

Internet Banking: Relevance in a Changing World

Surprising, but true - Internet-based activity is not the preserve of the young "digital native" generation alone. A 2008 survey says that Generation X (those born between 1965 and 1976) uses Internet banking significantly more than any other demographic segment, with two thirds of Internet users in this age group banking online.

Gen X users have also professed their preference for applications such as Facebook, to share, connect and be part of a larger community.

This is some irony in this, since online banking, as we know it today, offers minimal interactivity. Unlike in a branch, where the comfort of two way interaction facilitates the consummation of a variety of transactions, the one way street of e-banking has only managed to enable the more routine tasks, such as balance enquiry or funds transfer.

It's not hard to put two and two together. A clear opportunity exists for banks that can transform today's passive Internet banking offering into one that provides a more widespread and interactive customer experience.

It is therefore imperative that banks transform their online offering, such that it matches the new expectations of customers. Moreover, Internet banking must journey to popular online customer hangouts, rather than wait for customers to come to it.

There are clear indications that the shift towards a "next generation" online banking environment has already been set in motion. It is only a matter of time before these trends become the norm.

Leveraging of Social Networks

Forward thinking banks are leveraging existing social networks on external sites to increase their visibility among interested groups. They are also deploying social software technology on their own sites to engage the same communities in two way discussions. Thus, their Internet banking has assumed a more pervasive persona – customers are engaging with the bank, along with its products and services even when they're not actually transacting online.

Heightened visibility apart, banks can gain tremendous customer insight from such unstructured, informal interactions. For example, a discussion on the uncertain financial future among a group of 18 to 25 year olds could be a signal to banks to offer long term investment products to a segment that was previously not considered a target. Going one step further, a positive buzz around a newly launched service can create valuable word-of-mouth advertising for the business.

Collaborating through Web 2.0

The collaborative aspect of Web 2.0 applications has enabled banks to draw customers inside their fold more than ever before. Traditional methods such as focus group discussions or market research suffer from the disadvantages of high cost, limited scope and potential to introduce bias. Feedback forms merely serve as a post-mortem. In contrast, Web 2.0 has the ability to carry a vast audience along right from the start, and continue to do so perpetually. Thus, an interested community of prospects and customers participate in co-creating products and services which can fulfil their expectations.

The pervasiveness of Web 2.0 enables delivery of e-banking across multiple online locations and web-based gadgets such as Yahoo!Widgets, Windows Live or the iPhone. This means next generation online banking customers will enjoy heightened access and convenience.

A New York based firm of analysts found that 15% of the 70 banks tracked by them had adopted Web 2.0, a number of them having done so within the last 12 months.

Standard Chartered Bank employees connect with their colleagues through Facebook and use the platform to share knowledge, clarify questions and participate in discussions on ongoing company activities.

Bank of America, Wachovia Bank and Commonwealth Credit Union have built a presence within interactive media to create awareness and keep up a dialogue with

interested communities. They have employed a variety of methods, ranging from creating YouTube communities to launching campaigns on Current TV, a channel in which viewers determine content.

Personalisation of Online Banking

Vanilla e-banking divides customers into very large, heterogeneous groups – typically, corporate, retail or SME, with one type of Internet banking page for each. That's in sharp contradiction to how banking organisations would like to view their clientele. Banks are moving towards customer-specificity, almost viewing each client as a “segment of one”, across other channels, and online banking is set to follow suit. For instance, a specific home page for home loan customers and another for private banking clients could well be a possibility in future.

Interestingly, National Bank of Kuwait had the foresight to do this several years ago - they enabled customers to determine which products they would view and access, and were rewarded with a dramatic increase in online transactions.

Money Monitor from Yes Bank allows customers to choose their landing page – for example, they can set “all transactions”, “net worth” or “portfolio” as their default view. Other features include the ability to categorise transactions as per customers' convenience and the printing of custom reports.

Empowerment Online

Beyond doubt, Internet banking has created a more informed, empowered class of customers. This is set to climb to the next level once customers are allowed to proactively participate in many more transaction-related processes. The Internet has already made it possible for customers to compare product loan offerings, simulate financial scenarios and design custom

retirement portfolios. Going forward, they would be able to consummate related transactions – which means, after comparing interest rates, they could originate a loan online, and once secured, they can begin to repay it online as well.

Portalisation

The emergence of Web 2.0 technology coupled with banks' desire to personalise their e-banking to the highest degree is likely to result in “portalisation” of Internet banking. The idea of banking customers being able to create their own spaces online, filled with all that is relevant to them, is not that far-fetched. Customers can personalise their Internet banking page to reflect the positions of multiple accounts across different banks; they could include their credit card information, subscribe to their favourite financial news, consolidate their physical assets position, share their experiences with a group and do more – all from one “place”.

Money Monitor enables customers to add multiple “accounts” (from a choice of 9,000) to their page. Accounts could be savings or loan accounts with major Indian banks, or those with utilities providers, credit card companies, brokerage firms and even frequent flyer programs. Users can customise their pages as described earlier.

As banks seek to develop their Internet banking vision for the future, in parallel, they will also need to address the key issues of security and “due defence”. While it is every marketer's dream to have customers work as ambassadors, adequate precaution must be taken to prevent the proliferation of malicious or spurious publicity. Therefore, before an individual is allowed to participate in a networking forum, he or she must have built up a favorable track record with the bank. The individual must be a recognized customer of the bank, having used a minimum number of products over a reasonable length of time. Qualitative information about the person's interaction with the bank's support staff (for example frequency and type of calls made to their call centre, outcome of such interaction and so on) may be invaluable in profiling the “right”

type of customer who can be recruited as a possible advocate.

Collaborative Web 2.0 applications may necessitate opening up banks' websites to outside technology and information exchange with third party sites, raising the spectre of data and infrastructure security. A robust mechanism of checks and balances must be built to ensure that the third party sites are secure, appropriately certified and pose no threat to the home banks' sites. Likewise, before a third party widget is allowed to be brought on to a site, it must have passed through stringent security control.

Due diligence must be exercised before permitting users to place a link to another site to guard against the possibility of inadvertent download of malicious software, which could, in the worst case, even result in phishing originating from the banks' sites.

It is equally important for a bank to guard its customers against invasion of privacy, data theft or misuse. The concept of portalisation envisages deploying technology to bring information from other banks' or financial service providers' websites into the home bank's site. The home bank must ensure that its customers' personal or transaction related information, which may be shared with the other providers, is not susceptible to leakage or outright misuse.

Banks will do well to partner with an Internet banking solution provider which has not only the expertise to translate their vision into a cutting edge e-banking experience for the user, but also the foresight to define boundaries for safety. With security concerns adequately addressed, next generation Internet banking is full of exciting possibilities. Banks that seize the opportunity may find that Internet banking can become a means of differentiating themselves from competitors, rather than a mere cost cutting tool. Clearly, providing a more powerful and interactive e-banking experience, is the way forward.

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