



A Datamonitor report

eBanking Strategies in Europe 2003

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Why buy this report?

- **Identify how** to maximize ROI from your existing Internet investments
- **Find out** which online functionality enhancements are most likely to generate ROI
- **Determine how** the Internet fits into a multi-channel strategy

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Source: Datamonitor customer research

An introduction to the report

There is a growing sense of realism surrounding the Internet's role in the retail banking space.

Banks now have to determine what consumers really want and how to get maximum ROI from their existing investment in Internet services. Datamonitor believes that the Internet has great potential as a distribution channel, but only where used cost effectively and where it is integrated with other direct and non-direct channels. **eBanking Strategies in Europe 2003** is Datamonitor's definitive guide to the past, present and future of Internet banking in Europe.

Scope and coverage

- **Extensive coverage** of European Internet banking markets
- **Incorporates primary interviews** with a host of individuals working within the European banking and Internet banking space
- **Quantifies** the number of European consumers banking online in 2002
- **Utilizes** Datamonitor's bespoke market forecasting model to provide a forecast of the number of European consumers banking online in the years to 2007
- **Suggests opportunities** for European Internet banks looking to maximize ROI from existing and future investments

Report methodology

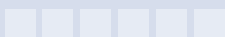
- A number of extensive primary interviews conducted with high-level individuals in the European banking and Internet banking space
- Unique consumer data from IMPACT 2002, Datamonitor's European consumer research program
- Datamonitor's bespoke market forecasting model provides a forecast of the number of European consumers banking online in the years to 2007

For more information...

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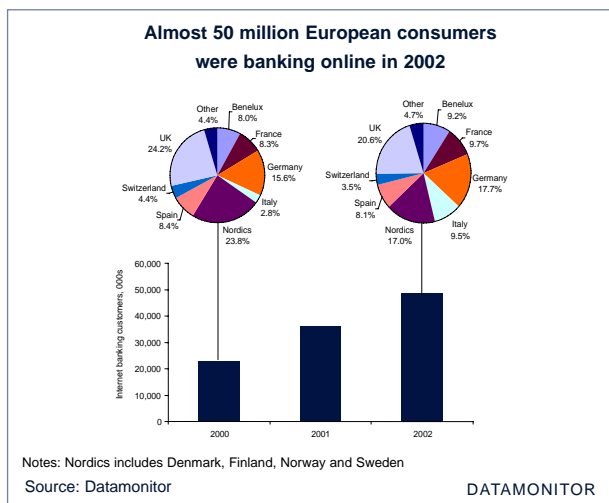
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Key findings and report highlights

- The number of European consumers banking online increased at a compound annual growth rate of 45.0 per cent between 2000 and 2002.
- Consumers who bank online are keen users of the Internet for leisure purposes and enjoy buying other goods and services online. Banks should respond to this demand.
- Banks can fine tune their online distribution strategies by mirroring the market leaders. In particular, they should look to get the basics right while simultaneously developing advanced services attractive to more experienced Internet banking customers.



Report structure chapter by chapter

- **Market Context** - Considers the development of online and other channels over the last 12 months. Includes Datamonitor's estimation of the number of consumers banking online in Europe at the end of 2002. Discusses Internet banking launches and closures in 2002. Examines improved website functionality, specifically account aggregation and animated online agent technology.
- **Customer Focus** - Considers the attitudes and behavior of consumers who bank online, using Datamonitor's consumer survey data, IMPACT 2002.
- **Competitive Dynamics** - Focuses on two success stories, Egg and Nordea, outlining the factors that have driven success and considering whether any lessons can be learnt by banks looking to emulate these market leaders.
- **The Future Decoded** - Looks at the future of Internet banking, specifically the increase in the number of consumers banking online and strategies that banks can employ to ensure that they maximize their appeal to current and future customers.

"...In each of the five markets surveyed, managing a bank account is the most popular use of the Internet for financial services purposes. Indeed, in Germany more than 30 per cent of consumers who access the Internet also manage their bank account online..."

**Out with the siloed view of banking channels
...in with the integrated view**

The revival at the branch level, the growing importance of call centers and the evolving role of the Internet means that banks now recognize that they cannot ignore any of the major banking channels. Equally the fact that consumers do not use particular channels in isolation means that banks now also recognize that it is no longer efficient to adopt a siloed view of the channels they offer. After all if consumers do not view banking channels as separate entities neither should banks.

As the distinction between banking channels blurs further it will become increasingly important for banks to ensure that their channels are integrated effectively. Banks' ongoing attempts to ensure consistency of service and brand across all channels pressing issue, especially where the functions of part promote cross-selling and bolster customer retention more important to ensure that a single operational pooling of information is vital if CRM systems, which investment in the past, are to generate a return.

Managing a bank account is the most popular online financial services activity, yet it is overshadowed by a number of leisure activities

Figure 3 highlights the popularity of using the Internet to manage a bank account relative to other financial services or life administration uses. In each of the five markets surveyed managing a bank account is the most popular use of the Internet for financial services purposes. Indeed, in Germany 33.5 per cent of consumers who access the Internet also manage their bank account online. Other relatively popular uses of the Internet for financial services purposes include stock/share trading which is an activity of 14.8 per cent of French Internet users, and arranging motor insurance which 16.1 per cent of UK Internet users have done online.

Figure 3 also highlights that despite the popularity of managing a bank account online, this activity along with other uses of the Internet for financial services or life administration purposes, is still far less popular than using the Internet for leisure purposes. In each of the surveyed European markets more than 70 per cent of consumers who access the Internet also send e-mail - in the UK this figure is as high as 87.9 per cent. Equally, in each of the surveyed markets more than 55 per cent of consumers use the Internet for entertainment purposes - in Germany this figure is as high as 72.0 per cent.

Internet banking closures continued in 2002

Given the volatility of the Internet banking market it is no surprise that a number of Internet banks were withdrawn in 2002. This section considers these banks examining why they were withdrawn and whether any lessons can be learnt from their closure. Banks considered in this section are shown in Figure 2.

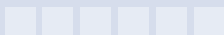
Figure 2: European Internet banks closed in 2002



If pigs could fly: Zurich Bank closes its doors

In October 2002 Zurich Financial Services withdrew its UK Internet bank, Zurich Bank, after less than a year of operation. The bank, which was set up in partnership with Bank of Scotland, attracted 70,000 customers by utilizing a high profile 'flying pigs' marketing campaign and by guaranteeing to keep its deposit

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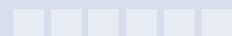
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“...It is in the interests of banks to harness the popularity of using the Internet for leisure purposes. After all, consumers who bank online are likely to be among those most comfortable performing other tasks online and some will be eager to utilize the Internet as much as possible...”





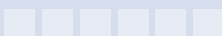
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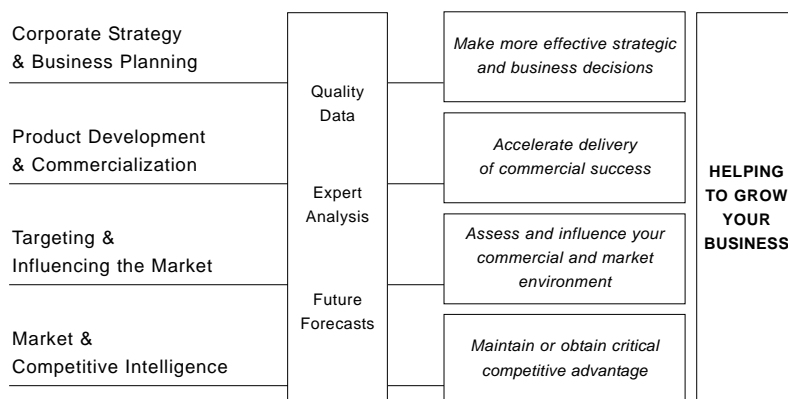
“...Basic online functionality is not enough to maintain the interest of the increasing number of more experienced online bankers. In the future banks should develop advanced functionality which generates value without demanding large scale investment...”



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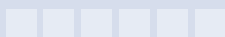
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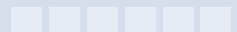
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