BOUND FOR THE INTERNET

DAVID RANKIN OF COR INTERNET BANKING SOLUTIONS EXPLAINS WHY MORE AND MORE BANKS ARE PLACING THEIR FAITH IN INTERNET-BASED CASH MANAGEMENT SERVICES SYSTEMS.

Worldwide, banks are moving quickly to deliver cash management (CM) over the internet. In the US, the shift from pc-based to internet-based CM services is growing at an annual rate of almost 17%, according to the Tower Group. In Canada, a study by Carreker Corporation and Gartner Group found that 92% of large Canadian companies expect to use web-enabled CM services in the next 12 to 24 months.

Closer to home, one UK bank introduced an internet-based CM service in January 2002 which is now oversubscribed, while, in The Republic of Ireland, leading banks have responded to pressure from those of their customers which are international companies and have introduced internet-based CM services.

For the banks, advanced internet-based technology is now available for them to bring new online services into operation much faster than before. This new technology can be integrated with a bank's older 'mainframe' technology with minimum difficulty and can be used to deliver a range of services from one cost-effective 'platform'. The days of multiple technologies in a bank each delivering different services are over, simply because the banks can no longer afford the high operating costs of what has become known as 'spaghetti technology' – a 'spaghetti' that is difficult to manage, expensive to run and cannot keep up with fast business cycles and the need for rapid product development.

THE GREAT LEAP FORWARD. In the past, banks may have been unwilling to buy applications from external vendors for services such as CM but, in today's world of pressured margins, they are no longer willing to invest in lengthy internal IT developments that do not deliver, or only do so after the market has moved on. The emphasis in banks, as it is in most companies, is to 'do more with less', to do it quickly over one or two years and to maximise return on investment. As a result, banks are becoming much more flexible in the way they fulfil their IT requirements. For some years, though, one of the main things stopping banks from taking up internet-based CM was whether security would be adequate for very high value payments. But now with so many more security options available, it is no longer an obstacle. This means banks are now free to make significant cost savings by replacing their ageing e-banking systems with internet-based ones. Those ageing e-banking systems are client server systems which may have served the banks well in the past but have operating costs that are high and recurring. Inevitably, those costs are reflected in the pricing of CM services to customers but can be substantially eliminated with an internet-based service provision.

By moving away from client server systems, banks have no need to incur the costs of visiting their customers to install hardware and software and to make upgrades to users of the system. With an internet-based system, all that can be carried out by the bank in a matter of minutes.

Apart from infrastructure and support cost savings, banks enjoy other benefits too from being on the internet, such as staff having the convenience of a 'screen view' that presents information in a similar format to that being viewed by their customers. It is also easier for them to customise their CM products for different companies and to cross-sell different products over the internet. All these benefits come from the internet being 'one system for all'.

For customers, the advantages are clear in terms of much lower IT support costs and the ability to see the cash position and make transactions wherever they may be, giving tighter control over an everyday but key activity. And if those customers shop around, there presumably will be savings – one bank published its fixed costs for transmission as cheque 40p, telephone 22p and via the internet 3p.

PROVING ITS VALUE. With lower costs and reliable internet technology for CM available, the competition between the banks of all sizes is set to intensify and established banks in the market will have to become more fleet-footed to maintain their share. Perhaps established banks will extend the services in the SME market, do more product customisation for their customers to bolster revenues and provide greater connectivity to internal corporate systems.One thing is certain – the internet has proved its value in the personal banking sector and will do so very soon in the corporate sector.

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