

Your Bank's Survival Depends on Your E-Strategy

Without a clear electronic business strategy your bank will not survive. Selecting the best electronic strategy should be based on enhancing bank profitability and your competitive position. Please note, I did not state you needed to offer e-banking or even have a Web site. But, you do need an e-strategy for your bank.

You have heard of the importance of the Web for doing businesses worldwide. High-tech companies have told you that you must invest in the latest technology since this is the future of banking. And, you have read article after article on how important the Internet will be to you. Perhaps your Bank has not made the commitment to it as yet. Good!

Your electronic business strategies, including your Web sites, Internet banking for commercial customers, retail customers, and even trust customers, needs to be viewed as a profit producer. Otherwise, your e-decision is not a business decision but a step toward testing alternative delivery approaches. And, these days of tight margins call for savvy business-decision making rather than testing theories.

Having a Web site can be as simple as having an “electronic brochure” with the bank's name and address on the home page. Or, it can evolve into the gateway for Internet banking and include all the service options of the bank, the pricing structures, management philosophy, hours of operation, interest rate calculators, ways of contacting the bank, even account opening procedures and community information.

Many banks, which begin down the electronic road, do not have a vision of how this significant investment will become profitable. And they have never done any preliminary checking as to the scope of market demand for electronic access to the bank. These oversights plant the seeds of “performance disappointment.”

What do you expect to achieve?

Determine what is your specific goal for adding an electronic component to you bank? Do you want to offer Internet banking? And, if you feel you need to have a Web site, or sites for various applications, what outcome expectations do you have for your site? Once these issues are clarified you can go about selecting a well-qualified Web-development company. Developing an effective business-enhancing Web site is not a job for an amateur. This is not the time to select a Web developer on costs. It is a time to select a company based on competencies.

Successful Starting Steps

Start by developing a “plan of focus.” Whom do you want to serve with this Web site? Determine what competitive factors are involved? Do you want to be the first in the market, keeping with your market image of being an innovator, or are you following the lead of the competitor down the road? Determine the dynamics of the growth in your market. Remember e-banking is not for all of your customers! Different segments in your market see the value of e-banking differently.

Customers in their 20s expect their bank to offer Internet banking. Those over 30 will want some assurance that the site is secure. People under 40 are more than happy to consider banking over the Internet. The Internet does not interest most individuals over 50-years old for doing their regular

banking. However, they may be interested in checking out the details of the bank's offerings on a Web site. Most people over 65 are not even interested in looking at the Web site

Leading and bleeding

If you want to be the bank on the leading edge of technology, and incur the bleeding edge cost consequences, jump into the Web and launch your Internet banking site now. On the other hand, if your market is rather established and they need a large degree of interpersonal contact, you need to realize that you won't be able to recover the large investment in cutting edge technology. After all they call it "cutting edge" for a reason.

The best way to start is by conducting a market analysis. Further, state the purpose of your bank, the profile of the customers you serve, determine your customers' technology "comfort level", and if the incremental profitability will warrant the investment.

Your electronic banking strategy is going to determine your survivability. Think through your options wisely and don't be intimidated by others who are following a different sheep over the cliff to an unprofitable e-solution.

By Richard Delaney