

HIDDEN PROFIT IN ONLINE BANKING

Innovative ideas – How to increase revenue on existing customers by providing them seamless services



Summary

How can existing yet untapped profit in online channels be leveraged? The answer is much simpler than it first appears. Online channels such as the Internet and mobile are the main customer relation platform for communication with generation "Y". Also it means cost reduction and customer acquisition opportunities for innovative banks.

As a result of the economic downturn, consumers are paying more attention to their financial situation.

They can monitor their incomes and spendings by using a piece of paper, or an excel sheet, but more people seems to use their online banking service for this purpose. From the banks' perspective, providing a personal finance management service can be a great opportunity to gain more information about clients, their banking habits and preferences. Moreover the bank can provide a unique, high quality service to the customers and it is also a marketplace to offer further banking products and services.

The growth of mobile banking has now put it on par with Internet banking. Mobility and accessibility are even more important for also those customers who trade online. Now it's time for banks to implement mobile banking and trading applications and take the advantages of nearly 100% mobile penetration.

People need financial products, however, their demand do not include receiving vast amounts of paper or waiting for hours on leather sofas in the bank. From a banks perspective, there are a few free services provided to customers that detract from the bottom line. When a bank substitutes these services with electronic channels, costs can be reduced and extra revenue will be gained.

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Can we afford to leave money on the table?

Most financial institutions have undiscovered profit opportunities. This means a bank can reach “quick-wins” and be able to increase profit by implementing a couple of simple, innovative ideas. Customer oriented, fast moving financial institutions with innovative services can reach new clients more easily. As banking activities move to electronic channels, the advantages of brick and mortar branches are diminishing, and the crucial success factor of competition are the online services.

How to profit from emerging trends?

Online banking channels are becoming more important – contact inexpensive, sell more

Clients are using online banking channels more frequently to manage accounts and track finances. Online banking also provides an opportunity for the bank to contact clients, and each contact presents new opportunities to sell new product or upgrade service.

To reach 10 million mass-market customers in the USA, the telephone and cable TV took 38 years and 25 years respectively. The World Wide Web took less than 5 years to do the same. The expectations of generation “Y” are totally different to previous generations'. By 2011, the “net generation” will account for 50% of the working population. The age of computer screens with green characters set on a black background, 50 row length tables and functions requiring a hundred keyboard clicks are the relic of the past. Internet banking channels are facing new challenges: users are more Internet savvy, their yardstick is the Internet; they strictly judge e/m/i-banking services by attractiveness and ease of use. They demand new, sophisticated and value added features in online banking. All this means, the next wave of banking front systems needs to have flexible screen with high-level customisation.

Attract new customers with mobile banking

The growth of mobile banking has now put it on par with Internet banking. Mobiles phones are more and more intelligent, broadband Internet is becoming widely available and growing proportion of internet traffic flows through mobile phones.

Nowadays, most new mobile handsets are capable of broadband connection and new technologies allow for smoother transaction. Furthermore, people are expected to adopt surfing on mobile internet much faster than they adopted Internet itself.



According to a mobile banking survey published in the [American Banker](#), 90% of respondents are interested in using their mobile phones to keep track of their financial information such as checking balances, viewing recent transactions, or receiving alerts. 93% said they would likely use such services once a week and 76% said they would use them more than once a week. Mobile is on the way to fulfilling the original promise of the Internet: providing 24/7/365 bank account access.

Mobility and accessibility are even more important for also those customers who trade online.

Towards 'No Frills' model

Does anyone really need a three-course dinner in a forty minutes flight? The 'no frills model' (or 'low cost' model) first became prevalent among the airline industry. They began by offering passengers a basic service with the option of additional 'luxury' services for extra charge.

Why should the financial sector be any different? What do people really want from their bank? They primary demand for prudent and trustworthy financial products, high-quality financial services with advantageous business conditions, attentive customer service and seamless accessibility. For Gen "Y", accessibility means electronic channels. An innovative bank has to reconsider that rushing working people unlikely want to wait for hours and they do not expect leather sofa and marble room, but they need fast and convenient service.

The following are a few examples of free services that detract from the bottom line. If a bank substitutes these services with electronic channels, it will be able to hit two goals: reduce costs and gain extra revenue.



- ➔ **Mailed statements:** Printed account statements can be fully substituted with electronic documents, which can be received in the Internet bank or via email. Printed statements are redundant for those who use Internet banking as this information can be accessed online.
- ➔ **Call centre:** Phone based customer support is relatively inexpensive compared to branches since most routine questions are answered automatically at a click or via IVR. Besides human support can be outsourced to lower labour-cost areas.
- ➔ **Branches:** Branches are a huge and vastly underused capital expense. But the steady branch traffic and continued sales success of the past mask. It is projected to be a rapid decline in the value of branch banking. With growing digital literacy customers become more confident in online banking, so branches are expected to gradually lose their sales and marketing power. Branches unlikely vanish entirely, but most of their traffic will shift to e-channels. The number of branches is expected to be reduced and the size of them. Due to high expenses, banks will be obliged to charge fees for more services in the branch that are still offered free of charge.
- ➔ **Highly qualified experts everywhere.** The Internet provides the opportunity to reduce human resources in branch channels. Banks need not employ senior experts in all branches; enough to have some in the HQ so the local branch does not have to handle the most complicated banking transactions. Staff in the local branch can direct the client to the expert, who can be contacted via videoconference.
- ➔ **Online bill payment.** Online bill payment provides significant value. Banks can save time, save money - e.g. postage, late fees, and check printing fees. Besides banking customers can improve bill tracking and budgeting to make their financial life easier.

Know everything about the customer and offer products that fit their needs – Personal finance management

Implementing personal finance management applications means supporting banking clients in tracking their income, expenditures and investments. Bank can build trust and it becomes a personal financial advisor.

Personal finance management applications increase financial awareness of customers by providing a deeper insight into their own finances. It supports them in keep on top of their finances: control their expenses and plan, manage and monitor their financial health. They can track their income, expenditures and investments.

It is not only a cool tool for online banking users. The main benefit is on the bank's side. As these financial tools become part of the customers' everyday life, the relationship and trust between the bank and the client becomes stronger and deeper.

Personal finance management is a unique service that ensures long-term customer relationship and strengthens retention efforts: the longer the customers use it, the deeper their ties to the bank.

Transforming online banking from a pure transaction interface to a complex financial tool provides new opportunities to the bank.

- ➔ The bank has an accurate view of the customer, knowing everything about their purchasing habits, goals, and even about competing financial products
- ➔ The bank gains deeper customer insight to statistically analyze their financial habits; this knowledge can be the basis of financial product development and segment based, personalized offers
- ➔ PFM increases customer loyalty, retain them with higher service level.

By using all these tools and features banks can increase customer loyalty, boost sales and retain customers.

What the statistics say? Last year the traffic of personal finance management sites increased by **450 %**. Banks who have implemented these kinds of solutions have had great success. By 2008 November, Bank of America had 2,5 million, Wells Fargo had 1 million **PFM users**.



The Banking Front-Office Technology

About IND

IND Group is a leading developer and provider of banking front-office products on the European e-finance market. IND's flagship product, the IND Banking Front- Office (IND BFO), is a comprehensive range of solutions that empowers front-office operations. As IND BFO covers branch, internet, mobile and contact centre banking on the same platform, service quality and performance can significantly be improved.

The remarkable growth IND has made over the past years marks a true success story in the International financial IT market. We provide proficiency and state-of-the-art technology in more than 15 countries on three continents. With a foundation of profitable growth since its inception in 1997, the Group is operating now from several European cities: Bucharest, Budapest, London, Miskolc, Stuttgart, Vienna.

Information on IND and its products is available at www.indgroup.eu