

Both Businesses and Bankers See the ROI of Digital Services

WHITE PAPER

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IN THIS WHITE PAPER

In early 2009, Financial Insights conducted a global survey of businesses and bankers regarding their investments in and use of financial digital services. Financial digital services is defined as the distribution of content, information, or product across the Internet, mobile device, or other electronic delivery channel. The goal was to better understand clients' usage of and satisfaction with digital services provided by their banks. Usage of specific products was researched as well to determine the relative importance of each. The research showed a significant lack of congruence between banks and their clients regarding product satisfaction.

Key findings of this research include:

- Investment in digital services delivers on its promise
- Bank spending on digital services will increase
- Security and service quality are most important features
- Poor service quality and an inadequate suite of services most often lead to dissatisfaction
- Banks overestimate client satisfaction
- The most mature services are those most frequently used
 - Cash management
 - Payments initiation
 - DDA

SITUATION OVERVIEW

Banks have been offering digital services to their corporate clients for decades, starting with installed PC-based applications in the 1980s, moving from DOS to Windows and now to Internet and mobile applications operating in the cloud. The struggle for institutions is to continue to invest as technologies mature and client expectations likewise increase. Those that do not continue to invest will not remain competitive. Digital services are the most common mode of interaction businesses have with their banks — making it the most important channel for this very strategic set of customers. With businesses worried about the financial stability of their banks and banks more concerned than ever about retaining these customers, investment at this time is critical. As banks jockey for position and businesses seek not only a safe harbor for their deposits but also a bank with which it is easy to do business, digital services are a high priority.

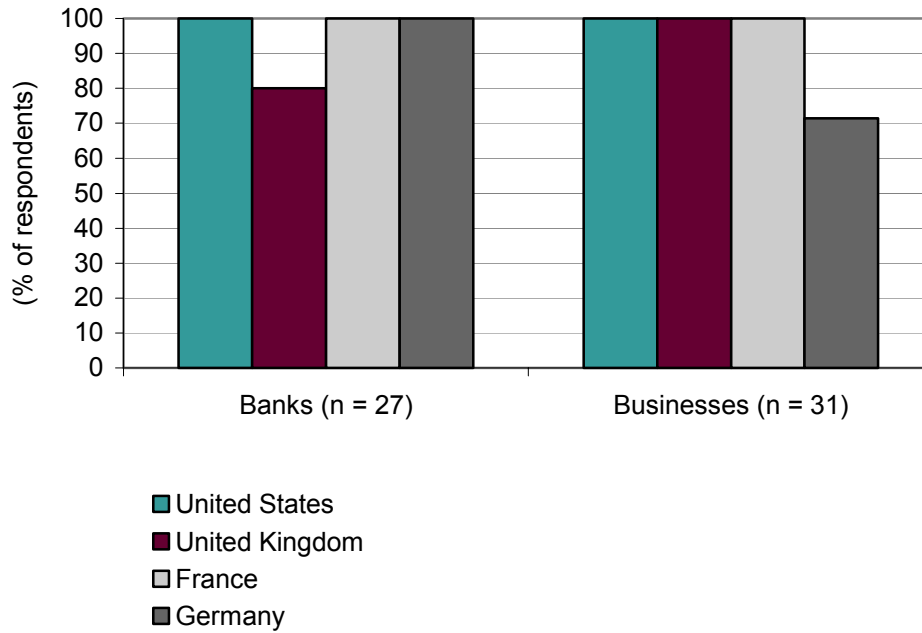
The Value of Digital Services

Despite the continuing need for reinvestment and refresh, both banks and businesses see investment in digital services as worthwhile. Banks tell horror stories about investments in projects such as CRM, business intelligence, or data management — projects that often leave banks feeling that good money was wasted — but such is not the case with digital services. Businesses value these services as much as banks do, as illustrated in Figure 1.

FIGURE 1

The Value of Digital Services

- Q. (Businesses) Have the online digital services that you use delivered on their promise of efficiency?
- Q. (Banks) Have the online digital services that you have deployed delivered on their promise of efficiency?



Note: Data represents the percentage of respondents who agreed that online digital services have delivered on their promise of efficiency.

Source: Financial Insights, 2009

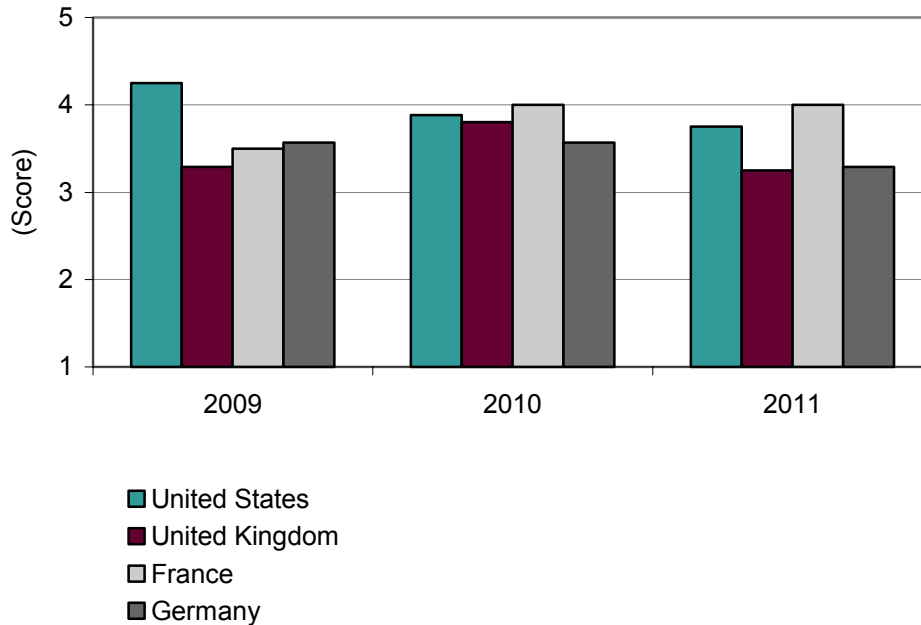
Planning for the Future

In all cases, banks are planning to moderately increase or maintain spending on digital services over the next three years, as shown in Figure 2.

FIGURE 2

Future Spending by Country, 2009–2011

Q. How will your bank's annual investment in online and digital services for the corporate customer base change?



n = 27

Note: Scores are based on a scale of 1 to 5, where 1 = decrease significantly, 2 = decrease moderately, 3 = stay about the same, 4 = increase moderately, and 5 = increase significantly.

Source: Financial Insights, 2009

This survey data is consistent with Financial Insights' forecasts, which indicate that even with the overall spending reductions that are occurring in the industry, investments in cash management, trade, and other digital services are continuing. With interest income under pressure, sources of noninterest income, such as treasury services, increase in importance to the organization and banks that are well capitalized have the ability to invest strategically. With institutions acquiring weaker competitors, deposits moving between institutions at a rapid rate, and a strong desire to increase deposits, investing in digital channels can address these changes.

Security and Service Quality: Table Stakes That Must Be Done Right

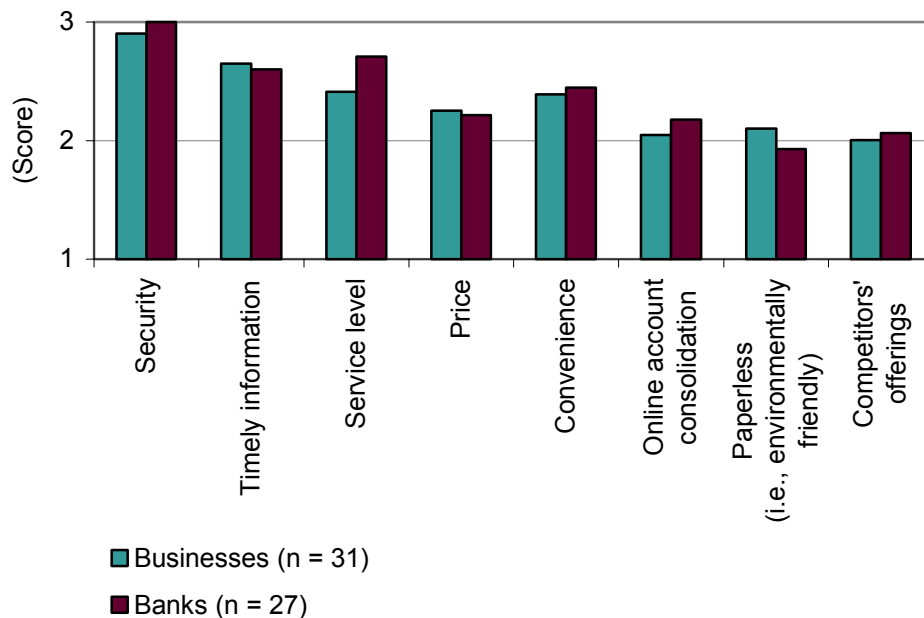
Both banks and businesses are very consistent in their views of which features are most important. Security tops the list for both, followed closely by timeliness, service levels, and convenience. As shown in Figure 3, there is little deviation between banks' and businesses' points of view with regard to the various features. None of the features were

viewed as unimportant, although the latest highly hyped feature, "environmentally friendly," is one of the least important in this ranking. Institutions that are building marketing campaigns and hoping to tap into public sentiment may find that this message falls on deaf ears if other more important features are not at least up to par.

FIGURE 3

Ranking of Features

Q. Rate the importance of the following digital services features.



Notes: Scores are based on a scale of 1 to 3, where 1 = not important, 2 = important, and 3 = very important.

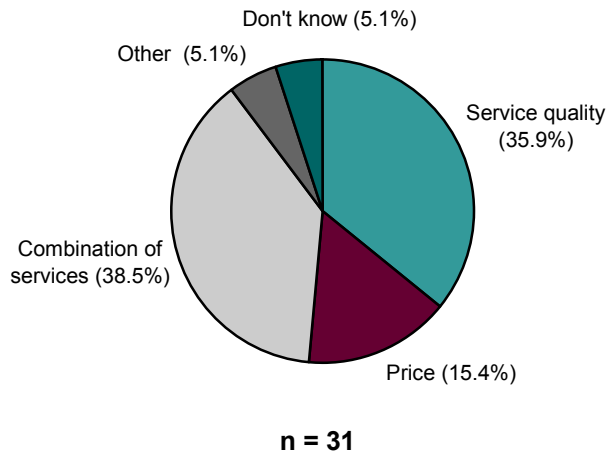
Source: Financial Insights, 2009

In Figure 3, service levels ranked third in priority. The importance of service levels is reinforced when examining the areas where businesses see room for improvement. As shown in Figure 4, a lack of service quality can quickly lead to dissatisfaction, ranked right behind an inadequate combination of services. Businesses are always looking for efficiency in their financial affairs, and one way they can achieve it is by reducing the number of banking relationships. Those banks that offer a complete portfolio of services are much better positioned to keep their clients satisfied, and to win new business. Price is also important, but it runs a distant third. This finding indicates that as long as clients see that they are receiving good value, price is not a large consideration. However, if they are paying a premium, they also expect premium product and service levels.

FIGURE 4

Reasons Digital Services Need Improvement

Q. For those categories that you rate as needs improvement, please identify the top reasons.



Source: Financial Insights, 2009

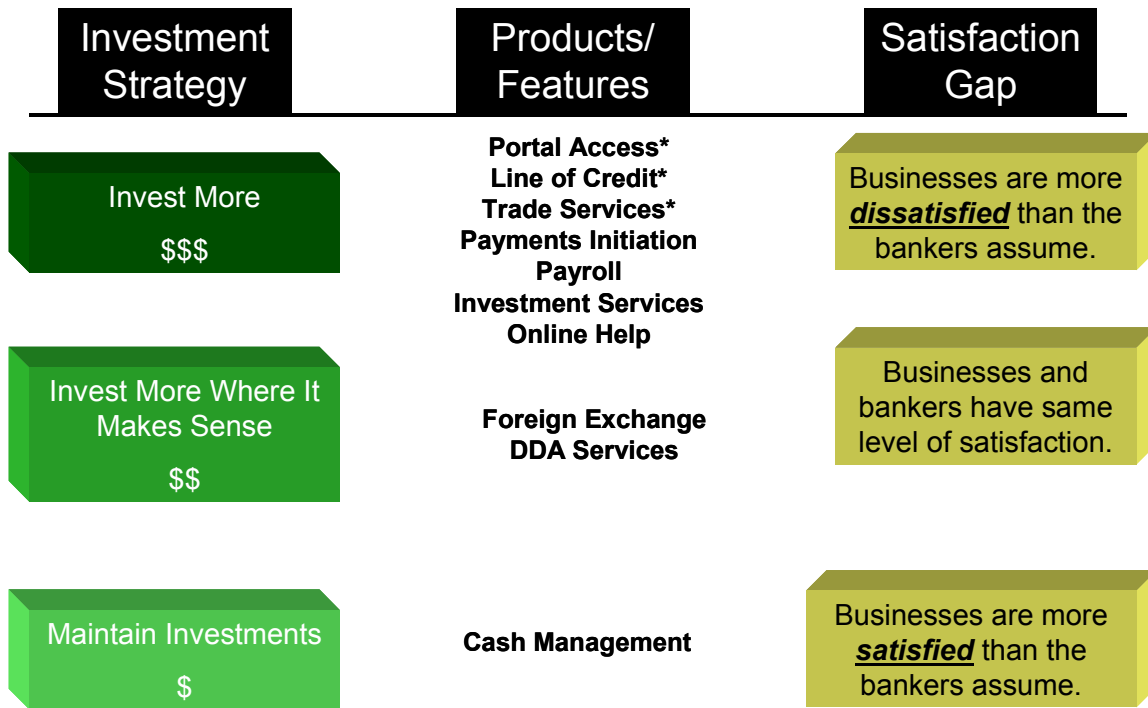
FUTURE OUTLOOK

Satisfaction: Where Banks Get It Wrong

This is a time when banks must be as sure as possible that future technology investments deliver positive results to their firm. Figure 5 shows the "satisfaction gap analysis." The gap is where banks think clients are more satisfied than they actually are. This gap analysis is important to understand when looking at areas requiring additional investment. There is little reason for most banks to invest if their clients are already satisfied. Investment in areas where satisfaction is high is important only to prepare for future features that will change current client opinions or for internal reasons such as increased efficiency or cost savings. Now, the biggest gaps between client opinion and bank perception lie in portals, line of credit services, and trade services. These are the areas where banks are overestimating the value of their current offerings and where additional investment will increase satisfaction. But to make sure that ROI is maximized, banks must examine one more variable: usage of services (i.e., which services are used most frequently?).

FIGURE 5

Satisfaction Gap Analysis



* These three services have the largest gap.

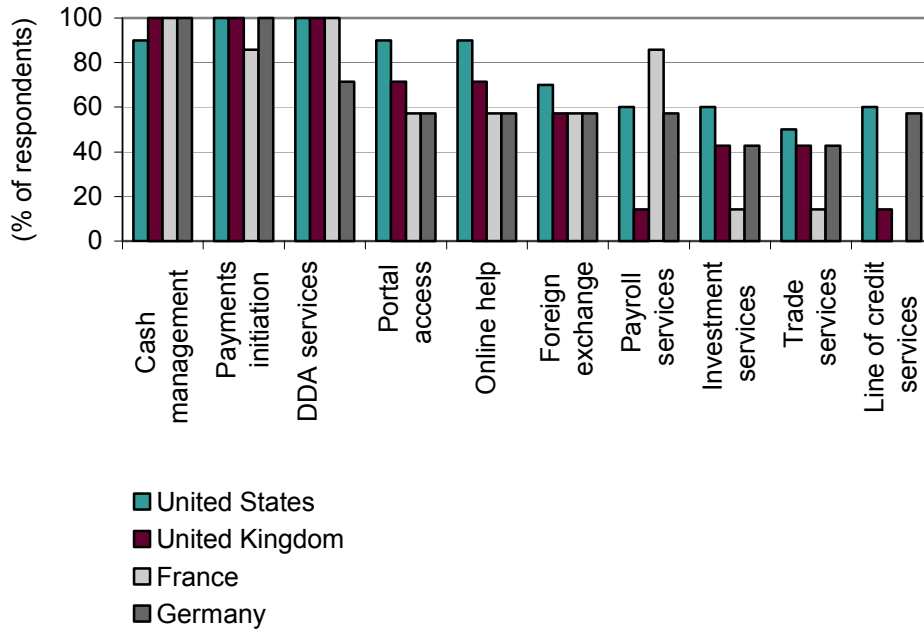
Source: Financial Insights, 2009

Figure 6 provides one more piece of data institutions can use to evaluate whether additional investment is warranted. According to this survey, some of the largest gaps between bank and business views on satisfaction exist in the areas of trade services and line of credit services, but they may not be promising investment areas for most banks. With line of credit, most of the dissatisfied users were in France, and usage is quite low for all countries. So for banks outside France, investing in this offering is likely to yield slimmer benefits than investment in services with more usage. With trade, there are not only few users but also few banks that have made a business decision to specialize in trade services. Trade services is a business where scale is crucial to reach profitability, and many banks are outsourcing their trade services to specialists that also provide digital access. This may be an area to address with those service providers, but it makes sense for only specialist banks to invest in this offering.

FIGURE 6

Percentage of Respondents Using Each Service

Q. Which best describes your use of these services?



n = 31

Source: Financial Insights, 2009

Given satisfaction levels, usage levels, and the business climate, there are three areas where it makes sense for banks to focus their efforts: portal access, payments initiation, and online help.

Portal Access

Financial Insights' view is that investment in portals remains important. The fact that many businesses still are not using portals is more likely due to poor integration, lack of single sign-on, and incomplete product set than to an unwillingness to use portals. It is our view that with increased investment, portals will become the preferred method of access.

Investment in portals also aids institutions in meeting their own efficiency and profitability goals. As digital services have matured, portals have proliferated throughout institutions so that banks now have competing portal strategies and multiple portals within their organizations. By moving to a single platform and developing a single strategy for the institution, both banks and clients will benefit.

Payments Initiation

Initiating payments is the most critical application that banks put in the hands of their corporate clients. It is not uncommon for business customers to use multiple payment interfaces due to varying payment types or multiple bank relationships. This introduces complexity, which leads to increased operational risk. Errors are made due to different user interfaces and message formats, authentication and entitlements must be managed in each system, and maintenance and audit requirements are multiplied. Those banks that do payments well reap the benefits of more disbursements and balances from their corporate clients — two of the products that can lead to banks moving to a primary relationship position with their clients.

Online Help and Collaboration

Improving online help and increasing collaboration is another potential win-win for banks and their clients. Allowing clients to serve themselves reduces both expensive and inefficient calls to customer service. It also creates happier customers. So although online help is not one of the most often-used applications, increasing use can deliver important benefits and increase usage of and satisfaction with the real product applications. Further, as banks increasingly embrace Web 2.0 and provide business clients with the ability to change the presentation of data and capabilities to fit their needs, sophisticated online help will become even more important. As banks increase the power of the tools in clients' hands, they also must work to both avoid the possibility for error and increase satisfaction as clients move up the learning curve.

Financial institutions have struggled with how best to support and provide bidirectional communication to their customers. While traditional call centers are an important part of providing good customer service, more consideration should be given to those who prefer to work exclusively online. The ability to share documents and cobrowse with relationship managers and customer service staff will expedite new account opening and problem resolution. Within applications, context-sensitive help can also be beneficial, but it needs to be up to date and easy to use. Even better, financial institutions should provide tutorial videos or audio clips to explain functions, features, or products. Videos or audio clips are also a terrific way to provide foreign language support.

CONCLUSION

Business clients do not visit bank branches or ATMs; they interact with their financial institution primarily through digital means. Banks recognize this trend and are continuing to invest in this channel. Businesses likewise see the efficiencies they can gain — through reduced staff, fewer banking relationships, increased cash flow visibility, and more automation when these services are well-designed.

We know that businesses are concerned about their banks. In a recent Financial Insights survey, more than 40% of businesses reported increasing their banking relationships to diversify their risk. In that same survey, more than half had eliminated relationships as a result of the financial crisis. Although banks may consider their corporate clients to be loyal, recent events show that loyalty is easily broken. By serving clients well, making it easy to do business, and offering a complete portfolio of services, banks will retain some of those new deposits that have recently flowed in. Investing in digital services can serve all of these needs and make sure that banks are putting their best face forward to their business clients.

METHODOLOGY

In early 2009, Financial Insights interviewed business bankers and their clients in four countries: the United States, the United Kingdom, France, and Germany. Table 1 provides the breakout by country. Respondents were screened to ensure that they were knowledgeable about the survey topics, and banks were further screened to ensure that they were serving a business banking clientele. Banks surveyed ranged from large multinational institutions to small institutions operating within a single country.

TABLE 1

Digital Services Survey: Business Banking

	Businesses	Banks
United States	10	8
United Kingdom	7	7
Germany	7	5
France	7	7

Source: Financial Insights, 2009

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