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A twisting road

2000 was the year in which the Internet truly arrived for financial services providers. Banks joined the SUPERHIGHWAY with talk of closing branches, axing staff and cutting down the paper load. The euphoria surrounding the Internet began to take hold and it was the end of banking as we knew it – a new era had dawned.

However, there is a sharp turn on the horizon. Financial organisations are beginning to realise that a Web-only presence does not give the customer the diversity they require. Internet financial institutions are seriously considering setting up real, as opposed to just virtual, branches. The PERSONAL FACTOR has re-emerged.



Every business can see the benefit of having an on-line presence. The Internet currently links an estimated user community of more than sixty million people, with that number growing at an exponential rate, doubling every year. At the beginning of 1991, there was not a single business using the Internet – today that number reaches hundreds of thousands. At the current rate of growth, 25 per cent of the world's population will be connected by 2003. Whatever happens, the Internet is sure to be an integral part of the future.

HIGH SPEED

The arrival of the Internet has seen a rush by businesses, especially in the finance sec-

tor, to capitalise on this booming market. Analysts Datamonitor predict that by 2004, twenty-one million Europeans will bank on-line. And while revenues will still only represent a small fraction of the total sector, it is the margins that make the Internet so attractive for the banking fraternity. Figures from the Giga Information Group show that transactions costing a bank £0.69 off-line cost just £0.02 on-line. As a result, according to Cap Gemini, large banks expect a quarter of all transactions to move on-line by 2005.

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crucial if they are to succeed in this medium. A mere Web presence is not enough. By the same token neither is just a call centre, or a branch network. The customer is taking control. In fact, what we are seeing is a demand from the customer to be able to bank on whatever medium they choose, whenever they want to. Multi-channel banking will become a major force in satisfying the customer's desire for diverse banking functions.

Interacting with customers has, in many ways, become easier for banks. The ATM began the technology revolution, but now we can include the PC, interactive digital television, WAP phones, and PDA's – all due to the impact that Internet technol-



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ogy has had on the industry. However, the reality is that no one really knows how these channels are going to take off, and exactly how they are going to work. We can see the changes that the Internet has brought to the industry in the way that organisations are collaborating with each other to ensure that they gain the best out of the rapidly emerging technology, in order to satisfy the customer.

CHANNEL TUNNELLING

With this heightened customer control we are also seeing loyalty drop as people shop around for products and services, a process made far easier with the arrival of the Internet. Financial organisations will have to learn to use all channels wisely in order to curb this declining loyalty. The industry is still on the learning curve, finance firms are only now beginning to understand the Internet and what works and what does not – in terms of products and services – but this same level of understanding needs to be reached quicker for the mobile phone and interactive digital television.

The advancement of idTV has opened up a whole new market for the customers of banks. Organisations now better understand the typical population using the Internet (B2/C1, teens to 20s and 50+) and believe that the development of idTV will cover a much wider range, including the C1/C2/D groups. However, uptake of the digital market has been relatively slow, but this shouldn't detract from the fact that simply offering this channel and occupying this market space satisfies the customer requirement of diversity.

The mobile phone has seen a similar migration process. Being able to offer the channel is one thing – but when using the channel, customers must feel that they are getting the best out of the service. At the moment the best use of the mobile phone has been from students and the young who take advantage of the inexpensive short message service. WAP has so far failed to capture the imagination or find the relevant speeds that users need. Nevertheless, the progress of G3 could see the mobile becoming a more important channel with significant marketing advantages. The mobile phone can tell you a number of things about the customer, not least who the person is, where they are, their credit

rating in some form, and account details. However, this potential will not fully be realised until the service and speeds are improved.

Personal digital assistants are also coming of age. Whilst still very proprietary, new models are increasingly appearing with wireless protocols. It is still the Internet, but with a better on-screen appearance than a mobile phone and improved connection speeds. And with the progression of these into combination machines – that is combining a PDA with a mobile phone – this area of multi-channel banking has the potential to reap huge rewards in the future as prices tumble and consumers realise their worth.

TRAFFIC JAM

A user's tolerance to being kept waiting appears to be much reduced when the medium is less personal. Customers will wait patiently in a bank queue for ten minutes, on the phone for a couple of minutes, and on the Internet just a matter of seconds. There is now an expectation that technology, unlike human action, should be incredibly fast. If it isn't, users are inclined to 'click away' rather than sit and watch their on-screen egg timer rotate. And they will be able to do that as easily on a mobile phone, PDA or the TV as they can on a PC. Once the speeds of connection to the user improve, financial institutions can expect another surge in customers wanting to use banking functions on these mediums. But will they be ready?

A recent study by the Wharton School of Business, University of Pennsylvania found that when financial services firms look to optimise a particular retail delivery channel, they tend to underestimate the impact of customer interactions with other channels. Given that customers of banks and other providers of financial services tend to use a wide variety of distribution channels, banks must manage the interactions amongst channels as rigorously as they manage each channel in isolation.

For example, the e-bank Egg has begun redefining its business processes with the realisation that managing their Internet channel in isolation does not cover all customer bases. They are beginning to adopt a sound multi-channel policy begin developing a branch network to accompany their Web presence. The Halifax and The Woolwich, both in the UK, have also been admired



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AS RIGOROUSLY AS THEY MANAGE EACH CHANNEL IN ISOLATION.**

for the way they have addressed the transition into Internet and multi-channel banking offering their respective 'Intelligent' and 'Open' platforms.

MIDDLE OF THE ROAD

Financial institutions will need to adopt a clear middleware strategy so that whichever channel is used, a business component can be retrieved and processed the same way every time. Flexibility is the key, and is set to become the buzzword in the e-banking arena. To survive, an organisation will need to deliver business to new channels quickly and provide common access to the back-end services. In addition, there must be a clear connection strategy to the customer from any device. This requires a clear and tested security policy and access control.

This issue of security will become extremely important in the new world of multi-channel banking. As the number of channels increases, and the integration between these channels develops further, security design will become absolutely fundamental. Financial organisations will need a multi-channel architecture that allows the safe delivery of transactions.

The quick and flexible building tools of the Microsoft .NET architecture allows financial institutions to deliver transactions to any channel very quickly. As a result, organisations can build a solid and reliable infrastructure that allows them to communicate to the outside world through that architecture. With this kind of technology it almost does not matter whether digital television takes off instead of the WAP phone, because getting these channels to work effectively, efficiently and seamlessly will become relatively easy. At present, financial institutions do not have a way of communicating across multiple channels. Adopting this common interface to all of the back-end systems, through the .NET architecture, provides the greater degree of

flexibility and reliability that is required. A solution based on a sound architecture is essential if finance organisations are going to be able to deliver their services and products effectively to their respective channels.

Many financial institutions are asking if they will ever be able to deliver their products and services in the same way again. The answer must be no. Many financial institutions are considering outsourcing, managed services and alliances in an effort to relinquish the processes that they see as being managed more efficiently by third parties. In this way, back-office services, front-end feeds, and front-end processing will need to be streamlined in an overall effort to facilitate not only the move to providing multiple channels of banking, but the whole business processes of an organisation.

The e-world is enabling a multitude of radical changes in the banking environment and presenting new ways of working – much of which is still in the learning phase. Areas such as e-procurement, e-auctions, e-HR, ASP's and consolidators will all affect how an organisation will look and work in the future. The integration of the Internet into the business still remains a key objective for all organisations. But this integration will involve a multi-channel strategy that is a must for all banks, whether traditional or new.

In fact, consolidation will probably again be at the forefront of the finance industry in 2001, especially in terms of providing multiple channels, and working out new business relationships and new ways of trading with people. In addition, financial institutions must have a complete fulfilment process, offer alternative channels, and have an integrated view of the customer. This swing in attitudes towards Web-enabled financial services is only the beginning – we can expect to see much more on the road ahead as organisations begin to realise the Internet's true potential. ■

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