

COMMENT / BY STEVEN REICH

# Trusted Agent Status Gives Banks Web Advantage

Financial institutions are in the catbird seat when it comes to the Internet, but many of them have not realized it, primarily because the Web has so far proved more of a cost center than a revenue channel.

However, the Internet offers tremendous opportunities for visionary institutions that have built solid relationships with their customers through traditional channels over the previous decades.

Unlike Internet start-ups, banks have trusted agent status among customers, and can move from being a home banking Web site to becoming the central hub for all customer transactions with relative ease.

As the functionality of the site grows, it is natural for customer interaction and transactions to grow with it. The barriers to change become stronger and more numerous as these users move more transactions online with their financial institution, and the relationships become more entrenched. They have no reason to take their transactions anywhere else — unless their bank gives them one.

And one compelling reason is a failure to provide desired services.

New and emerging tools and opportunities prove the value of Internet banking beyond customer retention. The very real potential for cross-selling to existing customers and even generating fee income from an effective e-finance channel is offering banks tangible results. Statistics tell us Internet



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banking users log on at least six times and look at about 20 pages of information each month. Every logon event and page is a sales opportunity. Banks have the ability to reach customers via this new channel and to offer the right services to the right customers at the right time.

For example, if a customer has six months remaining on a 48-month auto loan, the bank could leverage the relationship by offering a new loan just when the customer begins looking for an alternative.

For mortgage customers, banks can offer refinance options at the best possible time. Some modest-sized institutions are taking applications for loans of over \$1 million every month through this channel at comparatively minimal expense.

Suddenly a defensive strategy may not be the best one. The Internet has clearly become a

viable channel that can deliver millions of dollars of revenue instead of being just one more expenditure.

The prospects of moving forward are even more promising.

For example, organizations moving from first-generation Web sites to "portals" that typically offer a search engine, links to useful pages, and possibly news or other services are looking at what could be a significant revenue stream. Industry estimates show that businesses can earn between \$15 and \$50 for each customer who travels through a portal. Financial institutions could pay for Internet banking simply by bringing those customers through their portal.

A new model is emerging — one that sees financial institutions marching toward a goal of profitability for the Internet banking services they have adopted.

The overriding premise of this model is that the Internet as a channel is not going to magically disappear. We won't return to the way things were. As consumers move more of their lives online, Internet banking has become an imperative for financial institutions.

This is not to say that Internet banking is a cakewalk. Certain steps must be followed to ensure long-term success, and learning from the best practices of those who have gone before is a good place to start.

- Identify a strategic partner — a trade organization, consultant, or vendor — that can help

develop a plan for building your Internet strategy and presence. Even if you conclude that the current business model is the best — that it's not time for Internet banking — just going through the process of deciding where you are and where you want to be is very worthwhile.

- Choose an incremental approach. The needs and solutions that come out of the planning exercise should enable you to implement a strategy incrementally so that value can be realized along the way. To develop your Internet banking, you can use a single vendor for consistency and continuity, or you can assemble a best-of-breed solution for specific functionality not always available from a single vendor.

Some caveats, whether you work with one or multiple providers: Make sure that any vendor you choose is financially strong. The Internet economy is weeding out the weak every day. It's imperative to work with the winners. In addition, be sure that security is a priority for anyone with whom your organization works. Because security is getting regulatory scrutiny and is paramount in the minds of customers, institutions owe it to themselves to do due diligence on security.

- Establish the metrics to gauge your results. If 3% of your customers currently use your Web site, set some specific goals for what you want that number to be. Then think long-term. Ask questions like, "When I have 10% online, how many loans

should I be generating every month?" Having a precise benchmark is less important than picking a goal and moving toward it so that you know whether you're doing well.

- Market, market, market. A solid marketing program is crucial for driving adoption and enrollment. Some very straightforward best practices can double or triple online enrollment.

Two years ago Internet banking was the next great thing. For cutting-edge visionaries who saw the potential, it became part of an overall e-business strategy. Thanks are due to those that went first, since many best practices have been gleaned from their successes and failures.

Today the financial services e-landscape is very different. Internet banking is quickly becoming a must-have, and visionary institutions are looking beyond Internet banking toward a long-term strategy that includes even more services.

As banks work toward becoming the Internet financial hub for customers, they can become the center of their customers' world in terms of transactions. Forward-looking institutions that team with smart, experienced vendors are ready to build their Internet acres — and stand to reap the rewards of being the first to claim their turf.

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