

Make Online Services Easy, Free, Safe

2 Almost half (44%) of all U.S. Internet users bank online—up from 30% two years ago, reports the Pew Internet and American Life Project, Washington, D.C. Online banking has grown faster than any other online activity since the nonprofit began measuring Internet use in March 2000.

Typically, one-third of financial institutions' households use online banking, although adoption rates vary among institutions. What about the other two-thirds? Will you ever get them onboard? There are signs you just

Online banking is the third most important factor in choosing a financial institution, following only fees and free checking.

might, and that could benefit your credit union and your members:

1. Online banking is the third most important factor in choosing a financial institution, following only fees and free checking, according to research from Keynote Systems, San Mateo, Calif.

2. To accelerate consumer adoption today, institutions should focus their efforts on two consumer segments:

- **Self improvers**, who find financial management stressful

and time-consuming and are unhappy with their bill payment system; and

- **E-savvy planners**, who like trying the latest products and services, will buy tools to make managing their finances easier, enjoy managing their finances, and are happy with their bill payment system.

A study by CheckFree Corp., Atlanta, says these segments pose significant potential for online banking and bill pay adoption, based on their use of financial services, attitudes toward technology and personal finance, and propensity to use online services in the near future.

3. The economic gain from each online bill payer totals \$67.50 per year, reports a study from Forrester Research, Cambridge, Mass., despite conservative assumptions of a \$5,000 average product balance and an annual balance growth of 15%. Additionally, financial institutions can realize annual savings of nearly \$30 a year per online bill payer by motivating bill payers to perform more transactions electronically.

4. Online banking users on average became 20% more profitable, and bill pay users became 40% more profitable after users activated online services, according to a study by Boston Consulting Group, Boston. It used customer and transaction data showing 12 months of actual net income before and after activation.

With online services in demand and beneficial, here are some ways to increase their adoption among your members:

- **Make it easy.** Use simplified enrollment, featuring one-step sign-up. Also, make your product demo easy to find and view, and make it easy to get help. Design member-focused marketing programs that teach members about online banking features and the service's benefits.

- **Make it free.** It's not true that only big financial institutions offer free online services. A number of credit unions have shown that removing fees—a significant barrier to signing up—encourages members to begin using online banking and bill pay services.

- **Make it safe.** Security and privacy are top-of-mind issues for consumers that you must address. One of five people who quit using online banking would have continued if their financial institution had offered security and privacy guarantees, says Forrester's "Consumer Technographics 2004 North American Benchmark Study."

While most financial institutions have a security and privacy policy, few do more than post it on their Web sites. Best practices include guaranteeing funds improperly removed from accounts as a result of online theft of account numbers or passwords and unauthorized online removal of funds. Also, include a fraud prevention area on your site with member education information. Most institutions offer resolution process for fraud, but few educate consumers on prevention.

There's significant opportunity to add value to your member services through online banking and bill pay while increasing revenue. This can be an integral part of your close relationship with members—by adding convenience, offering comprehensive online banking services, and continuously educating members on effectively and securely using the online channel. ■

CARMEN CRUTCHFIELD-SMITH is director of marketing for S1 Corp., Atlanta. Reach her at 404-923-6672 or at carmen.crutchfield-smith@s1.com.

© 2005 Credit Union National Association. Reprinted with permission.