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E-Banking Trends in Singapore

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Article

Abstract
Internet banking is an important ICT application offering many service benefits to customers at times when they want to access and interface with their accounts without restrictions. Here Iris Chua of the United Overseas Bank Group outlines her strategy for expanding customer options. Singapore banks are reacting to conservative customers by adopting the touch, click or mortar strategy: call centre human touch, the mouse click and mortar of the branch, kiosk and ATM.

Any time, anywhere, any device-that is the sort of convenience that Internet banking is promising customers today. Banking via the World Wide Web is truly borderless. With technology developing by leaps and bounds, customers can now access their accounts and carry out transactions from almost anywhere. By comparison, other forms of electronic banking, while serving an invaluable and useful function, are more limited. For instance, self-service banking facilities such as automated teller and cash deposit machines are restricted to their particular location.

Convenience aside, the Internet is a lower cost way of banking. Indeed the average cost of over-the-counter transactions is about US$1-US$2. The same transaction over the Net costs a fraction of this and this figure is set to drop further. As such it is not surprising that banks in Asia, including those in Singapore, have jumped onto the Net bandwagon. They have introduced and are expanding the range of online services to their customers.

Approaches to Internet Banking
In general, financial institutions have opted for one of two approaches to Internet banking. They have launched either a pure Internet product or one that integrates the virtual bank with the physical one. Anecdotal evidence suggests that both the Asian and Singapore markets are not ready for a pure Internet bank. Why is this so?

One major reason is cost. A pure Internet bank or Internet Only Bank (IOB) is expected to have lower operating costs since it has done away with setting up a physical presence. Not having to operate a branch should, logically speaking, slash costs. As stated before, the cost of transactions is also lower. These cost savings should translate into higher deposit returns and lower loan interest to their customers.

However, since the IOBs are still very much in the start-up stage, they have had to invest heavily in building up their Net infrastructure and brand recognition. As such, the lower operating costs have been more than offset by the higher expenditure in advertising. In addition, IOBs in Singapore have had to establish a physical branch to augment their virtual ones as customers here are just not ready to cut their ties to the physical world. Their attitude is not unexpected. After all, banking is all about trust and people still find it hard to trust something they cannot physically touch.

At the same time, commonly used transactions like cash and cheque deposits are still not replaceable by pure Internet banking. Despite the possibility of paying bills electronically, customers are still dependent on these two instruments. Indeed, the volume of payments made by cheque in Singapore has continued to rise, albeit at a slower pace. Today, more than a quarter million cheques are still cleared each day in the republic. Customers here are clearly not ready to give up their chequebooks or stop using cash.

But it is not simply a case of reluctance on their part. Sometimes, it is just not practical to settle bills electronically, such as when the creditor is a small company that does not have the necessary infrastructure to accept such payments. Another factor working against the IOB is the need for prudence. The prudent banker, operating in either the virtual or physical world, wants to be able to verify the identity of the new account holder or customer. The only sure way of doing that is to have a new customer come to a physical branch or office and show proof of his identity.

Strong Potential for Growth

Despite these limitations and obstacles, Internet banking is starting to take off in Singapore and Asia. The growing acceptance of Internet banking in Singapore is already evident. Over the past 18 months, there has been a definite surge in banking transactions done over the Net. This has been the result of much press hype over Internet banking as well as the concerted effort of the Singaporean government to promote the e-lifestyle.

Indeed, while Internet banking still remains a relatively small portion of the banking universe, it has actually taken off more quickly than another remote banking service, namely telephone banking. The volume of banking done over the Net is already comparable to that of telephone banking although the latter has been around for about 15 years. In fact, for certain transactions such as bill payments, the Net has taken over the phone as a medium of transaction. This trend is particularly compelling when one takes into account that telephone banking is a mature channel, while Internet banking is very much in its infancy. As such, cyberbanking has strong potential for further growth. What has already been achieved is simply the tip of the iceberg.

In all, customers here are clearly willing to try out banking via the Net. However, they are still not ready to go the whole way. This means that the time is right for financial institutions here to offer Internet banking as an alternative access point but not as the sole gateway to their accounts and portfolio.

Strategy

The optimal strategy then is to offer Internet banking as an integrated part of the larger infrastructure being offered. Such an integrated approach caters to the particular needs of the Asian customer. The average Asian customer is conservative. Yet, with exposure to the rest of the world, he also has very modern demands. As such, he wants a choice of access points to his portfolio with the bank-both the physical and the virtual.

Touch, Click or Mortar

As a result, Singapore banks such as UOB and OUB have adopted this strategy. For UOB, its Internet arm-uobgroup.com-is an integrated part of the group's banking infrastructure. In offering products and services to its customers, the group has adopted a touch, click or mortar (TCM) model. Touch refers to the human touch of the call centre, while click refers to the click of the mouse and mortar the physical branch, kiosks and ATMs.

Within this model, the human touch is particularly important, even in Internet banking. For instance, while online customers can e-mail the bank any time, it is also essential to provide them with a telephone number. If they need to, they can call and talk to a real person. Whatever the technological strides achieved, people still need people!

Changing Concerns

Offering such a touch point eases the customers' way into Internet banking and could help to address their concerns. With online banking a relatively new development, it is not surprising that customers have their concerns about it. What are these concerns?

According to Datamonitor's consumer survey, IMPACT 2001, security is only a concern among consumers in the US and the UK once they are already using online financial services. Concern over security does not appear to deter them from using the online services in the first place. Instead, lack of knowledge and cost are overriding factors keeping the online population from using web-based financial services. Based on UOB's in-house surveys, the concerns of online banking customers are changing. About a year and a half ago, their main concern was security. As such, early adopters of Internet banking would only transact relatively small amounts as they tested the safety of the system. But as they gained confidence in the system, the amounts involved have increased steadily.

Meeting the Customers' Needs

Now their major concern is usability. They want easy access to their portfolio to help them save time. They want the bank, through the web site, to be able to answer the following questions: 1. "What do I own?" - i.e. they want a total view of their relationship with the bank, in terms of their deposits, loans and investment portfolio.

2. "How am I doing?" - i.e. they want to know how their investments are performing.

3. "What should I do?" - i.e. they want accompanying financial advisory services.

4. "How can I get these done?" i.e. they want a user-friendly way of doing the necessary online.

Ultimately, they want the bank's web site to provide real-time information and the ability to access that information easily. These principles should guide a bank in the setting up of its Internet banking arm. Ultimately, the bank has to be sensitive to a customer's needs and respond quickly to meet those needs.

Partners and Alliances

As it is, banks are already expanding the range of services and products available online. It used to be that banks needed only to offer their own services. But now customers are demanding a much more comprehensive range of offerings. To maintain credibility, banks have to create value by offering more alternatives. To this end, they have joined forces with other companies, within and outside the industry.

The banks' partners and their contributions can be divided into four categories:

1. Attractors - Lower cost of customer acquisition, i.e. they help bring in traffic to a bank's web site.

2. Matchmakers - Lower cost of inter-actions (elimination of the middle layer), i.e. they match buyers with sellers.

3. Developers/Architects - Design and deliver financial products e.g. a bank's asset management arm may tie up with a European counterpart to develop a mutual fund

or unit trust to be marketed here. Such partners help to reduce the cost of developing businesses.

4. Enablers - Design and deliver technology products. Usually technology partners who help to build up and configure the web site to the customers' needs.

All these new offerings are being integrated into the banks' online channel as banks and their partners work towards making Internet banking more convenient, accessible and comprehensive.

Revolving around the Customer

The cyberway ahead for local banks is clear. To succeed, they will have to adopt a more customer-centric approach, as opposed to an account-centric one. Their online channels must provide more personalised service for the different customer segments.

To the customer, this means that when he logs on to the bank's web site, he will essentially be visiting a virtual branch tailored to his needs. He does not need to plough through a gigantic generic menu of services before getting to what he requires. Instead, he decides exactly what services would be immediately available on 'his' web site. He can then easily gain access to timely information and relevant product and services on the site.

This way, the bank gives him due recognition as a valuable customer as it knows exactly which customer segment he is in. The bank that is first to provide this truly personalised experience would be assured of success in the Internet banking arena.

Ultimately, the online channel will be a key touch point in a bank's Customer Relationship Management initiative. It will provide cost-effective customer service on a one-to-one basis to all the bank's customers. In the final analysis, banks have to ensure that cyberbanking is not a faceless, impersonal experience. They must ensure that banking, whether in the virtual or the physical world, remains a personal relationship between the customer and the bank.