E-business opportunities in financial services

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Gary Boyes
is a planning and forecasting manager with HBOS plc, a leading retail financial services provider in the UK. He has over 20 years' experience in the financial services sector both as a practitioner (HBOS, Barclays, GE Capital) and as a researcher within an academic environment (Leeds University Business School).

Merlin Stone
is Business Research Leader, IBM UK and IBM Professor of Business Transformation, University of Surrey. He is also a Director of the The Database Group Ltd and QCi Ltd.

Abstract Over many years, technological developments have enabled financial services products to be sold and administered via remote distribution channels. E-business is the latest channel whose potential is being explored by both traditional financial services players and new entrants alike. But, in their haste to 'go online', are organisations, new and old, falling into the 'technology trap' and ignoring the fundamentals underpinning financial services retailing and, perhaps, undermining some of their 'segment-of-one' strategies? This paper concludes that the key to successful e-financial services retailing is to take the nuances, attributes, techniques and skills that have accompanied financial services products in the physical world and reinvent them in an e-environment. Only by following this approach will e-business avoid being labelled as a solution looking for a problem.

UK high street banks are continuing to extend the choice of channel through which customers can manage their money, eg e-banking. But it is suggested that channels such as e-banking potentially reduce the level of personal contact between bank and customer to the extent that a 'virtual' relationship develops. This paper concludes that, given the tendency towards 'virtualisation', it is inconceivable that bank–customer relationships will become any more intimate in the future. Indeed, a greater degree of personalisation in customer communication may be the very best that banks are able to offer.

Keywords E-business, retailing, product classifications, channel, marketing, risk, regulation, branches

INTRODUCTION

The financial services industry is undergoing rapid change and becoming intensely competitive. Traditional players are trying to protect their customer base, as well as compete for new business alongside an increasing number of new players. Customers are more discerning than ever, becoming increasingly price sensitive and knowledgeable. Consumer confidence in financial services companies is being sorely tested, with the media being only too eager to report the latest financial services 'scandal'. Proposed regulatory changes threaten to alter the UK financial services landscape radically while new guidelines on product transparency are exerting downward pressure on margins and costs.

Gary Boyes
Secured Lending,
HBOS plc, Lovell Park Road,
Leeds LS1 1NS, UK
Tel: +44 (0)113 235 7512;
E-mail:
garyboyes@halifax.co.uk

This paper identifies a series of e-business financial services opportunities and issues that are emerging or are likely to emerge. To exploit these opportunities and issues, however, it is essential to have an appreciation of the basic characteristics of financial services.

The first section gives a brief outline of the political, regulatory and social conditions under which the financial services industry and players are currently operating. This shows the pressures on the industry and its players, offers some indications as to why different financial services stakeholders behave in the way they do and gives some clues as to future developments.

Then the paper highlights the primary characteristics of retail financial services.

The first two sections provide the context for the e-business opportunities that are identified in the final part of this paper, which are emerging or are likely to emerge over the next 12–18 months.

A POLITICAL, REGULATORY AND SOCIAL PERSPECTIVE

Politics and regulation

> 'The Labour Party believe that competitive businesses and sustained investment are vital to improving productivity and raising Britain's living standards and promise to improve investment and productivity by promoting stability, by providing businesses with a competitive economic environment and by providing incentives for long-term investment and R&D. They claim that a competitive tax regime will provide businesses with incentives to invest for the future. Labour have reduced the rates of corporation tax in successive budgets and are determined to ease the regulatory burden (complexity, inefficient [sic] and necessity) on companies in order to encourage investment and promote enterprise.'[1]

The government perceives that there is a genuine lack of competition within this sector, particularly in banking, despite the re-regulation that has allowed companies to expand into previously uncharted territory. The major industry players are commonly seen as the primary causes and benefactors of the inefficiencies, lethargy and inertia that have engulfed this sector in the past and continue to do so. Margins in the industry are considered to be generous while the profits of financial services companies continue to rise, apparently impervious to changes in the business cycle. Current regulation and industry codes are perceived as being over-complicated and unclear and to have been drafted primarily in the interests of the providers rather than the consumers. Consumer and social issues are also moving up the government agenda. As financial services providers gradually expand their virtual distribution capabilities at the expense of a physical network of outlets there are growing concerns that this is encouraging a culture of social exclusion. Questions are being asked as to why, in the e-age, the time taken to switch from one provider to another or move funds from one account to another has not been reduced.

The government has taken various steps, directly or through the various bodies that represent the industry, in an attempt to address some of these perceived deficiencies of the financial services industry including:

- creation of a single statutory body that now regulates all financial services companies: the Financial Services Authority
- introduction of cost, access, terms (CAT) standards
- rejection of the proposed merger

between Lloyds TSB and Abbey National by the Competition Commission
- codes that define standards, eg the transfer of information to ease and speed account switching and funds transfer, and the proposed publication of league tables comparing bank performance
- universal bank proposition
- cap on the margin of stakeholder pensions
- various inquiries into provision of banking services following the Cruickshank Report (eg Myners Report, Julius Report, Morris Report, Sandler Report)
- proposals in FSA CP98 The Draft Mortgage Sourcebook
- introduction of league tables by the FSA that help product comparison.

Some of these received a mixed response from the banks and their representative bodies. Some welcomed proposals from the various reports, while others have cried 'foul'. The government, however, is intent on shaking up the cosy 'club culture' of the financial services operating environment by developing and implementing policies that will facilitate the transition to a more competitive and innovative environment that redresses the apparent imbalance that exists between the bank and the consumer.

Society

Consumers are becoming increasingly 'time-poor' in their daily lives and welcome opportunities that enable them to fulfil their financial needs through time-saving methods. Convenience is especially attractive in those areas where as consumers:

- they have no real interest
- the product or service is perceived to be a commodity
- the brand of the supplier is 'trusted'.

Even where the product or service is relatively expensive, such as a mortgage, convenience still plays a part in the collection of information about prices but is less likely to result in a sale. Today, many are unwilling to spend time queuing or visiting offices, preferring to service their needs directly and remotely. Consumers take advantage of internet and communications technology. Britain's consumers today are less tolerant of poor service than in years gone by. Research published by MORI reveals that the characteristics that consumers say most influence their decision to buy are staff who:

- show a genuine interest in helping
- have the knowledge and skills to do their job well
- appear to be committed to giving their best and going the extra mile.[2]

The report also found that staff had positive effects on repeat purchases and word of mouth recommendations.

These characteristics are important to consumers — both when making an everyday purchase and when buying a service or making a major purchase. Quality, price and speed to market — traditional tools used to attain competitive advantage — are not as effective as they used to be and are now merely the cost of admission in today's marketplace. Members of staff have the potential to build relationships with customers that are virtually impossible for competitors to replicate easily and quickly.

Consumers are becoming more knowledgeable and discerning. They are more likely than ever to conduct their own research prior to making their purchase decision rather than to take the sellers' claims at face value. Companies that claim their products and services are superior to the competition are being increasingly asked to provide evidence to support the statement. Performance league tables have been introduced into many industries, including financial services, and are more widely publicised than ever before enabling financially astute customers quickly to source and purchase the product that offers the best returns. Consumers are sceptical of the motives of both direct sales forces and independent financial advisers, however, particularly for investment and pensions products. Scandals surround several companies found guilty of mis-selling or mismanagement. Government attempts to quell consequent consumer scepticism by appointing dignitaries to issue reports have little effect.

FINANCIAL SERVICES RETAILING

In discussing the primary distinguishing characteristics of retail financial services management, it is worth noting that retail financial services organisations do not offer a pure service. Their product set consists of a mixture of goods and service, for example, estate agency services, current account facilities, mortgages and savings accounts. Although the retailing of both goods and services has some common skills sets as a prerequisite, differences emerge as the focus changes from the general to the specific both between and within the sectors. This segregation is of particular importance in the financial services sector where the product range is disparate and satisfies many needs.

The characteristics of retail financial services

Intangibility

Intangibility is the most distinctive feature of retail financial services and, arguably, the most difficult obstacle to overcome. Bateson describes services as being '...physically intangible, they cannot be touched, tasted, smelt or seen'.[3]

The main areas financial services providers need to address relate to:

— consumer difficulty in defining a precise service specification
— the difficulty financial services providers have in differentiating themselves from their competitors
— how the consumer evaluates the associated risk attached to the purchase in the absence of an actual 'test-drive' of the financial service.

These themes create a number of obstacles that a retail financial services organisation must try to overcome. The matter is clouded still further, however, when the range of products to choose from is large as in the retail financial services industry.

Heterogeneity

Controlling the variation in the quality of the delivery of retail financial services, heterogeneity, could be described as being the 'Holy Grail' of financial services businesses. A 'one-size-fits-all' approach to financial services is rarely successful now because different customer segments view the service–good–performance combination differently and the perception of quality during service creation is context specific. Even 'segments of one' may not be enough; extending the logic further suggests that retail financial services companies need to deliver according to the state of mind of the consumer at the moment of truth.

Zeithaml, Parasuraman and Berry neatly summarise the impact on financial services of heterogeneity:

> 'The quality and essence of a service can vary from producer to producer, from customer to customer and from day to day. Heterogeneity in service output is a particular problem not only for labour intensive services but also for machine delivered services.'[4]

Inseparability

Another key attribute of financial services is that of inseparability, described by Kotler as follows:

> 'A service is inseparable from the source that provides it. Its very act of being created requires the source (producer consumer interaction), irrespective of whether contact is, for example, face-to-face, via a telephone line or human-to-machine where "manufacturing" takes place in the field, to be present. In other words production and consumption occur simultaneously with services.'[5]

Retail financial services possess what can be described as 'experience attributes' while real-time co-production can be described as being a double-edged sword. From the company perspective, different functional roles, such as sales, marketing and maintenance, often become blurred, perhaps disappearing completely. Also, the provider has a clear dependency on the customer, who must specify the service they require. From a customer perspective, customers only wait as long as they deem necessary — waiting times, and their effect on customer behaviour, will always be in the customers' own terms of reference and not in those of the service providers. In addition, the 'final assembly' of services means that mistakes are difficult to conceal and that there is likely to be greater variation in the quality of the service.

Perishability

Financial services cannot be produced before they are required and then stored to meet demand, although the tools and resources used to deliver the service can. For example, a live football match can only be experienced once, but the match itself can be recorded and replayed over and over again. 'If a service is not used when it is available then the service capacity is wasted.'[6] This means that the matching of supply to demand is very important in financial services businesses across all channels. The impact of wasted capacity can be reduced if an existing customer can be persuaded to upgrade from one product to another or cross-sold a second product while waiting for the original service to be delivered.

Fiduciary responsibility

Retail financial services organisations have an 'implicit responsibility ... for the management of their customers' funds and the nature of the financial advice supplied to their customers.'[7] Consumers need to be confident that the organisation managing their interests is trustworthy, a characteristic that can only be established over an extended period through the continuous interaction between customer and supplier. Financial services businesses seek to reduce the lag effect of trust by providing other aspects that the consumer can home in on and perhaps the most influential of these is the reference to the size and age of the organisation.

The classification of financial services

Taking models from Lovelock's work in services marketing,[8] it is possible to analyse different retail financial services products. Using a series of classification systems it is possible to gain a greater insight into the service itself and then discover what contributes to the effective retailing of a particular retail financial services product. The summary analysis is restricted to generic product types and not sub-classes of the product. For example, general insurance could be broken down further into buildings, contents, motor, pet, travel etc, but here general insurance will be considered as a whole.

Generally, most retail financial services are directed at the intangible assets of a person (eg loans, sharedealing, savings products). Mortgages, general insurance products and estate agency services are aimed at the physical assets of the person. Personal protection products and financial advice are aimed at a person's body and mind respectively.

All retail financial services products require the user to become a 'member' of the organisation that provides the service although the length of the membership period does vary according to the nature of the product. Products such as credit cards, savings and wealth management services could be described as revolving products whereas mortgages, travel money and general insurance have a finite lifespan.

Some polarisation exists when comparing different types of retail financial services products in terms of customisation and the degree of discretion customer contact personnel can exercise. Despite the huge list of products contained in periodicals such as *Moneyfacts*, products such as savings, credit cards, current accounts and share dealing are essentially commodities, offered on a 'take it or leave it' basis and possessing limited functionality from the customer perspective. Much greater flexibility for customisation exists in what could be termed as 'high-value, high-risk' and/or complex products such as wealth management, private banking and financial advice.

Demand for different types of products can vary over time at both a micro and macro level. At the macro level, the demand for high-value investment products is linked to the state of the wider UK economy and consumer confidence (low confidence = disincentive to invest or to keep assets liquid) thus demand can be wide. Commodity products are usually required as a matter of course irrespective of the economic cycle (eg a current account may be needed in order to receive or transmit funds) thus demand for products of this type is narrow. At the micro level, demand fluctuates significantly at different times of the day and backlogs can frequently be seen at, for example, branches, ATMs and other distribution channels.

The delivery of retail financial services (both new business and transactions) generally relies upon the customer approaching the financial services organisation through a range of distribution channels. The services of each channel are available at multiple contact points, thus how to optimise the key levers that drive variability in performance by contact point are of prime importance to retail financial services businesses. This challenge is further complicated by the multitude of ways a transaction can be executed: bill payment from a current account can be processed via, for example, a branch, an ATM, a telephone call, the internet or an agent.

People-based attributes, facilities and equipment are all important variables in the sales/service process but the balance between them is product specific. High-risk/high-value and complex products lean towards having a larger people-based component, where the customer is paying for the expertise of the financial services organisation or their representative. Relatively simple commodity products have a greater facilities and equipment content, especially in more recent times where technology has allowed suppliers to create self-service tools.

The impact on e-business

Over many years, retail financial services businesses have developed sets of tools, techniques and sales and service processes that, until recently, have traditionally been distributed via 'bricks and mortar' channels.

Remote channels have been in use for

many years now (eg travelling salespersons, post, telephone, ATM) and the advent of e-business has created new opportunities for innovation both in terms of products and channels.

E-BUSINESS OPPORTUNITIES

This section presents a series of e-business opportunities and issues that are emerging. For ease of reference the issues and opportunities identified have been classified into four broad groups.

Product related

Dynamic products

Traditionally, a 'new' financial services product has, in general, been a redefinition of the existing attributes and/or introduction of new attributes to an existing base product. For example, there are numerous varieties of mortgages, credit cards, savings accounts and so on, each with slightly different features. Even those products that have been introduced via government policy are often variants on a theme (stakeholder pensions, TESSAs, ISAs). The recent failure by anyone to create a totally original product suggests that:

— it is extremely difficult to create a completely new product
— on the whole retail financial services needs can be satisfied by a combination of what is currently available.

The most interesting products in recent years have been those that allow different types of product to be linked. These linked products allow the customers a greater degree of convenience and flexibility than unlinked products. Customers can move money around from one product jar to another, offset a credit balance against a debit balance (thus reducing the amount of interest paid) or choose to keep the products completely separate. The individual product attributes themselves are fixed, however.

Can account flexibility be developed further by allowing customers to specify the attributes of their product online in real time? For example, a credit card may possess the following attributes:

— cash advance facility
— reward points scheme.

At present the product provider fixes product attributes. Can customers opt to change the attributes of their credit card online as their personal circumstances alter? For example, if customers do not need a cash advance facility could they receive reward points at 1.5 times the normal rate? If, at a later date, customers need a cash advance facility could they go online, switch this facility on and reduce the reward points back to the standard rate? Can similar compromises be made between the interest free period and the reward scheme? Can this concept be taken further by allowing linked accounts to have dynamic properties?

Website personalisation and aggregation

Account aggregation is defined as a collection of information from different online sources for display on a single screen. Using account aggregation, customers can view details of various online financial accounts, and other useful online information, in a single overview. This enables consumers to hold the best value products from many suppliers, but to maintain a collective overview of their financial or lifestyle position. The information presented to the customer may be such items as: their bank accounts, savings accounts, mortgage and loan details, their personal equity portfolio, air-miles, customised news services and e-mails.

From a consumer perspective account aggregation services are valuable since they reduce time and effort spent retrieving information from various online sources. Equally important is the presentation back to the consumer of that data. It is here that there appears to be some weakness. Research by the Henley Centre[9] reported that, while 41 per cent of the online population are 'very' or 'fairly' confident about personalising a website to match their tastes or interests, only 22 per cent say they have actually done so. Experienced users (those who have been online for over two years) are not much better — just 31 per cent have personalised a website. The survey reported that most could not be bothered to complete the lengthy registration forms or questionnaires needed to initiate current forms of personalisation. Even when they have completed the process, they often find that, due to minor mistakes they have made, the engine has misinterpreted their data or they have to start all over again. About 60 per cent of internet users have been put off using a site by the registration process; 41 per cent started the process and gave up; 44 per cent have been put off because they have gone through the registration process only to be told that they have made a mistake. There is a clearly an opportunity here for a business to step in and design a simple, easy-to-use front-end that enables consumers to create a personalised website.

Differentiation of commodity products

Financial services commodity products, such as current accounts, savings and credit cards, exhibit little difference in terms of price. Manufacturers of these types of products attempt to differentiate their offering through added value services (loyalty points, purchase protection cover, special offers, etc). Online transactional-based accounts give opportunities for financial services providers to bombard customers with a stream of messages and personalise (from a content perspective) their user interface. But the content of the messages does not need to be related to the products of the financial services company. Additional product value can be created by feeding through to the customer bespoke news and information that complements their lifestyle and values. For example, a person may want to know the latest football scores while paying a bill. A different person may want to know the latest share prices. Another may want to know the latest special holiday offers.

Can financial services providers differentiate their commodity products in this way, perhaps becoming a hybrid aggregator/portal/news service/financial services provider? Can financial services companies design an artificially intelligent home page that identifies the gender and location of the online user and feeds back to them gender and geographically oriented added value information?

Product portability

Could the 'aggregator' principle (handing over user name and password data) be adopted by companies who want to speed up the transfer process? Is there an e-solution that will cut the five-week lead-time for the transfer of standing orders and direct debits? Can the solutions applied to current accounts be transferred to other financial services products that have been traditionally cumbersome to switch (eg mortgage, pensions)?

Pre-paid credit accounts

Many financial services companies offer savings products to under 18s that enable these customers to make deposits and withdrawals at ATMs and at the counter. Would it be possible to introduce a similar service for high risk customers or financially excluded consumers who would like to purchase goods and services but do not have a current account or a credit card?

Channel related

ATM functionality

The internet is the key unifying focus for the multichannel distribution of financial services acting as a hub for digital television, mobile banking, call centres and other channels, including branches and ATMs. As more and more customers become familiar with the functionality and, hopefully, the user-friendliness of the financial services providers' website the user interface of ATMs will start to look increasingly outdated and unfamiliar. What functionality can be taken from the online interface and integrated into the ATM? Can ATM functionality be developed to enable customers to complete (full or partial) applications for loans, credit cards, mortgages, etc?

Voice-over internet protocol

Internet-based services, including technologies to carry voice over the Net and to log on to secure networks from outside, are being adopted at a rate faster than previously thought, according to a US study released in August 2001 by Current Analysis Inc, a US technology research firm.[10] The survey reported that 39 per cent of medium and large companies surveyed have already implemented internet services that let them hold conference calls over the Net and enable remote employees to log on to secure networks. Current Analysis polled 500 information technology specialists for the survey. An additional 21 per cent plan to introduce such services in the next two years. The study found that the surge in internet-based technologies is being fuelled by rapid adoption of web-based voice services, known as voice-over internet protocol (VoIP), which companies are using for corporate meetings, conferences and seminars. VoIP was being used by 9 per cent of the respondents, with 27 per cent planning to jump on the bandwagon soon.[11]

Can the technology be applied to other business areas? For example, qualitative market research data are commonly collected by one of the following methods:

— A face-to-face, one-to-one interview with a trained researcher
— Observation, which involves the participants undertaking some form of activity
— Face-to-face focus groups that are encouraged by a moderator to discuss a certain topic.

Can VoIP technology be used to conduct face-to-face one-to-one interviews? Can focus groups be run using VoIP? Can VoIP be used in the distribution of bespoke financial services products?

Branch of the future

A number of US financial institutions are remaking their look and image as they try to attract customers who may prefer to bank the old-fashioned way. They are attempting to do this by integrating the strengths of the physical and virtual channels and bolting on a series of value added, lifestyle facilities. US-based Provident Bank's newest branch boasts a 24-hour lobby accessible with the swipe of an ATM or debit card, a cyber café with internet-ready computers and an investment lounge with doughnuts, coffee and a television tuned to the Financial News Network. In addition, the branch is about 40 per cent smaller than the offices of the past.[12] Provident executives designed the branch themselves but borrowed from what other institutions have done.

Convenience and comfort are becoming more important as financial services companies try to increase their share of the customer's wallet. Could product and service demonstrations be made that help to remove some of the mysteries of the internet in general, m-commerce, e-commerce, interactive TV banking, financial services, interactive multimedia kiosks and so on? Could personalisable avatars be used in virtual branches, allowing customers the ultimate in configuring?

Electronic invoice presentation and payment (EIPP)

In most organisations today, invoices are raised manually, printed on paper and posted to the customer. When the payment period has expired, the supplier will contact the customer to ask why no payment has been received and will hear one of three answers. First, there will be a dispute over the order, necessitating a process of checking, adjustment and final agreement; secondly, the invoice will be somewhere between the desk of the person who placed the order and the accounts department; finally, the payment will be about to be settled with a cheque in the post.[13]

With an EIPP system money transactions can be handled end-to-end electronically over the internet, from raising the invoice to collecting the money. The EIPP process will be accessible by all parties at all times so an invoice can be raised and accessible from the desktop of the correct party in the customer business, from where it can be managed within that business until payment. It can even be programmed to pass on to the next designated payment resource if the first party is away. The electronic document can invite the customer to check that everything is fine and can notify the sender of any problem. Disputes can be resolved quickly and, if necessary, the invoice amended in real time.

The benefits of employing EIPP include:

— a reduction in debtor days as payments become more efficient
— reports for treasury management and reconciliation purposes can be produced automatically
— the current state of play can be seen and client relationships are improved.

Could EIPP be rolled out and adapted to the operations where a statement or bill is issued to customers, providing an opportunity to cut the costs of statement production? Possible applications include credit cards, estate agency invoices, sharedealing invoices and fees for financial advice. Could the responsibility of statement production be passed to the consumer by providing them with self-service functionality to produce their own statements?

Mobile communications

Research by Nokia Networks suggested that the mass market potential for m-commerce appears to be strong although doubts remain as to its viability given that only a minority of e-commerce users are making purchases online.[14] A major problem that appears to be holding back the rollout of m-commerce is the extent to which end-users are prepared to pay for the ability to transact using their mobile device. In the UK over 90 per cent of respondents said that they would be willing to pay something for m-commerce services. This assumes, however, that the mobile device is free. It is still uncertain whether the cost of next generation phones will be subsidised by operators and, if they are not, the added cost of paying for the next generation of mobile phones might well affect this figure. The most important factor that would encourage widespread adoption of m-commerce relates to security; for example, precautions to ensure the device can only be used by the end-user and a guarantee the network is secure and details cannot be passed on.

Financial services companies are keen to migrate transaction, commodity-based products and services customers to cheaper channels thus releasing resource for 'expensive' face-to-face contact that potentially yields higher levels of income. Is it feasible to build a 'dumbed' down m-commerce banking device that can be distributed free of charge? Can other technologies be integrated into the device, for example, those used around the home: television remote, hi-fi remote, burglar alarm functions, light switches, etc?

Risk related

Consumer security

Consumer security has always been important; for example, consumers have to keep secret the PIN number on their credit, debit and cash cards. In the past firms themselves were able to control security in the delivery channel; they could secure their own machines, the communications link to ATMs or other remote devices and the remote device itself. The use of e-commerce channels reduces firms' end-to-end control of security. It is the consumer who controls access to his or her computer and it is the consumer who can take steps to secure it. The FSA believes that consumer security is a shared endeavour between firms, consumers and the FSA. The FSA plans to publicise what consumers can do to reduce the risk that they compromise their own security when using e-commerce channels.[15]

What steps can financial services companies take to raise the profile of e-commerce security and educate customers on the security issues without causing unnecessary nervousness among consumers? Could companies who are proactive in this field be able to attract an endorsement from the FSA and other consumer groups, thus enhancing their standing in the eyes of the consumer? People tend to protect their possessions (eg cars, homes, contents); how can this approach to security be replicated in a financial services context? How can the FSA and financial services companies develop a culture of e-commerce security while aggregation propositions are being developed?

Digital signatures

The issue of digital signatures poses a number of questions about:

— the standards that would have to apply in this area before certificates could be used for the purpose of entering into a financial relationship
— the issuing of digital certificates by authorised firms
— the acceptance by authorised firms of digital certificates issued by others
— the use by authorised firms of digital certificates in the course of business
— the use of electronic signatures by consumers.

What opportunities exist for financial services companies to shape the standards for digital signatures? Could financial services form a syndicate and exploit this gap along similar lines to APACS and BACS?

Marketing related

Worksite marketing

As the UK financial services industry advances channel strategies in response to developments in regulation, technology and government policy, a number of systems are evolving including worksite marketing.[16] Key environmental drivers include:

— the legal obligation on UK employers regarding stakeholder pensions provision
— the continuing erosion in state benefits and the recognition that individuals will almost certainly have to provide for themselves in retirement
— the culmination of IT infrastructure development.

With a tight labour market and reduced access to financial advice for the 'mass market' as advisers turn their focus to high-net-worth individuals, the role of the employer and the workplace as a source of information and purchase power begins to make sense. In essence the intranet starts to assume the role of a 'portal'.

Can intranets be used to develop the culture and values of the organisation as well as providing opportunities for new business? Can worksite marketing be used to develop new remuneration and benefits packages for staff? Can staff be segmented in a similar way to customers in order to develop products that are perceived as being valuable?

Internet branding and marketing

Financial services companies' advertisements are an example of the current trend in the world of online advertising: the merger of branding and direct marketing.[17] Companies are using the internet advertising medium both to drive traffic directly to their web offerings — with discounts and offers designed to generate click-through traffic — and, at the same time, to build brand awareness. 'Financial services ads marketing brand names such as Visa, MasterCard and Shell are used for branding, while direct offers are created through the simple click of a banner.'[18]

Can new media — the internet, mobile telephony, interactive television — create new ways of delivering branding that are not simply pale copies of approaches tried and tested in conventional media?

ONLINE MARKET RESEARCH

Traditional market research is time- and paper-intensive involving separate phases of survey design, data collection, coding and analysis. The time taken to complete a study is often measured in weeks or even months.[19] The biggest block of time during a traditional research project is allocated to the collection of the data and there is always a trade-off between the constraining factors of cost, time and quality.

Obtaining the customers' permission before inviting them to become involved in any form of market research is essential, and industry bodies (eg Market Research Society, Direct Marketing Association, Wireless Marketing Association) have published formal codes of conduct that their members are expected to adhere to when conducting market research.

Much of the enthusiasm for electronic market research — the collection of data via the web and wireless application protocol (WAP) — appears to have flagged.[20] But key stumbling blocks for electronic market research in the UK are the relatively low internet usage figures which stand at 23.8 million[21] and the profile of the internet community that is not representative of the population as a whole. Another major issue is that online market research does not maintain the anonymity of the respondent — it is a closed-loop form of market research.

If quantitative data are difficult to acquire due, in part, to the reasons highlighted above, are there opportunities to conduct qualitative market research where traditionally the numbers of people involved are relatively small? Can financial services companies set up chat rooms and focus groups to discuss broad and specific financial services issues that enable them to get closer to the customer? Can companies use web-cam technology to observe the customer experience and behaviour during their online sessions and link this to click-based quantitative data?

CONCLUSIONS

This paper has explored broadly the nature of financial services and how new technologies can be used to define, market and deliver financial services. The authors' conclusion is that although there are some interesting experiments, companies are really only just starting to experiment with using these technologies in ways that will transform the whole service and marketing chain, rather than just providing a clever route to market for a few customers. There is a long way to go.

There have been a number of initiatives that clearly point towards the direction in which the government and the Financial Services Authority would like the industry to move. Openness, competition, fairness, clarity, inclusion, ease and so on; it is clear that the government would prefer to push the industry towards these goals. E-business has a major role to play in this task and financial services businesses have a golden opportunity to be innovative while simultaneously meeting the government's broader objectives.

For the majority of people, time is now a much more precious commodity than ever before. Information is now more readily available. Convenience is one of the names of the game. People are less trusting than before. Retail financial services organisations are not immune to these changes and cannot afford to stand still while the world moves on around them. E-business offers these companies an opportunity to demonstrate that they are in touch with the outside world, providing their customers with new and innovative products and services that add value to their lives.

The identification of the characteristics of financial services is a useful exercise but does not provide any solutions. What it does provide is a set of guidelines for basic questions that should be asked when considering the launch of a new product or how best to exploit new distribution channels. For instance:

— how to make it easy for consumers to understand the products in their own terms of reference
— how to demonstrate that the company and product is superior to the competition
— how to ensure consistent service quality over time and across all channels
— what the acceptable levels of service/good/performance combinations are for each target market
— how to match demand and supply effectively
— how to obtain customer feedback and ensure its accuracy
— what the levels of perceived risk attached to the service are and how they can be minimised
— how to increase customer advocacy.

Ideally, the disparate nature of retail financial services products should have led to organisations developing unique sets of tools, techniques and processes that are bespoke to each product. In reality, practical and economic constraints mean that products and their associated delivery systems have generally become polarised into two camps: high-risk, high-value, complex products such as mortgages, pensions, private banking; and low-risk, low-value, simple products such as current accounts, savings, loans and credit cards.

This paper has attempted to convey the basic issues relating to the retailing of financial services. *These fundamentals apply irrespective of how the product or service is delivered.* The key to e-commerce lies in the ability to take all of the nuances, attributes, techniques, skills, etc in the physical world and reinvent them in an e-environment. Can companies seriously expect their e-solutions to succeed without doing this?

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