Perceived Ease of Use

This characteristic refers to the degree to which a person believes that using a particular service would be free of effort. In this context, the ease of use can be interpreted as an effort for the use of a service. (Amberg, Hirschmeier & Wehrmann, 2004)

Registration Process

In order to use cell phone banking, the user must first register for the service, using his/her internet banking password, or by contacting the call centre, and obtaining a new cell phone banking password. From the feedback received out the focus group, there seems to be some degree of confusion and difficulty in getting this process completed. Lack of knowledge on the product and the use of the technology seem to be an obstacle at first.

"I found it a bit confusing"

"I was on the internet when I saw "Cell Phone Banking". I registered, but had to call the call centre to help."

"I struggled as it was difficult to put my account number and stuff into my cell phone"

Some of the respondents found the process to be easy and less of an obstacle, as can be seen from the comments.

"It was very easy"

"It was easy to do. I phoned the help number"

Most of those that felt that the process was not too intensive, were assisted at first in branch, or followed the process on the internet web site. It is deemed beneficial to the client, when assisted with cell phone banking on a face-to-face basis. This ensures that the customer can direct questions to the bank staff, and in so doing eliminate doubt

and any obstacles that the customer might encounter. This links back to the discussion around trust on the side of the customer. Adam et al referred to privacy and security as main determinants of whether a customer will take up e-banking. It is critical, that at the point of sale, when the staff member introduces the concept, that cognisance be taken of these trust elements. The customer needs re-assurance.

Handling Menu Navigation

Ease of use of cell phone banking is highlighted, with all the respondents finding the menu navigation easy to master. It can safely be concluded that once a customer has registered and utilised the service for the first time, that they find the service easy to handle.

"It is very easy"

"I don't find it difficult"

"Not difficult"

"Even my husband can do it"

Usability is a critical element before a new offering, like cell phone banking will be taken up.

Branch versus Cell Phone Banking

With reference to ease of use, the focus group members were asked the question on whether they find cell phone banking, or in-branch banking the most easy to use. Mixed responses were received with some of the respondents finding cell phone banking easier, some in-branch and some, both of these methods. It was dependent on what type of transactions they planned to undertake. As per previous feedback, it seems that combinations of channels are preferred.

"I use my cell phone mainly to load airtime. No better option."

"I prefer to go to the branch. In The Mall branch staff are friendly and always helps"

"I prefer the branch, because then I know my money is safe"

"I pay a lot for the taxi"

Literacy levels between the respondents were different, and that could also be part of the reason on why some of the respondents preferred going to the branch. Having the opportunity to interact with another person versus a cell phone, might be perceived as easier, and especially if it could be done in their language of preference.

Techno Savvy

In order to utilise cell phone banking, a customer must be able to operate their cell phones, as is with all types of technology. In migrating customers to electronic channels, it is critical for customers to feel comfortable with the technology. Currently it is found that a large portion of the Standard Bank customer base (especially in the lower end markets), are not too familiar, or not confident enough to even transact using the bank's ATM channel. As previously stated this is seen as an opportunity by the criminal element to obtain money from customer unlawfully.

From the feedback, it is clear that those respondents that use internet banking on their private computers are more techno savvy than those that do not have access to the internet. Mainly because they have had the opportunity to interact at this electronic level before.

It was found that the functionalities on the different cell phones of the respondents also played a role, as those with more advanced handsets, seem more likely to find technology and the application thereof easier. Age also seems a determining factor, with the younger respondents finding technology more acceptable, than the older respondents (especially those from the more rural outlying areas).

"It takes time to understand, but once I get the hang of it, I'm ok"

"I use Mixit all the time, so yes, I would say so."

"No, not at all, that is why I still struggle with my cell phone banking"

"I only have a cell phone. Don't know about computers"

4.3.3 Perceived Mobility

The consideration of the general conditions of a service is important in the context of mobile services as their acceptance highly depends on the economical, social and technological perspectives. (Amberg, Hirschmeier & Wehrmann, 2004)

Network Coverage

In order for mobile technology to work for its intended purposes, it is dependant on the availability of network coverage. This is also true for cell phone banking as no coverage means no banking. As stated under section 1.1 the three GSM networks, i.e. Vodacom, MTN and Cell C, covers 71 % of the country's population, with the Northern Cape being the least geographically covered area.

It is deemed appropriate, for the intention of this study to conclude that a relatively low percentage of the North West Province population do not have network coverage.

This is also confirmed by the responses received from the focus group, with all respondents having network coverage at their place of work and place of stay. Three of the respondents have had problems in the past with weak or unavailable network coverage, but only for a short period of time.

"The system was down once or twice"

"I have always had signal"

"No problem"

"I stay a distance from town; the signal is there but weak"

With the advent of new cellular technology, and the use of new platforms, i.e. 3G, we will see transferring of information becoming more efficient and faster. Currently there is limited 3G access in South Africa, with basically only the major centres and towns covered. Partnerships between banks and communications companies will become more prevalent, and will ensure that banking receives attention as a major communications focus area.

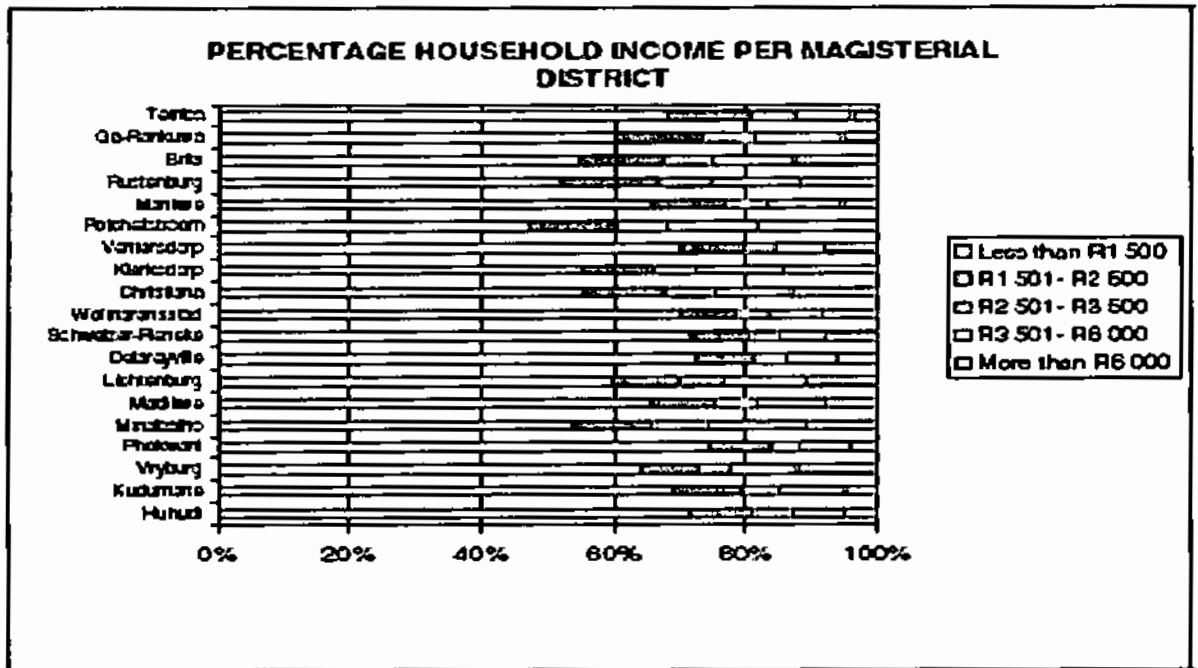
Distances, cost and time travelled to Bank

Perceived mobility is critical to the success of cell phone banking, as it is one of the major determinants of acceptance by users. This is especially true in a province like the North West, with its large rural geographical component and levels of poverty (Figure 14 and 15). Distances to banking facilities are in some areas are high, with impact on time and costs being areas of concern.

The respondents, as previously stated formed part of the lower end target group, as well as lower middle target groups. Some of them travel with their own transport and the rest makes use of taxis.

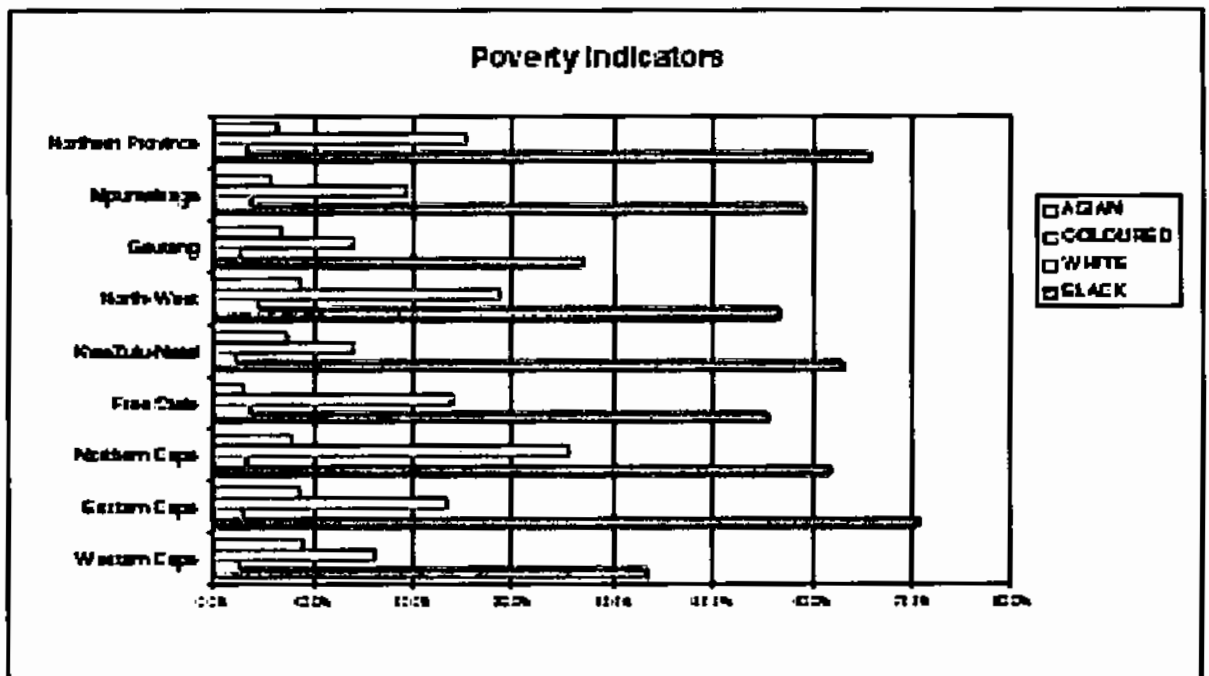
From the feedback it is clear, that not only distance, but also time and cost of travel are concerns to them. This was especially true of those respondents residing some distance from the nearest town. ATM representation does have the impact of shortening distances in some areas, but limited functionalities are considered unfavourable by the respondents.

Figure 14 – Percentage Household income (North West Province, 2004)



Source: WEFA Regional Economic Focus, 2004

Figure 15 – Poverty Indicators (North West Province, 2004)



Source: WEFA Regional Economic Focus, 2004

"The nearest branch is Brits, +/- 21 kms away"

"18 kms"

"I take two taxis, i.e. 8 km + 12/13 km"

"Taxi fare – R 25"

"Taxi fare – R 26"

"25 minutes to half an hour"

"70 – 80 minutes"

With ever escalating fuel and food prices, impact is exacerbated when it comes to the lower-end users of the market. It is therefore critical to find ways in which to save costs, and must be seen by the South African banking sector as a key driver for cell phone banking uptake.

4.3.4 Perceived Costs

Mobile services can lead to profound changes in technological and social systems causing monetary and non-monetary costs. Cost transparency, data security and health risks are considered as appropriate indicators. (Amberg, Hirschmeier & Wehrmann, 2004)

Cost transparency

The feedback received from the currently registered cell phone banking focus group is interesting in that very few of them know exactly what transacting on this banking channel is costing them. This can be derived from the following comments:

"I think it's for free"

"They showed me when I registered. I know it's not very expensive"

"Cost of a call"

"Free"

"Costs of a sms"

As can be seen from Appendix C, some of the functionalities of cell phone banking are free, but transfers, beneficiary payments are not. The question then arises, have these customers been informed about the charges, or are the customers oblivious to the costs involved?

Stated earlier, use of cell phone banking can positively impact on travelling costs and cost of time. This fact is highlighted by one of the respondents, with the following comment made:

"You do save on time and effort to go to the bank, so I'll definitely continue to use it"

On the question of whether lower cell phone banking charges would motivate the user to make use of cell phone banking more often, they all answered in the positive. This is linked to the fact that they were not fully aware of the extent of cell phone banking charges, it is critical to focus on this fact (by banks when they sell the offering to the customer). As mentioned under section 4.2.5, cell phone banking charges are lower than normal in branch transactions, and even lower than other electronic channels like the automated teller and statement machines. There is a great opportunity cost gained by the consumer by not having to travel to the branch.

Trust in Data Security

Acceptance of any new technology comes with distrust at first, from where after continuous usage, trust is instilled with the user w.r.t. the new technology and the usage thereof. On the question of trust, the focus group respondents responded by saying that they do trust the system. It can be derived from their responses that they

were well informed w.r.t. the safety of the offering. This education piece is critical for the uptake and continued use of the facility.

"I trust the system, because you need your card number, and your pin (nobody knows my pin, but me)"

"Yes, I trust it"

"I never had a problem, so I trust it"

Some element of doubt was evident with one of the respondents, whose card were cloned and she lost money. It is clear that this individual distrusts cell phone banking to some extent, because of this occurrence. Could new and ever increasing trends in fraud based criminality have a negative impact on people's perception around electronic channels? Could that be part of the reason why some customers still prefer to do their banking at the bank itself? Once again privacy and security, as determinants of trust is highlighted.

Health Risks

With the exception of one respondent, none of the others see any health risks that can be linked to cell phone banking.

"What health risks"

"No, no health risks"

It is therefore safe to derive that the general perception around this fact is that there are no implied health risks, when transacting via your cell phone.

4.3.5 General

Under this section some other general and also relevant open-ended questions were posed to the respondents.

Marketing / Visibility and appropriate communication channel

Relevant questions were posed to the respondents to try and ascertain how they were exposed to cell phone banking, and which possible channels to use (by financial institutions) to highlight the benefits and increase acceptance of this channel.

Four major methods of exposure became evident, which lead to the uptake of cell phone banking by the respondents. These were:

- In-branch education
- Internet banking site
- Friend and families (word-of-mouth)
- On site presentations

Feedback received from the respondents was that they prefer face-to-face contact when exposed to new offerings, such as cell phone banking. Looking at Appendix E, it is clear that focussed in-branch efforts to migrate customers to self service channels, like cell phone banking is the preferred method of introducing the offering to the customer. It must be noted that this appendix is limited to Rustenburg branch (May 2008), where they are utilising a self service consultant for migration purposes.

From the statistics, it can be clearly seen that the following transaction types are the most prevalent:

- Statements 458 migrations
- Balance Requests 160 migrations
- Inter-account transfers 87 migrations
- My Updates 335 migrations

The above migrations were either done to cell phone banking, internet banking or the AutoPlus functionalities. Preventing these customers from standing in long queues inside the branch, the benefits to the customer (time, cost) and to the bank (cost and improved service delivery) is quit evident.

Improved service delivery through these migration strategies will ensure that through word-of-mouth, the benefits of cell phone banking will be reaching ever increasing numbers of customers. Standard Bank, North West Province's service results reflected that queuing and providing relevant information on products and services are the two areas where there is a breakdown. (Standard Bank CEBS, 2008). The results were as follows:

	<u>Actual</u>	<u>Target</u>
<u>Queuing</u>		
▪ Lower end market	8.08	9.03
▪ Affinity (middle to upper market)	7.27	8.80

Guidance and information

▪ Lower end market	8.47	9.03
▪ Affinity (middle to upper market)	8.49	8.80

Focus on cell phone banking and its benefits, will both reduce queue length and improve service delivery. On the question of whether the respondents will be receptive to advertising on new product and service offerings, the majority of customers were in favour.

"I don't open my bank statements, so why not put info on cell"

"Yes, I'll accept it. Depends on how often I receive notifications. Don't want hundreds of notifications"

"Only if it is meaningful"

Frequency of Use

The respondents were asked to give an approximate usage of cell phone banking. The respondents vary in number of incidences per month, with some not utilising it for weeks or months on end. Some only utilises it over month-ends, when they have to pay beneficiaries, or do inter-account transfers.

“Now and then”

“Once or twice a month”

“Some months I don’t use it. Only now and then”

“Some stated that they use it in conjunction with internet banking.

“A couple of times, as I mainly use internet banking”

Usage in rest of household

From the group of respondents, more than 60 % are the only users of cell phone banking in their respective households, or are not sure of whether members of their household are using the service.

This coupled with the fact that most of them have been utilising cell phone banking between 1 to 3 years, it can be derived that it is not considered a primary method of banking, and that the benefits of this offering are not so perceived by the respondents.

Cell Phone as status symbol / Cell Phone banking as acceptable social trend

"I don't go for the gadgets. As long as it can phone and sms I am happy. No I don't see it as a status symbol. Cell phone banking is there for convenience, if and when I need it. Not a trend."

"My daughter can't live without her phone. I can't either. But for her it is important to have the latest phones and gadgets. I had to replace her phone twice already. Sometimes I think she loses it on purpose to get the newest one. I don't use most of the functions. As long as it makes things easier, then I am happy. I must be honest, I don't know if people I know use cell phone banking. We don't really discuss banking. I know that everyone moans about their charges that they have to pay every month. It was in the papers a while back."

"Maybe, everyone has them. I can't remember that I've met anyone, who does not have a cell phone. I see it as a necessity more than a status symbol"

From the feedback received, it was more accepted for cell phones to be considered a status symbol, rather than cell phone banking being considered a social trend. Some respondent viewed both as necessities, with functionality and use-for-purpose being of utmost importance.

From the comments it could also be derived that the younger generation of cell phone users, view their cell phones as status symbols (to be compared with friends' phones), rather than the older generation.

4.4 FOCUS GROUP DISCUSSION – SBSA SELF SERVICE PRODUCT OWNERS

It was deemed necessary to pose certain open ended questions to the cell phone banking (self service channel) heads within the Standard Bank group, to get an understanding of their current focus and strategy w.r.t. cell phone banking, and how they plan to increase utilisation of the offering going forward.

In order to make the offering more attractive to the consumer, the CAM methodology and its four pillars were considered critical ingredients necessary to change the mindset of the consumer, and all involved in its deployment.

Costing

An analysis was obtained from the product owners on the cell phone banking offering between the three major banks, i.e. Standard Bank, ABSA and FNB. It is clear that the three offerings are very similar in structure and benefits, with FNB having a superior product because of the free cost structure.

The Standard Bank self service product owners highlighted the fact that transactions undertaken via cell phone banking are cheaper in comparison, than the normal over the counter transactions in-branch.

Segmentation

The current segments targeted are the middle to upper end of the market, although a substantial number of lower end market customers also use the service. They are currently developing new technology, specifically aimed at the lower-end, and pre-paid market.

MTN Banking

MTN Banking should be viewed as a separate bank, not part of Standard Bank's cell phone banking offering. The success of MTN Banking, in the opinion of the product owners, has been limited for the following reasons:

- The solution is only aimed at customers who are with MTN, or that are willing to move to MTN as a service provider
- The offering is a separate bank account, not integrated into more complex banking products. (There is no upward migration path for customers, and hence the reason they are targeting the un-banked market)
- The offering uses SIM toolkit technology. Experience has shown that this limits the ability to dynamically update the banking menu residing on the SIM card.

Current market penetration

Feedback received from the product owners was that they have seen 119% Y-o-Y growth in the number of cell phone banking customers nationally, with an number estimated at +/- 100 000 active customers.

	Customer base	Airtime growth Month on month	Banking platforms
Absa	420 000	28%	WAP, WIG
FNB	370 000	50%	WAP, USSD
Nedbank	N/A	N/A	WAP, USSD
Standard Bank	>100 000	31%	WAP, WIG

Customer analysis / Active utilisation

The product owners gave the following analysis of customers utilising cell phone banking. They advised that there are currently two types of customers using this channel:

- Customer A – This customer may use cell phone banking as the secondary channel (i.e. their primary channel of use is Internet banking). We see these

customers only using cell phone banking when they are away from their normal Internet access (i.e. holiday times)

- Customer B – These customers use cell phone banking as their primary channel (they may not have easy access to another channel), and use the service every month.

The current split is around 50%

Threat by non traditional banks

"The non traditional banks introduced a very competitive element in the mobile industry. They cannot offer the 'trusted brand' element to their banking offering, however, they do compete directly in the under-banked market. The likes of WIZZIT have done very well, because of their slick account opening and registration process. I guess they do not carry with them complex legacy systems, allowing them more flexibility and 'speed to market'. On the other hand, they are limited to product range and functionality/channel offering."

Community Banking

Community banking is a concept that was developed to specifically focus on the more rural and lower-end of the market customers. The concept entails creating visibility in these areas, by involving community or opinion leaders with the communities to influence and create awareness around banking and banking product offerings.

The product owners stated that combining cell phone banking and community banking is the correct strategy for the future. They stated that the under-banked market all have access to cell phones, but limited access to banking. By providing a platform to enable banking through cell phones in the markets, financial institutions like Standard Bank will gain access to a target market previously perceived as relatively costly to service.

Cell Phone Banking support and after sales service

According to the product owners they provide the following support channels:

- Customer Contact Centre – trained consultants able to provide adequate service and technical support. Operating hours:
 - Mondays to Fridays (08h00 – 21h00)
 - Weekends and Public Holidays (08h00 – 16h00)
- Customers can also obtain detailed information on the Standard Bank website (www.standardbank.co.za)
- Customers also have the option of e-mailing any queries or concerns they might have, with trained consultants from the e-mail unit being able to provide information and support

Registration Process

A question was posed to the product owners around what they are pro-actively doing from their side to try and simplify the cell phone banking registration process.

They advised that they are conscious of the fact that the registration process is sometimes a barrier to entry for some customers, and but that the security element is of utmost importance. Security is first priority according to them.

Cell phones and Internet

Google South Africa recently opened their offices in South Africa. According to their representative South Africa, although limited w.r.t. the number of computers per capita, has one of the highest cell phone penetrations per capita in the world. Google sees that as an opportunity for the future.

The product owners agreed with this fact, stating that the cost of accessing the internet through your cell phone in South Africa is one of the cheapest in the world. They also stated that with handsets becoming more affordable by the day, and the fact that infrastructure for traditional fixed line internet is lacking, that mobile internet will become more accessible.

Literacy Gap

The respondents stated that it is a challenge and one that will receive higher levels of focus. No definite strategy at present.

Extension of cell phone banking product width

According to the product owners Standard Bank understands the potential in offering a wider range of products, services and information, accessible through a cell phone handset. The cell phone device is something that everyone has, meaning this channel provides instant access to the bank, in particular to customer who have previously had limited access.

Standard Bank has recently launched its own mobile internet site, called standardbank.mobi, which serves as a good illustration of this concept. Customer can access a range of value added services (VAS) instantly from their cell phone. This is the first step towards providing services using this channel.

Cell Phone Banking Security

The question was posed to the product owner on the importance of security when it comes to cell phone banking. They responded by saying that there are two elements of security:

- Security on this channel will need to improve (i.e. implementing multi-factor security), as this channel will become more readily used, and the functionality will be extended
- The cell phone can also compliment a number of other services, and can be used as part of the authentication process for functionality offered on other channels (i.e. OTP on Internet Banking).

Marketing of Cell Phone Banking

Various marketing initiatives have been introduced by Standard Bank in the past, namely:

- Marketing our service via Internet & Mobile portals
- In-branch promotions
- Direct marketing

They stated that their cell phone banking service is applicable to SBSA customers only, and that therefore, it is more valuable to market directly to our customers. Furthermore, it was mentioned that in their experience high-touch marketing (i.e. having someone available to assist the customer through the registration) are sometimes more successful than any 'above-the-line' advertising.

Trust in Cell Phone Banking

Feedback received from the cell phone product owner is that because of the growing number of Standard Bank's customers becoming more comfortable with using cell phones for banking purposes, it can be derived that they are becoming more trusting of this channels. This can according to them, be seen in the ever increasing number of value transactions.

According to them, perception relating to security from customers, used to be a major hurdle preventing them not to take up the offering. This is not the case anymore, with cell phones being used more and more for other services than voice calling.

Customer Readiness and Acceptance

Education and awareness is seen as an ongoing challenge across banks. The growth in cell phone banking has been faster than that of internet banking. As a result of this changing trend, the product owners are confident that South Africans are ready to take up cell phone banking at an even faster trend.

Impact of cell phone banking on Standard Bank's future revenue streams

The product owners are of the opinion that cell phone banking, in all shapes and forms, will become an important and new revenue stream for the business. Across banks, the strategy is to migrate customers from high-cost channels, i.e. branch, to the lower cost electronic channels. Especially routine, day-to-day transactions.

They added by saying that in turn the branches will have capacity to serve customers better, with assisting them with more complex, high value products and services.

4.5 CELL PHONE BANKING SURVEY – SBSA STAFF (NORTH WEST PROVINCE)

This survey was developed to enable the researcher to ascertain the acceptance of cell phone banking amongst Standard Bank staff, in the same geographical area, as the customers who completed the questionnaires.

Standard Bank also employs consultants, called Self Service Consultants, whose responsibility is to migrate customers to electronic channels, including cell phone banking. The self service consultants were asked to answer various questions relating to cell phone banking, to ascertain their understanding of the process and procedures, as well as their experiences (Appendix F). The staff that was surveyed is representative of the North West Province population distribution, with members of all races and genders. It is therefore believed and trusted that perceptions around cell phone banking will be the same across different branches across the province (Appendix F).

The general staff survey was undertaken in nine of the North West Standard Bank branches. Total staff who were included in the survey was 231. It is evident from the survey, that uptake and acceptance of cell phone banking is slow even amongst existing Standard Bank staff. Analysis showed that:

- Out of the 231 staff members who formed part of the survey, only 70 (30.30%) has ever registered for cell phone banking. The majority of the staff members viewed the registration process as not being complicated or difficult to handle, with only a small portion of the sample viewing the process as either time consuming, or confusing.
- Out of the 70 respondents, who have previously registered for cell phone banking, only 44 are currently still utilising their cell phones for banking purposes. That is only 19.04% of the total number of respondents, and 62.85% of those who have registered. More than 37% drop-off rate on continuation of the channel.

Major reasons for non-utilisation include:

- Cell phone compatibility
- Utilisation of banks systems for banking
- Utilisation of internet banking
- AutoPlus utilisation

It can be accepted as logical that banking staff members will be utilising other bank systems, and other electronic channels for banking. But, the low up-take of cell phone banking must be of major concern to Standard Bank. Clearly the benefits of cell phone banking are not accepted by existing staff members.

Feedback obtained from Self Service consultants from Standard Bank highlighted their experiences with cell phone banking migration, and customer acceptance of the technology. It must be noted that only three of the major branches within the province were chosen for this survey, as only they have dedicated consultants for this in-branch focus on migration.

The consultants were asked to rate the difficulty of persuading customers to migrate to cell phone banking on a scale of 1 to 10. The results were as follows:

- | | |
|---------------------|-------------|
| • Brits branch | 5 out of 10 |
| • Rustenburg branch | 6 out of 10 |
| • Mafikeng branch | 5 out of 10 |

It must be noted, that none of these consultants were aware of the other completing the same survey. It was done totally independent of one another, and therefore it can be viewed as unbiased and a true reflection of the individual's perceptions. When asked to explain why they gave these ratings, the following reasons were highlighted:

- Customer education
- Time constraints (in-branch – customers not having the time)
- Some customers being technologically challenged
- Some resist because of them not seeing the benefit or need

Responses relating to the registration process, once the customer is persuaded to take up cell phone banking, are positive and the process is not perceived by the customers as being difficult. Customers have the opportunity to ask relevant questions, in real-time, if they are unsure about something (in branch).

The consultants were asked to share any feedback, whether positive or negative, that they have received from customers, after registration process. Feedback from customers has been positive. Some still required assistance at a later stage, but only in limited number of cases.

The last question that was posed to the consultants was on whether in their opinion, age and gender plays a role in the acceptance and usage of cell phone banking as a banking channel. Two of the consultants answered in the positive. They highlighted the fact that male customers are more receptive to cell phone banking (in their opinion). Factors that could lead to this are that the North West Province has a large mining community, with the majority being males who are employed on the mines. It is also found that in a lot of cases, that the wives and families are staying somewhere else in South Africa or neighbouring countries and that they (the men) mostly do the banking.

CHAPTER 5

5 OBSERVATIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This section's aim is to highlight the main observations, conclusions and recommendations pertaining to the subject of cell phone banking, and to discuss the research findings in light of the study aim (1.2) and the study objectives (1.3).

- Section 5.2 will focus on the relevance of the findings in terms of the target market's readiness and receptiveness to cell phone banking.
- Section 5.3 will focus on the relevance of the findings in terms of the target market's perception towards using cell phone banking (lower and middle segment customers)
- Section 5.4 will focus on the relevance of the findings in terms of the perceptions and understanding of cell phone banking from the banking industry's perspective and the impact it will have on the potential future revenue streams of the overall retail banking industry
- Section 5.5 will focus on the relevance of the findings in terms of the perceptions of banking industry staff members around cell phone banking and the introduction thereof to customers, as well the best ways in which to communicate the benefits and usefulness of cell phone banking in the overall retail banking industry
- Section 5.6 will provide some final and concluding remarks

5.2 TARGET MARKET READINESS AND RECEPTIVENS

Cell phone banking is considered as a key focus area for banking in the future. With ever increasing demand on the banking industry to reduce costs, banks need to find alternative, less labour intensive channels for its day to day transaction volumes.

It is critical for any new technology to be trusted accepted by the individuals who are targeted with its use. As such, customers need to be made aware of the benefits and efficiencies that this new technology can create for them. In the next sections, we will be discussing exactly that.

5.2.1 Observations

The analysis under section 4.2 highlights the most important observations i.e. customer readiness and receptiveness.

It was found that a low percentage of the respondents were not currently utilising cell phone banking (4.2.4), and that a large portion of those that have registered, were not utilising it anymore (4.2.4). A downward trend in cell phone banking usage was evident, with a higher percentage younger respondents making use of the facility than older respondents (4.2.4). Level of education, according to the analysis does not impact on acceptance of cell phone banking (4.2.2).

Cell phone banking was not considered to be difficult to master by the majority of the respondents, with most that have used it finding it easy and simple (4.2.4). Majority of customers were not conscious of the cost involved with cell phone banking (4.2.5), even though the majority of them chose a cost structure of R 1.01 and R 2.00 as an acceptable transaction fee for cell phone banking (4.2.5).

Some of the respondents viewed cell phone banking as risky, even though they trusted the information received via their cell phones (4.2.5).

5.2.2 Conclusion

From the observations it is clear that there are underlying reasons for slow up-take and usage of cell phone banking. Trust (2.4) plays an important role with the introduction of new technology and new uses of technology. It is therefore concluded by the researcher that lack of trust plays an important role, and could be the major reason. This can also be linked to the fact that a large portion of the respondents viewed cell phone banking as a risky method of banking. Eliminating the perception of risk can only be achieved through education, usage and building the trust relationship between the customer and the bank (staff), and the customer and the technology used.

Because of this low usage, there are huge potential out there. The opportunity will be taken by the banking institution that makes the customer believe and trust in the technology. Brand recognition also can play a huge role in eliminating perceived trust issues and risk.

Younger individuals are more inclined towards the use of technology, as well as acceptance of new technology. Because of their continued exposure to technology from a young age, they feel confident using it.

Functionality and ease of use are not considered as obstacles to the uptake of cell phone banking by users. The majority found it ease and simple. Cost is also not considered as the primary motivating factor for cell phone technology usage. This was evident with most of the respondents not having knowledge of the fees they are paying per transaction.

It is the researcher's view that the general South African banking public are ready for cell phone banking. They are just not aware of its benefits to them as the consumer.

5.2.3 Recommendations

Financial organisations should place increased emphasis on customer education, to try and eliminate distrust in the technology. Focusing on the benefits, especially the cost benefit is important. Making customer aware of what they are paying using their cell

phones versus in branch. This can be done via sms updates and statement runs. In branch education around this is the best option, as it is considered to be more effective.

With younger cell phone users being more receptive towards technology and usage, focus should be placed on this section of the population. Focuses on schools, universities and other tertiary educational institutions must be considered. It must be remembered that the ultimate aim is to create customer life time value to maximise profits for banks and ensuring service delivery to customers are effective.

5.3 TARGET MARKET PERCEPTIONS

The focus group discussion was held to gauge the current perceptions that existing Standard Bank cell phone banking users have around its use as alternative banking channel.

Feedback from your customers, in whatever form, is of critical importance in any organisation. Reason being that service is the only real differentiating factor in the banking industry, with products being very similar. Without proper feedback, an organisation like Standard bank can't improve on their delivery to their customers. It is also critical to ensure that customers are not lost to the competitor, and secondly to ensure that an organisation always have a competitive advantage through innovation and pro-activeness.

5.3.1 Observations

Cell phone banking was viewed by the majority of the respondents as a convenient method of banking. This is similar and emphasises what was highlighted under section 5.2.1. A major concern raised by the focus group was that in their perception the functionalities of cell phone banking and the options and choices available are limited.

Although a number of in-branch transactions can be fulfilled using cell phone banking, other options, i.e. debit order facilities, limit increases and possibly loan applications were considered (4.3.1).

It was stated that statements are often sought (especially in the lower end market), when applying for loans elsewhere (4.3.1). With low income levels, and non-affordability of loans at the major banks in South Africa, customers are forced to borrow from cash loan institutions.

Similar to section 5.2.1 the focus group majority indicated that they trust the quality of information received via their cell phones (4.3.2). Safety was considered as very important and very pertinent in today's environment (4.3.1). They were also fully aware of the direct benefit of safety derived through the use of cell phone banking.

Language was mentioned as a determinant for accepting the new technology, as people felt more comfortable being educated in their own language (4.3.2). Face to face (on branch education) was considered as the most effective way of educating customers and improving the trust relationship (4.3.5).

It became clear from the focus group discussion, as was the case with the questionnaire respondents, that costing structures were not well known (4.3.4). Being receptive to advertising was confirmed with the majority of the focus group members (4.3.5). This creates a great opportunity in the future.

From the discussions it became apparent that in the majority of the cases, none of the customer's family members were registered for cell phone banking, or they were not aware of it (4.3.5). Cell phones and cell phone banking were in most cases not seen as status symbols, or social trends. A number of the respondents do not know if their friends are utilising cell phone banking (4.3.5). From the feedback, there might be a case i.e. cell phones being a status symbol for younger individuals (school and university).

5.3.2 Conclusion

From the discussions it can be concluded that cell phone banking are viewed as a secondary method of banking, as a number of individuals seemed to prefer internet bank or the AutoPlus machine. As such cell phone banking are considered as an add-on service, available for use as part of a group of banking channels. This can also be

derived from the fact that very few family members of the respondents utilised cell phone banking themselves.

There is a demand for more options to be available, i.e. standardbank.mobi. Functionalities that enables customers to borrow needs to be considered (as stated under section 1.5 legislative requirements are not considered in this research piece).

Language is considered a direct determinant of acceptance of cell phone banking, as customers feel more at ease and confident of using the technology. Face to face discussion is also considered the preferred method educating or informing customers of the offering. Cost is an important determinant and must be emphasized at point of contact with customers.

5.3.3 Recommendations

As customers seem to be receptive to advertising, cell phones can be utilised as a medium of advertisement. Continued customer education is critical, to ensure continued usage of the technology. Highlighting the cost advantage of using this channel is considered critical.

It is preferred to as far as possible educate the customer in their preferred language. This will ensure that customers ask relevant questions.

A pro-active approach towards increasing the functionality of cell phone banking and simplifying the registration process is proposed. This will ensure increased usage, and prevent customer seeking other more expensive banking channels, i.e. branches. IT will also ensure that those deep rural customers have a more balanced banking platform to utilise.

Families and friends should be considered as opportunities. But the initial customer should be the focus point. Convert him/her and you have access to a whole new market for cell phone banking out there.

5.4 PRODUCT OWNER PERCEPTIONS

A study on cell phone banking won't be complete without identifying the current thoughts and strategies of those who are ultimately responsible for the product. As such, this section will be covering their insights into cell phone banking at present.

5.4.1 Observations

Costing is seen by the respondents as the major selling point for cell phone banking. Value for money considered as being very important (4.4). Standard Bank focuses their cell phone banking offering on the middle and higher spectrum of their customer base, and does not focus much on the lower end (4.4).

Standard bank have seen a major increase in their new registration, but confirmed that non-usage is a factor that needs to receive attention. Opportunities are seen in especially the rural areas of the country, in conjunction with a concept they call Community Banking (4.4).

Branch value and brand recognition is seen as a major competitive advantage compared to other non-traditional banks. It is their perception that Standard Bank has the brand strength to assist them in increasing their number of cell phone banking customers. Brand loyalty is linked to trust (4.4).

Standard bank is pro-active in their width of offerings, as well as trying to continually simplify the end to end cell phone banking process. No specific literacy programme or focus have been developed to close the gap and to improve understanding of the cell phone banking offering amongst its customers (4.4).

Face to face interaction is considered more effective than above the line advertising. This will be elaborated on under section 5.5.

The product owners considers trust becoming less of an issue with cell phone banking, as more and more customers are starting to undertake value transactions (transferring and payments) than before.

On the question of impact on future revenue streams, cell phone banking is considered as a new revenue stream, by migrating customers from high-cost channels to lower cost electronic channels for doing their more routine day to day transactions (4.4).

5.4.2 Conclusions

Standard Bank does not consider migration of lower segment customers to cell phone banking as a key focus area at the moment. It is however seen as a necessary future area of focus and strategy.

A lot of emphasis is placed on branches and staff to promote the product, with no formal strategy to increase customer awareness.

5.4.3 Recommendations

It is recommended to consider revising the strategy and focus more on the lower end customers, as they are the low profit / high cost segments. As was stated under section 4.3.5 length of queues and lack of guidance on information and products are considered to be lacking in branches of Standard Bank. By focussing on the lower end market, this impact could be reduced substantially.

It is critical for Standard Bank to continue with their focus on community banking, in conjunction with cell phone banking, as social influence (Extended Technology Acceptance Model, section 2.2) states that opinion leaders can play a significant role in persuading their members. In the deep rural areas, this is especially true of the community leaders.

Alignment of business processes to market needs and the use of technology to execute these processes are critical.

5.5 BANKING STAFF MEMBER PERCEPTIONS

Banking staff are critical in a study like this, as they are interfacing with the customer on a daily basis. They are also users of cell phone banking, and have first hand knowledge of the real time frustrations out in the market.

This analysis highlights staff's perceptions around cell phone banking, and possible reasons for slow take-up and non utilisation from the customer's side. Important to discuss is the methods to be used in ensuring visibility of the cell phone banking offering and how best to transfer important related information.

5.5.1 Observations

From the analysis it became apparent that cell phone usage amongst existing Standard bank staff are also very low (4.5). Only 19% of the respondents are currently utilising this facility. Reasons posed for this is the fact that staff is using bank systems, Internet Banking and other electronic channels for their banking.

Most of the staff members surveyed found the registration process and ease of use of the offering simple (4.5).

The self service consultants viewed the process of persuading the customers to take up cell phone banking offering difficult, with customer education, lack of knowledge of technology, time constraints and lack of need being highlighted as the major reason why. The consultants also highlighted that gender does play a role (in their opinion) with acceptance of cell phone banking, with males being more receptive (4.5).

5.5.2 Conclusions

Cell phone banking can still be utilised, in conjunction with other electronic channels. As such it can be concluded that cell phone banking does not receive the right level of attention amongst Standard Bank staff. Responsibility lies with each staff member, and as such it is critical that they have first hand experience of the system, before it can be expected of them to promote the offering to customers.

From the survey, the feedback is very positive from the self service consultants around the registration process and usage (on customer's side). As such, it can be concluded that face to face interaction (between staff and customer), is the best option to promote the product.

5.5.3 Recommendations

Standard Bank need to make use of incentives to ensure that staff makes use of cell phone banking. This will ensure better knowledge levels.

Face to face interaction with customers is important, preferable in their own language. It is advised that dedicated individuals are placed in the customer interaction area to ensure focus. Call centre staff (4.4) needs to be fluent in the customer's preferred language.

It is critical for banks to make use of the vast amounts of information they have on their customers. This information must be utilised in identifying cross sell opportunities. Cell phones can be effective as information platform to the customer.

Other options available are:

- School focus visits (development of product, i.e. including ring tone downloads etc.)
- On Site presentation to customers (at place of work)
- Advertising on radio stations like Radio Mafisa (Rustenburg region)
- More product specific bill boards
- Advertising using SMS functionality
- Video phone functionality in future (can replace face to face interaction)

5.6 CONCLUDING REMARKS

Cell phone technology has a very important role to play in banking of the future. Fifteen years ago comments were made that cell phones is only a FAD and that usage will be limited to an elite few. Today, fifteen years later, most of us can't imagine a life without a cell phone.

In very much the same way, cell phone banking is viewed as a secondary, convenient way of getting some banking done. This mindset must be changed with a view to the future. As cell phone technology change and information can be transferred faster and in a more secure way, more banking functionalities will become the norm.

With the speed of change and or daily lives becoming more involved, customers will increasingly be looking at alternatives to standing in queues, or even visit an automated teller machine for cash.

Standard Bank, as with other financial institutions, do not have a choice, but to focus on this technology, as other more non traditional banking institutions are creating more and more innovative ways of banking. Success will lie with those institutions that can create this awareness and level of trust amongst its or its competitors' customers.

There is great potential to gain access to a whole new market of lower end consumers and the "unbanked". Successfully accessing the "unbanked" and migrating lower end consumers will not only be profitable, but will also reduce cost to market. Ultimately, in a developing country like South Africa, access to financial services is key, and financial institutions have the obligation and motivation to realise this.

Trust is an important component in ensuring that cell phone banking reaches its potential. Trust in brand, customer education and the correct advertising strategies will ensure that the trust relationship is realised.

"Trust is the sine qua non of the digital economy" (Tapscott et al., 2000)

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APPENDIX A: CELL PHONE BANKING ADOPTION QUESTIONNAIRE

1. DO YOU HAVE A CELL PHONE?
<input type="checkbox"/> YES <input type="checkbox"/> NO
2. WHICH NETWORK DO YOU USE?
<input type="checkbox"/> VODACOM <input type="checkbox"/> MTN <input type="checkbox"/> CELL C <input type="checkbox"/> OTHER
3. WHAT IS THE MAKE AND MODEL OF YOUR CELL PHONE?
4. WHAT DO YOU USE YOUR CELL PHONE FOR?
<input type="checkbox"/> TO MAKE CALLS <input type="checkbox"/> TO RECEIVE CALLS <input type="checkbox"/> SMS <input type="checkbox"/> BANKING
<input type="checkbox"/> ACCESSING INTERNET <input type="checkbox"/> PLAYING GAMES <input type="checkbox"/> CALCULATOR
5. WHAT BANK SERVICES DO YOU USE MOSTLY?
<input type="checkbox"/> DEPOSIT <input type="checkbox"/> WITHDRAWEL <input type="checkbox"/> DEBIT ORDERS <input type="checkbox"/> BALANCE ENQUIRY
<input type="checkbox"/> TRANSFERS <input type="checkbox"/> CURRENCY CONVERSION <input type="checkbox"/> OTHER
6. WHAT DO YOU FEEL IS A REASONABLE TRANSACTION FEE?
<input type="checkbox"/> R0-R0.50 <input type="checkbox"/> R0.51-R1 <input type="checkbox"/> R1.01-R2 <input type="checkbox"/> R2.01-R3 <input type="checkbox"/> R3.01-R4 <input type="checkbox"/> R4.01-R5
7. EVER DONE BANKING USING A CELL PHONE?
<input type="checkbox"/> YES <input type="checkbox"/> NO
8. IF NO, WHOULD YOU DO BANKING USING YOUR CELL PHONE?
<input type="checkbox"/> YES <input type="checkbox"/> NO
9. CELL PHONE BANKING IS QUICKER TO USE THAN TRADITIONAL FORMS OF BANKING?
<input type="checkbox"/> STRONGLY DISAGREE <input type="checkbox"/> DISAGREE <input type="checkbox"/> INDIFFERENT
<input type="checkbox"/> AGREE <input type="checkbox"/> STRONGLY AGREE
10. CELL PHONE BANKING WOULD BE DIFFICULT TO USE?
<input type="checkbox"/> STRONGLY DISAGREE <input type="checkbox"/> DISAGREE <input type="checkbox"/> INDIFFERENT
<input type="checkbox"/> AGREE <input type="checkbox"/> STRONGLY AGREE
11. CELL PHONE BANKING IS A RISKY MODE OF BANKING TO USE?
<input type="checkbox"/> STRONGLY DISAGREE <input type="checkbox"/> DISAGREE <input type="checkbox"/> INDIFFERENT
<input type="checkbox"/> AGREE <input type="checkbox"/> STRONGLY AGREE
12. WHICH SERVISSES WOULD YOU USE IF YOU USED CELL PHONE BANKING?
<input type="checkbox"/> STATEMENT REQUEST <input type="checkbox"/> BILL PAYMENTS <input type="checkbox"/> OTHER
<input type="checkbox"/> TRANSFERS <input type="checkbox"/> BALANCE ENQUIRIES <input type="checkbox"/> CURRENCY CONVERSION
13. AGE GROUP
<input type="checkbox"/> UNDER 18 <input type="checkbox"/> 18-25 <input type="checkbox"/> 31-35 <input type="checkbox"/> 36-40 <input type="checkbox"/> 41-50 <input type="checkbox"/> 51+
14. GENDER
<input type="checkbox"/> MALE <input type="checkbox"/> FEMALE
15. HOME LANGUAGE
<input type="checkbox"/> AFRIKAANS <input type="checkbox"/> ENGLISH <input type="checkbox"/> SETSWANA <input type="checkbox"/> OTHER
16. HIGHEST LEVEL OF EDUCATION
<input type="checkbox"/> IN SCHOOL <input type="checkbox"/> MATRIC (GRADE 12) <input type="checkbox"/> SOME TERRITORY EDUCATION
<input type="checkbox"/> UNIVERSITY/COLLAGE GRADUATE <input type="checkbox"/> MASTERS <input type="checkbox"/> DOCTORATE
17. INCOME BRACKET
<input type="checkbox"/> R0-2000 <input type="checkbox"/> R2001-R5000 <input type="checkbox"/> R5001-R6000 <input type="checkbox"/> R6001-R10 000 <input type="checkbox"/> R10 000+
18. CITY/ TOWN OF RESIDENCE

APPENDIX B: PRODUCT OWNER SURVEY – SBSA CELL PHONE BANKING

1. Do you have costing comparisons available for cell phone banking charges between the major banks? Is cell phone banking a cheaper option for our customers?

I assume you mean bank charges for using cell phone banking. I do not have a recent comparison between banks, however, this is obtainable from the various bank's websites. The charges for using Standard Bank's cell phone banking service are as follows:

- There are no monthly service fee for registering for cell phone banking
- Balance enquiries, mini-statement and prepaid transactions are free of charge
- Beneficiary payments and inter-account transfers attract the normal electronic banking fee, per transaction

Therefore, using cell phone banking, like our other self-service banking services, is a cheaper option for customers performing the above mentioned transactions.

2. Segments of the markets does Standard Bank concentrates on w.r.t. cell phone banking, narrow or broad customer base?

Our current WAP (mobile Internet) cell phone banking service is targeted at anyone with WAP 2.0 handset. This may however, align more to the middle to higher end of the market, although we have seen lower end customers using the service. We are in the process of developing a new technology that will be specifically aimed at the lower-end, prepaid market.

3. What would you consider the success to have been with MTN Banking?

I should probably clarify. MTN Banking should be viewed as a separate bank, not part of Standard Bank's cell phone banking offering.

The success of MTN Banking, in my opinion, has been limited for the following reasons:

- The solution is only aimed at customers who are with MTN, or that are willing to move to MTN as a service provider
- The offering is a separate bank account, not integrated into more complex banking products. (There is no upward migration path for customers, and hence the reason they are targeting the un-banked market)
- The offering uses SIM toolkit technology. Experience has shown that this limits the ability to dynamically update the banking menu residing on the SIM card.

4. Do we have any information (studies done) on the customers perceptions of cell phone Banking when it comes to :

- Convenience of use
- Safety (no cash involved)
- Travel implications (mobility)
- Perceived usefulness
- Perceived costs

N/A

5. Currently, how many cell phone banking users does Standard Bank have?

You may understand that this information is sensitive. I can however say that we have over 100,000 total active users, and the customer base has grown by more than 119%, year-on-year, as at December 2007.

6. Of these, do we have an idea of the % of active utilises of this facility (existing articles states that banks sell large numbers, but that utilisation is relatively low)?

I would suggest that we have seen two types of customers using this channel:

- Customer A – This customer may use cell phone banking as the secondary channel (i.e. their primary channel of use is Internet banking). We see these customers only using cell phone banking when they are away from their normal Internet access (i.e. holiday times)
- Customer B – These customers use cell phone banking as their primary channel (they may not have easy access to another channel), and use the service every month.

The current split is around 50%

7. Do we have comparative figures with regards to our competitors, i.e. ABSA, FNB, and NEDCOR?

This information was sourced from various media articles, published last year. (December 2007)

	Customer base	Airtime growth Month on month	Banking platforms
Absa	420 000	28%	WAP, WIG
FNB	370 000	50%	WAP, USSD
Nedbank	N/A	N/A	WAP, USSD
Standard Bank	>100 000	31%	WAP, WIG

8. What impact/threat can we expect of non traditional banks, i.e. Wizzit have on our traditional banking platform?

The non traditional banks introduced a very competitive element in the mobile industry. They cannot offer the 'trusted brand' element to their banking offering, however, they do compete directly in the under-banked market. The likes of WIZZIT have done very well, because of their slick account opening and registration process. I guess they do not carry with them complex legacy systems, allowing them more flexibility and 'speed to market'. On the other hand, they are limited to product range and functionality/channel offering.

9. What impact do you foresee Standard Bank's "Community banking" projects will have on cell phone banking, and will this be used as a primary driver of cell phone banking out in especially the rural areas?

Integrating cell phone banking and community banking makes sense. The under-banked market all has access to cell phones, but limited access to banking. By providing a platform to enable banking through cell phones, you can now target a market previously perceived as relatively costly to service. Furthermore, these

customers now have access to education and awareness of banking, in the palm of their hands. Therefore, Community banking is a key market, that need to be serviced through the cell phone banking channel

10. What after sales service is available in case of service breakdown, i.e. call centres etc? Are these call centres available 24 hours a day?

We provide the following support channels:

- Customer Contact Centre (CCC) – All our consultants are trained to provide adequate service and technical support. The operating hours are as follows;
 - Mondays to Fridays – 08.00 to 21.00
 - Weekends and public holidays – 08.00 to 16.00
- Customers can also obtain detailed information from the Standard Bank website
- Customers also have the option of e-mailing any queries or concerns they may have, and trained consultants from our e-mail unit will provide the required support.

11. What does Standard Bank do to be pro-active in continuously simplifying registration process?

Standard Bank continuously aims to further improve and simplify the registration process. While understanding that some of the current process can sometimes be a barrier to entry, we do always keep customer security as a priority.

12. Google has just opened an office in South Africa. They state that although internet usage is low at the moment, and that affordability of computers is an obstacle, cell phones will play an ever increasing role in internet access in the future (Africa). This because South Africa has one of the highest per capita cell phone ownership in the world. Your comments on this?

Accessing the internet, through your cell phone, has already and will continue to grow exponentially in South Africa and the rest of Africa, for the following reasons:

- The cost of accessing the Internet through your cell phone, in South Africa, is one of the cheapest in the world
- Due to the lack of infrastructure and high costs of having traditional fixed line Internet, the mobile Internet has become more accessible

Therefore, I strongly agree this will become the norm, for Information/Content access in the future.

13. What does Standard Bank do to try and bridge the literacy gap w.r.t. the usage of cell phones for registration and every day banking use?

This is an ongoing challenge and area of focus.

14. What additional cell phone offerings do you plan or foresee in the future (alternative application i.e. marketing, cross-sell etc)?

Standard Bank understands the potential in offering a wider range of products, services and information, accessible through a cell phone handset. The cell phone device is something that everyone has, meaning this channel provides instant access to the bank, in particular to customer who have previously had limited access.

Standard Bank has recently launched its own 'mobile Internet' site standardbank.mobi, which serves as a good illustration of this concept. Customer can access a range of value added services (VAS) instantly from their cell phone. This is the first step towards providing services using this channel

15. What role does security play in cell phone banking (both bank and user)?

There are two elements of security that need to be discussed:

- Security on this channel will need to improve (i.e. implementing multi-factor security), as this channel will become more readily used, and the functionality will be extended
- The cell phone can also compliment a number of other services, and can be used as part of the authentication process for functionality offered on other channels (i.e. OTP on Internet Banking)

16. What types of marketing have you employed in the past and will you employ in the future to promote cell phone banking?

Various marketing initiatives have been introduced:

- Marketing our service via Internet & Mobile portals
- In-branch promotions
- Direct marketing

Our cell phone banking service is applicable to SBSA customers only. Therefore, it is more valuable to market directly to our customers. Furthermore, our experience have shown, that high-touch marketing (i.e. having someone available to assist the customer through the registration) are sometimes more successful than any 'above-the-line' advertising.

17. In your opinion (and info available to you), does South African public trust the cell phone banking platform?

A growing number of our customers are now becoming comfortable with using cell phone banking. (We are seeing more and more customers doing value transactions) Perception of security, from customers, used to be a major hurdle for using the channel. However, this is no longer the biggest barrier. I think more and

more customers are becoming familiar with using the cell phones for a number of services other than voice calls.

18. In your opinion (and info available to you), is the South African population ready for the cell phone platform?

Education and awareness is an ongoing challenge across banks. The growth in cell phone banking has been faster than that of Internet, and this may indicate that South Africa is ready.

19. What impact do you think (foresee) cell phone banking having on Standard Bank's future revenue streams? Do you see it as a strategy to get customers out of branches, or a strategy to increase footprint in more rural areas, or both?

Cell phone banking, in all shapes and forms, will become an important and new revenue stream for the business. Across banks, the strategy is to migrate customers from the high-cost channels (i.e. branch/CCC), to the lower cost electronic channels. Particularly routine day-to-day transactions. This in turn enables the branches to serve customers better in assisting with more complex, high value products and services.

APPENDIX C:

COMPARITIVE ANALYSIS OF CELL PHONE BANKING

		Standard Bank	ABSA	FNB
Convenience	Balance Enquiries	Yes	Yes	Yes
	Mini- Statements	Yes	Yes	Yes
	Inter-Account transfers	Yes	Yes	Yes
	Beneficiary Payments	Yes	Yes	Yes
	Prepaid transaction	Vodacom, MTN, Cell C and Virgin Mobile	Telkom, MTN, Cell C and Vodacom	Telkom, Global International, MTN, Cell C, Vodacom, Electricity
	Statements via Fax and Email	No	Yes	No
	Real-time Confirmation	Yes	Yes	Yes
	Once-Off Payments	No	Yes	
	Proof of Payment	No	Yes	
Cost Effective	Monthly subscription	Free	Free	Free
	Balance Enquiries	Free	Free	Free
	Mini- Statements	Free	Free	Free
	Prepaid transaction	Free	Free	Free
	Inter-Account transfers	R 3.25	R 3.00	Free
	Beneficiary Payments	R 3.25 / 0.65% / R 14.50	R 3.00 / R 0.60 / R 12.50	Free
	Information Related Charges	Free	Free	Free
	Network Provider Charges	Dependent of Service Provider	Dependent on service provider	Dependent of Service Provider
Safety	Secured by encryption (chip)		Non-repudiation - validates participation of all parties involved in transaction	Card number and pin
	Log on onto card number and CSP		Integrity - protects soundness of message content during transaction	Secured chip
	No banking information stored on cell phone		Internet/Cell Phone Banking access account number and PIN	
Easy to use	standardbank.mobi and register	WIG / WAP Cell Phone Banking	Internet site	
Services available	ATM and branch locator			TAB Soccer 6
	Cell phone banking			FNB 2010 World Cup Ticket Promotion
	Home Loan calculator			Cell Pay Point
	Event information			
	Competitions			

APPENDIX D: FOCUS DISCUSSION GROUP QUESTIONNAIRE

Perceived Usefulness

- **Convenience**
- **Information quality**
- **Personal safety**
- **Perceptions around width of cell phone banking?**
- **How does cell phone banking benefit you as the customer?**
- **Have you ever been a robbery victim whilst carrying cash? Was the money ever recovered?**
- **What additional functionalities would you prefer to have on cell phone banking?**
- **Do you consider cell phone banking as your primary method for banking? If not, do you consider it to be an add-on?**

Perceived ease of use

- **Registration process – How do you find the registration process?**
- **Handling and menu navigation**
- **Branch vs. cell phone banking – Which do you prefer?**
- **Do you consider yourself to be techno savvy?**

Perceived mobility

- **Network coverage – Do you always have network coverage?**
- **Distances travelled by customer?**
- **Cost of travel to bank?**
- **Time of travel?**

Perceived costs

- Cost transparency
- Economic conditions – if cheaper than branch channel? Would that persuade you to use cell phone banking more?
- Data security (trust)?
- Health risks?

Marketing / Visibility and appropriate communication channels

- Acceptance of advertising via cell phone
- Where did you learn about cell phone banking, i.e. media, bank, opinion leaders

Communication Resources

- Knowledge
- Persuasion
- Decision
- Confirmation

Acceptance of technology

- What are your likes/dislikes of using a handset for banking instead of a brick and mortar bank?

Service delivery

- Are you happy with the quality of service provided by your network availability, as well as your financial institution when it comes to cell phone banking in general, or any breakdown in service?

General

- **Perceived strengths and weaknesses**
- **Frequency of use**
- **Do any of your family members use cell phone banking? Age of individuals?**
- **How long have you been using cell phone banking?**
- **Would you say that you easily take up new technology? Reasons?**
- **Do you perceive your cell phone as being a status symbol? Do you perceive cell phone banking as an acceptable social trend?**

Discussion Group Feedback - Existing Standard Bank Cell Phone Users

1. Perceived Usefulness

Convenience

I find cell phone banking to be very easy to deal once I've manage to get the hang of the process

I am sometimes still struggling, as don't always use my cell phone for banking on a regular basis

It is great in getting money into my beneficiaries' accounts

I can view the balance on my account at any time. That is my main benefit! I also have the product where any debit transactions are sent to my cell phone via sms

I never use to go to the bank anyway! I often use internet banking as well, but sometimes, i.e. holidays you do not always have access to my laptop

I use it to top up my airtime on my cell phone. So I will never run out of airtime. Queues are something I can't handle, so I enjoy using my cell phone. It is great! Unbelievable the technology of today!

When my parents deposit money into my account t I can check my balance, as well as the amount paid in! It is great, but only once the money is in my account.

With the price of petrol going up all the time, it is very cost effective.

Standardbank.mobi allows me to access the banks site, which gives me more access to information.

I must say that I still often go to the bank. My fingers just don't want to do the job on those small buttons on my cell phone.

I stay far from the bank. It costs me a lot of money to go to the bank. Then there are a lot of people in the queue as well. I still need help with my cell pone for banking.

The stuff that can be done on my cell phone is limited.

Information Quality

I can get my balance on my account in no time.

Sometimes it happened that I could not access the system. That does not happen a lot.

When I top up my airtime, it has always been there.

I use the branch machine for statements, as my cell phone only does small statements

Have you ever used the AutoPlus machine outside your bank?

No I haven't. What can you do?

Draw statements and other functions.

It has happened that I did not have signal. Then I can't get any information.

I don't know. I have always trusted that the information displayed is correct!

Isn't it?

Limited information is supplied on other bank products though. If you don't go to the bank, you don't know about their products.

Personal Safety

Where I stay they steal a lot of cell phones. It sometimes happens when it is light outside. I am always careful.

The cell phone makes it very safe to transfer money to someone. I don't have to carry cash to give to the other person.

You don't carry cash

I feel a lot safer.

You always will need cash on you, but you can limit the amount.

I don't carry cash, as I always use my card to make purchases

I've learned my lesson. They stole my money the one day last year. I struggled that month.

I and my wife have a MTN Banking account. So much easier and safer. I can stand next to her and give her money immediately without any money exchanging hands.

I don't even pay my workers in cash anymore. I don't use cheques anymore.

In today's' South Africa cash can get you killed.

I am waiting for my bank to repay me my R 2000. They say that someone cloned my card, and they draw money out of my account.

I never have cash on me.

Perceptions around width of the cell phone banking offering/additional functionalities sought

I am happy with the banking I can do with my cell phone.

It is a bit limited. You still need to see someone to borrow money

Happy!!!!

I can authorise debit orders on my MTN Banking account.

I don't need other functions

I use my internet for other things, like borrowing.

I applied online for my Home Loan using my laptop. There is a lot available on the internet site, i.e. calculators etc.

Money was drawn out of my account, and I had to go to bank to find out!!!

Apply for a loan I can't do on my cell phone banking.

I can do most of my everyday banking without having to go to the bank.

If I need something else I go to the bank. It does not happen often.

To borrow money!!!

You must still have access to a bank if you need something important to be taken care of.

My niece works at the bank. I always ask her.

General benefit to the customer

Convenient

It is fast!!

It is convenient!!

I don't have to leave my house to do banking.

They say it is cheaper. It must be, as I don't have to travel.

Once you get the hang of it, it is easy to use. Even for someone of the older generation like me.

Some of my family members also use cell phone banking now. After I've

shown them

The ATM near us was blown up. We still don't have a new one. I can still top up my cell phone airtime.

I can use it 24 hours a day.

It makes it easier and is safer way to do banking.

Cell Phone Banking as primary method of banking

I sometimes go to the bank as well to do my transactions. I have access to internet banking. Cell phone banking is convenient though if I'm on the road for example

I mostly use my cell phone

I have registered, but don't use it that often. I must start using it more. Very easy

Sometimes I forget I can use my cell phone.

Mostly go to the bank to draw cash.

The AutoPlus machine is nice to use, if queues are not too long

I have applied somewhere else, and then I must have a statement to show. I had to go to the branch.

I never go to the bank. I mostly use my cell phone and internet. I don't borrow, so I don't go to the bank

I prefer using my laptop to do banking on internet. Cell phone only now and then, so yes, I suppose it is an add-on.

I consider it an add-on, as it is very easy and convenient, but with a limited number of transactions.

2. Perceived Ease of Use

Registration Process

My friend told me to use it. He also showed me how to register. It was easy!

It was easy to do. I phoned the help number

They said that I could access the site (standardbank.mobi) and I registered

I found it a bit confusing, because I did not know if I had the correct cell phone.

I could. I do it using sms

They showed me in the branch how to do it

I was on the internet, when I saw "Cell Phone Banking). I registered, but had to call the call centre to help.

The staff showed my, after I stood in the queue for a long time.

I can't remember

It was very easy!

I struggled as it was difficult to put my account number and stuff into my cell phone.

It was easy. Once though I struggled to access , and the helpdesk number I phoned was not available

Handling the menu navigation

It is very easy

No problems experienced thus far

Easy

I don't find it difficult

It is banking made easy

The only problem is to put in my card number and pin. Maybe I don't do it right

I find it easy

Not difficult

Easy!!

Even my husband can do it.

Branch vs. cell phone banking

I make use of both, depend on what I require. If it is only balances, transfers etc, obviously my cell phone is the best option

I prefer the branch still

Depends on what I want to do

The cell phone is much easier. I prefer the electronic channels, i.e. internet banking as well.

I use my cell phone mainly to load airtime. No better option. I don't have to go

anywhere, and can be done at any place.

I use the machines outside if I deposit, or need cash. I go there during the quite time of month. Rest I do on my cell phone. I applied for Home Loan on internet. Call centres are also an option if I need something else, except balances, or top up airtime.

I prefer to go to the branch. In The Mall branch, the staff are friendly and always helps

I pay a lot for the taxi. I go to the bank only if I buy food. Rest I use my cell phone

I prefer the branch, because then I know my money is safe.

I hate queues, so I try and prevent them as much as possible. I haven't stood in a queue for months.

I travel far to the bank to draw cash. Our ATM was blown up, and is not replaced yet. It costs me a lot of money. But I need the cash to buy at shop.

Techno Savvy

It takes time to understand, but once I get the hang of it I'm ok

I forget easily if I don't use the technology often

Yes, I'm on my computer and cell phone all the time

I enjoy my cell phone, as I use it for e-mails, faxes, sms and it serves as my calendar as well.

I use Mixit all the time, so yes, I would say so.

No, not at all, that's why I still struggles with my cell phone banking

Yes, I would say so

I always buy the latest available. I love technology

I only have a cell phone. Don't know about computers.

Not my forte. It takes time. I always try to stay away, until someone shows me how easy it is.

I work on a computer all day. When I find the time I like to explore. Let's just say that I am interested.

3. Perceived Mobility

Network Coverage

The system was down once or twice. We have strong signal where I stay.

The system is slow sometimes

I have always had signal.

No problem with signal.

I never had an issue with signal.

No problem

It very seldom happens that the signal is not available.

I've been to places where there was no signal. During holidays, when I needed to transfer funds.

I stay some distance from town; the signal is there but weak.

I've never had a problem.

Distances travelled to bank

I stay about 5 km's from the nearest branch

Walking distance

18 km

About 12 km, on smallholding

The nearest branch is Brits, +/- 21 km

I take two taxis, i.e. 8km + 12/13 km's

I stay a km or so away

Close +/- 3 km

11 km's

6 km's

4 km's

Costs to travel to bank

I don't know, I travel with my car, 1/2 litre (R 10)

Limited cost to me

18 km, 2 litres (R 40)

12 km, 1 litre or so (R20)

Taxi fare - R 25

Taxi fare - R 26

A few rands

Not a lot

11 km's - 2 litres return trip (R20)

R 10

R 10

Time of travel

5 minutes

Limited

25 min to half an hour

20 min or so

Waiting for taxi, plus drive (An hour or so, depending on taxi's)

70 - 80 minutes

5 minutes

5 - 10 min

2 minutes

15 minutes

10 minutes

10 minutes

4. Perceived costs

Cost transparency

I think its for free

They showed me when I registered. I know its not very expensive

I don't have any idea of the costs involved. It can't be too expensive

Free

standardbank.mobi has the costs on the site

Costs of the sms

Limited costs, but I don't know how much

Can't be much

For free

Cost of a call

Pay for transfers and statements

I pay for airtime top-up

Economic impact - branch vs. cell phone banking

It must be cheaper - absolutely I will use it

Yes, I will use it more often

Otherwise I would not have used it

You do save on time and effort to go to the bank, so I'll definitely continue to use it

I use internet banking mostly. My monthly subscription is R 300, but I use it for work as well (internet access)

Yes,

Absolutely

If it continues to do what it promises I will use it

Of course I'll use it

I will use it, yes

That is why I use it

Data Security (trust)

I trust the system, because you need your card number, and your pin (nobody knows my pin except me)

I never had a problem, so I'll continue to trust me

Yes, I trust it

They cloned my card. And I lost money. They promised me it's safe

I trust it yes

You must just make sure that you don't give your password out

I trust it's save

If not, the bank will pay

Yes

They promise me it's safe

My details are encrypted according to them.

Health Risks

What health risks

I don't see any health risks

I've read about cell phones, with waves that could possibly cause health risk.

But only when you use it a lot, and you don't put it against your ear, when you do cell phone banking.

No, no health risks

Only when you drive while doing your cell phone banking

No health risks

None that I can think of

Nope

Nothing

No risks

Marketing / visibility and appropriate communication channel

I have only seen the competitors, but yes, why not

I've received sms' with Home Loan offerings etc. But that's all

I won't really be interested in getting adverts on my cell

Why not!!

I would not mind being informed about new offerings

I don't open my bank statements, so why not put info on cell

No

Yes, I'll accept it. Depends on how often I receive notifications. Don't want hundreds of notifications

I don't like advertising. I'll ask if I need something

Only if it is meaningful

Learned about cell phone banking

At the branch. The one lady told me and showed me. There is an internet

computer on the floor

My wife

I played around on the internet site

Internet site

At the branch. The one lady told me and showed me. There is an internet computer on the floor

A friend of mine showed me

I think my son told me

Can't remember

They did a presentation the one day

The branch

Service delivery

They just took too long to tell me about it. I could have saved a lot of time

No, I'm happy.

If I have a problem I call the call centre. Maybe 24 hour access to the call centre. It has happened that I needed to query something late at night

Like I said earlier, I have had days where I could not access the system

Network coverage is not everywhere in South Africa. But where I stay it's fine

No, I haven't had any problems

No problems as yet

I am happy with the service thus far. Just a bit limited

I have forgotten my password once, but the call centre sorted it out for me

No issues thus far

5. General

Frequency of use

I use my cell phone for banking two to three times a month, mainly for balance enquiries

I don't know, but it is quite often (10 times a month)

I buy airtime twice a month as needed

Now and then

A couple of times, as I mainly use internet banking

I transfer to my son's account on a regular basis. That way I can control his spending

I check my balance on my account weekly

Once or twice a month

I have a child at university. I have her loaded as a beneficiary. Sometimes she needs money and I'm not near a bank. I would say about 5 times a month.

Some months I don't use it. Only now and then.

Family members using cell phone banking and their age

Yes, my wife uses cell phone banking as well. 43

No only me. I handle the accounts

I don't know whether my parents use it. Not sure

I am the only one in the family with an account at Standard Bank. I husband uses cell phone banking at FNB. He is 39.

No, none of them do.

Only I have an account.

No, they don't.

Only me

Yes, my son showed me how to register, so yes he must be using it. He is 23

My wife uses it as well. She has all our accounts linked to her account, so she uses it probably more often than I do. She is 32

No, I'm the only one

Length of use of cell phone banking

A couple of months (about 6 months)

About two years.

1 year

2 years

I would say about a year or so

A year and a half, when I opened my account at Standard Bank

About two years or so

3 years

Less than a year

I started I think in February, so what, say 4 months

6 months

Take-up of new technology

I am a bit sceptical at the start. It takes time, and someone will have to show me a couple of times. But I would say yes, anything that can make my life easier, and that can save me time.

I like my gadgets, but don't always use them. But cell phone banking made some things easier and that's why I am using it.

It takes time. If I don't come right easily, I often don't use it.

The cell phone is difficult for me. Someone must show me. Sometimes I go back to the bank, for someone to show me

I always have to show my parents how to work the computer, their cell phones etc. They struggle. I like technology, and sometimes spends hours with a new cell phone, my GPS etc

I never use to like technology. But I need to use it otherwise I will never get through my day. I rather take the time and make an effort to get the hang of for example my cell phone, or PDA, but once a have it, it does make my life a lot easier. It saves me time, and you can do a lot of other things on it as well.

No, I'm 54 and I hate the damn things. It must be really easy for me to use it.

That is why I not often use my cell phone for banking.

My computer is everything. I make notes, load my schedule, and have contacts and everything. I synchronise it with my cell phone. Yes I enjoy technology.

I only have a cell phone. No computers. I need help often.

I can't afford computers and stuff, but I love my cell phone. I would say that is fine for me.

Cell phone as status symbol / Acceptable social trend

I don't go for the gadgets. As long as it can phone and sms I am happy. No I don't see it as a status symbol. Cell phone banking is there for convenience, if and when I need it. Not a trend.

I talk a lot on my cell phone. Battery life is important to me. These new ones with the big screens don't last long. My cell phone must work. I am sure cell phone banking will become more popular. People must just know about it. Yes, definitely. When my friend get's a new cell phone, I always want one better, and she is the same. We are always on our cell phone (Mxit). I have bragged about me being able to transact while we sit in class. Most of my friends were not aware it is possible.

I bought my cell phone two years ago, and it is working fine for me. I don't like contracts. I am happy with it. These new fancy phones not a big thing for me. Banking is a must, to get a record. Otherwise you can't buy a vehicle or a house. An "expensive" necessity. Nothing more. But it is easier. Just a bit limited as I've said earlier.

My cell phone is very important to me. I have all the accessories, and play music on it, download from the internet, etc. I am currently saving for the new Blackberry, so that I can immediate access to my e-mails. I use it all the time to communicate, i.e. sms, e-mail, MMS etc. It is definitely a status symbol in my family and in our social circle. The more it can do the better. Cell phone banking, I believe it is accepted.

Where I stay everyone has a cell phone. I bought it, as they did not want to give me a phone (**individual could not get a contract because he works temporary at mines**). I don't earn much; I must have a cell phone. Don't use my phone for banking that much. Don't know.

Maybe, everyone has them. I can't remember that I've met anyone, who does not have cell phone. I see it as a necessity more that a status symbol.

I stay far from town (Brits), and need my cell phone. My wife stays in Rustenburg, so I phone her. She also has a cell phone. I transfer money into her account. The other people in the hostel don't use cell phone banking that much. I have showed some of them. Don't know if they are using it. They all

bank at Teba.

I don't have the latest model, but it works for me. I have an old Nokia. I received a new phone last year, but still prefer my old phone. Use sms to do banking. That's fine for me.

My daughter can't live without her phone. I can't either. But for her it is important to have the latest phones and gadgets. I had to replace her phone twice already. Sometimes I think she loses it on purpose to get the newest one. I don't use most of the functions. As long as it makes things easier, then I am happy. I must be honest, I don't know if people I know use cell phone banking. We don't really discuss banking. I know that everyone moans about their charges that they have to pay every month. It was in the papers a while back.

I haven't used my cell phone banking for some time now. I still visit the branch now and then, as I go to town anyway, and need groceries, or pay some accounts. My cell phone, I need it, as it is important if someone wants to get hold of me. I don't know about cell phone banking being an acceptable social trend. We use it, but it is not something that important.

APPENDIX E:

IN BRANCH TRANSACTION TYPE SURVEY

Transaction Type	Monday		Tuesday		Wednesday		Thursday		Friday		Total Migrated	Total Not Migrated
	Migrated	Not Migrated	Migrated	Not Migrated	Migrated	Not Migrated	Migrated	Not Migrated	Migrated	Not Migrated		
Card Collections	0	42	0	43	0	44	0	35	0	47	0	211
Replacement Card	0	127	0	112	0	106	0	84	0	90	0	519
Pin Issued	0	112	0	118	0	112	0	85	0	126	0	553
ATM Limits	0	77	0	48	0	80	0	42	0	83	0	330
EAP Limits	0	7	0	12	0	14	0	7	0	13	0	53
Load Beneficiary	0	6	0	8	0	13	0	10	0	9	0	46
Cheque Book Coll	0	41	0	19	0	33	0	23	0	36	0	152
Inter Acc. Trs	14	16	17	7	16	9	23	18	17	10	87	60
32 days notice	4	10	4	4	7	3	3	4	2	5	20	26
Unit Trust Repurch	0	5	0	0	0	2	0	1	0	2	0	10
Early Repayments	0	4	0	2	0	3	0	0	0	0	0	9
Statements	87	28	90	37	84	33	94	31	103	31	458	160
Balances Req	29	12	22	5	30	11	35	12	44	13	160	53
Card Clonning	0	10	0	2	0	3	0	1	0	2	0	18
ATM Claims	0	0	0	0	0	2	0	0	0	2	0	4
Care Suspects	0	2	0	0	0	0	0	2	0	2	0	6
D/O Details	0	19	0	14	0	20	0	13	0	5	0	71
D/O Disputes	0	7	0	4	0	12	0	10	0	9	0	42
Standing Orders	0	27	0	13	0	21	0	17	0	22	0	100
Stop Payments	0	11	0	26	0	16	0	15	0	14	0	82
Fixed Savings	0	12	7	9	0	16	0	7	1	11	8	55
FICA	0	32	0	22	0	22	0	34	0	30	0	140
Bank Cheque Issued	0	11	0	13	0	20	0	10	0	19	0	73
Credit Card Closure	0	0	0	0	0	0	0	0	0	2	0	2
Loading My Updates	82	0	63	0	66	0	48	19	76	0	335	19
											1068	2794

APPENDIX F:

CELL PHONE BNKING SURVEY – SBSA STAFF

Branch	Number of Staff	Number registered for Cell Phone Banking	Number utilising on monthly basis	% of Total Staff utilising Cell Phone Banking on monthly basis	Reasons for non-utilisation	Registration Process
Brits	36	12	8	22%	Do not have WAP, GPRS enabled phone (2 staff members), use AutoPlus and internet	Easy, simple, time consuming
Hartebeespoort	10	2	2	20%	Use branch systems	Easy
Mooi-nooi	3	1	0	0%	Use Internet and Auto Plus	Relatively seamless
Marikana	2	0	0	0%		Don't know
Rustenburg	88	29	21	24%	Utilising internal systems and internet banking	Not easy for first time users
Zeerust	18	4	2	11%	Use internet on bank system and AutoPlus	Easy process
Sun City	15	3	2	13%	Internet Banking	Not too difficult
Mafikeng	43	14	7	16%	AutoPlus, even though it is sometimes very slow	Quite an easy process
Lichtenburg	16	5	2	13%	Internet Banking	Easy
	231	70	44	19%		

Branch	Difficulty of Persuasion	Registration Process	Feedback - Converted Customers	Age / Gender
Brits	5 out of 10	Found easy by consultant and majority of customers	Very positive - limits times customer has to visit branch	Yes - in the consultant's opinion male customers are converted easier (mostly between 20 & 30 years of age)
Rustenburg	6 out of 10	Majority of customer carry cell phones on them - easy process to assist customer with	Positive - sometimes they come back because they have forgotten the process or have lost their pins	Won't say so
Mafikeng	5 out of 10	Some customers find it difficult, but in general the process does not take that long	Positive feedback thus far.	We often find that there are more males, because of them working on the mines, and most of their families somewhere else in the province, or country

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APPENDIX G:

STANDARD BANK – IN BRANCH TRANSACTIONAL FEES

Option 1. Pay as you transact				
	Classic	Classic	Classic/Student/Active/Student Active/Elite/Platinum	Classic/Elite (R10 years and over)
Deposits at branch or AutoBank				
Cheque deposits	Free	Free	Free	Free
Cash deposits	R1,75; 0,95%	R1,75; 0,95%	R1,75; 0,95%	R2,50; 0,95%
Cash withdrawals				
Standard Bank AutoBank	R5,35	R5,35	R1,75; 0,95%	R2,50; 0,95%
Branch cash withdrawal - Using a cheque card, credit card or Maestro card	1,00% (minimum R19,00)	1,00% (minimum R19,00)	1,00% (minimum R19,00)	1,00% (minimum R19,00)
- Cheque encashment			1,00% (minimum R19,00) + cheque service fee	1,00% (minimum R19,00) + cheque service fee
International ATM	R21,00; 1,00%	R21,00; 1,00%	R21,00; 1,00%	R21,00; 1,00%
Payments				
Repaid recharge using Standard Bank credit channel	Free	Free	Free	Free
Electronic bank account transfers	R5,35	R5,35	R1,75	R2,50
Stop order	R5,35	R5,35	R1,75; 0,65%; R14,50	R2,50; 0,65%; R14,50
Electronic account payments	R5,35	R5,35	R1,75; 0,65%; R14,50	R2,50; 0,65%; R14,50
Cheque card			R1,75; 0,65%; R14,50	R2,50; 0,65%; R14,50
Maestro debit card purchase	R2,00 (R1,40 for purchases with cash card)	R2,00 (R1,40 for purchases with cash card)	R1,75; 0,65%; R14,50	R2,50; 0,65%; R14,50
Debit order	R5,35	R5,35	R1,75; 1,10%; R29,00	R2,50; 1,10%; R29,00
Branch inter-national transfers and account payments (to Standard Bank card issued)	R30,00	R30,00	R1,75; 1,10%; R29,00	R2,50; 1,10%; R29,00
Cheque service fee			R1,75; 1,10%; R29,00	R2,50; 1,10%; R29,00
Bank cheque	R50,00	R50,00	R50,00	R50,00
Maximum opening deposit	R50,00	R20,00		
Maximum currency service fee			R40,00 (Classic cheque) R50,00 (Accounts) No minimum (Student/Active/Elite) R65,00 (Elite/Platinum)	
Maximum balance	R50,00	R20,00		
Monthly management fee	R1,00		R19,00 (CFS)	
Internet banking subscription fee	R77,00	Free	R22,00 (Free for Student/Active/Elite)	Free
Debit order and unpaid item fee	R31,50	R31,50	R105,00	R105,00

The following fees apply to transaction accounts, unless specifically excluded.

Information	
Internet banking statements	Free
Provisional statements	
AutoPlus – one free (30 day) month (except MasterCard), thereafter	R3,25
Branch – one free a month (except MasterCard), thereafter	R8,80
Balance enquiries and mini-statements	
At AutoBank or AutoPlus	R1,20
At branch	R3,25
At another bank's ATM	R3,65
Other services – applicable to all options	
Declined AutoBank cash withdrawal	
At AutoBank	R2,00
At another bank's ATM	R3,65
Garage card transaction fee	R3,05
Monthly revolving credit plan administration fee	R18,50
Stop order (establish/amend/cancel) fee	R12,00
Monthly service fee on overdrafts ²	R18,50
Monthly service fee (no limit) ¹	R50,00
AutoBank card replacement	R29,00
Over limit fee	
Current account	R85,00
Cheque card annual fee (including lost card protection)	R57,00
Will safe custody annual fee	R65,00

Current account pricing option 3 – Fixed monthly fee (Plus)

For each transaction over the number shown in this table, the 'Pay as you transact' fee will apply.

	Consolidator ⁴	Classic	Achiever GO ¹	Achiever	Elite	Prestige ¹	Prestige Secondary	Private Banking ⁴
Monthly fee	R34	R80	R50	R120	R145	R170	R60	R230
The fee includes:								
Cheques	10	10		10	10	15	15	15
AutoBank cash withdrawals ¹	8	8	4	8	8	12	12	12
Branch cash withdrawals (using AutoBank card)	3	3		3	3	3	3	3
Electronic transactions ¹	30	30	10	40	50	55	55	85
AutoBank cash deposits ¹	2	2	1	2	2	2	2	2
TravelWallet ¹	Included	Excluded	Excluded	Excluded	Excluded	Included	Included	Included
Electronic balance enquiries, mini-statements and electronic prepaid top-ups via Standard Bank	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Internet subscription ¹	Included	Included	Included	Included	Included	Included	Excluded	Included
Annual cheque card fee	Included	Included	Included	Included	Included	Included	Included	Included