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## **Chapter II**

# **Strategic Implications of M-Banking Services in Japan**

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### **Abstract**

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*This chapter explores the state of the art of mobile (m-) banking in Japan. In Japan, in early 2005, there were more than nearly 100 million users of mobile Internet services. A brief discussion about the main characteristics of Japanese banking practices is accompanied by an overview of this country's mobile market. This is followed by a detailed analysis of the mobile Internet services of three major Japanese banks—Mizuho, Sumitomo Mitsui, and UFJ—and the development of a strategic framework for m-banking. The chapter concludes with a discussion about the future of mobile banking.*

### **Introduction**

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In 2003, the number of mobile phone users around the world passed the 1 billion mark (Emarketer, 2002). The proliferation of mobile Internet devices is creating an extraordinary opportunity for e-commerce to leverage the benefits of mobility (Barnes, 2004; Chen, 2000; Clarke, 2001; Dholakia & Rask, 2000; Durlacher Research, 2002).

Mobile e-commerce, commonly known as m-commerce, is increasing the overall market for e-commerce by expanding beyond the traditional limitations of the fixed-line personal computers (Anwar, 2002; Barnes, 2002a, 2002b, 2004; Bayne, 2002; Durlacher Research, 2002; Lau, 2003; Newell & Lemon, 2001; Sadeh, 2002; Siau and Shen, 2003).

One of the first commercial applications of the mobile Internet was mobile (m-) banking. M-banking can be defined as a channel whereby the customer interacts with a bank via a mobile device, such as a mobile phone or personal digital assistant (PDA). The emphasis is on data communication, and in its strictest form, m-banking does not include telephone banking, either in its traditional form of voice dial-up, or through the form of dial-up to a service based on touch-tone phones (Barnes & Corbitt, 2003).

One interesting aspect of m-commerce is the differing pattern of development and use compared to “traditional” e-commerce. While the United States leads the world in almost every aspect of traditional e-commerce, it has struggled to make significant inroads into m-commerce. In this market, the leader is Japan (Barnes & Huff, 2003). The Japanese market is at least 2 years ahead in comparison with the West. By the end of February 2005, there were almost 100 million users of mobile Internet services in Japan, 25.5% based on third-generation (3G) networks. The main providers of mobile Internet services in Japan are NTT DoCoMo (i-mode) with 43 million subscribers, KDDI (EZweb) with 17.5 million, and J-phone/Vodapone (J-Sky) with 13 million subscribers. Each of these players also offer 3G network services for their costumers, and as of February 2005, KDDI’s Au 3G has 16.8 million users, J-Phone 3G has 0.36 million, and NTT DoCoMo’s Freedom of Mobile Access (FOMA) has 8.9 million users (Mobile Media Japan, 2005).

This chapter aims to explore the state of the art of mobile (m-) banking in Japan. The following section provides an overview of the country’s mobile market. This is followed by a brief description of the main characteristics of Japanese banking practices. Subsequently, a detailed analysis of the mobile Internet services of three major Japanese banks is presented, and analysed using a strategic m-banking framework. The chapter concludes with a discussion about the future of mobile banking.

## **Mobile Technology in Japan**

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This section provides some background on the diffusion of wireless Internet services in Japan. In particular, it explores the key determinants for the high level of penetration, some recent examples of devices, and the general pattern of usage for wireless services.

### *The Remarkable Diffusion of the Mobile Internet in Japan*

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In terms of technology adoption and diffusion, Japan provides an interesting case study. In this market, a number of complex forces have combined to create the strong platform for wireless Internet services that we see today. Such forces do not necessarily exist elsewhere—as evidenced by a number of wireless industry analysts—leading to considerable debate surrounding the possible transfer of similar service offerings to overseas markets.

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