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Websites

During the last few years the financial services industry in India has taken giant strides in making internet facilities available to their clients. A major part in attracting clients is played by the websites which are the entry points. Generally speaking, after the introduction of websites there is a tendency to wait and hope for the customers to start using it. It is looked on as a permanent fixture. This approach has to undergo a radical change. The websites should be looked at as gateways to induce the new customers to avail of banks' services. This line of approach is being advocated as a number of financial institutions including even the Islamic banks have made claims about the soundness of their systems.

This chapter looks at the development of websites and discusses some interesting legal aspects pertaining to cyber laws. Indian banks could well try and secure some business from overseas customers not only by propagating a business model similar to the one provided by their erstwhile bankers/financial service providers, but also by providing a policy frame which can help in weathering the storm of present financial crisis without much difficulty. There are some European cases which would make one realize the importance which needs to be attached to this aspect of the problem.

Having decided to offer internet services, the organization must take steps to ensure that all that was promised is duly delivered. The task for each one of the staff member is to discover how to do the job in a better way. In the network economy where machines do the jobs, the task for each worker is not how to do the job right, but to ascertain the right job to do. One should be looking for opportunities. It needs to be reiterated that unless an organization has critically evaluated all these factors it would be quite harmful to the organization's interest in the long run.

Before proceeding further a word of caution is necessary. It is customary to herald one's entry or even a proposed entry by saying that the organization would offer anytime-anywhere banking and other services. It may be a good advertisement, but it should not be the sole aim for an organization about to launch its activities. TV advertisements can be misleading. These advertisements often conjure pictures of yuppies talking to their US brokers from Trafalgar Square and disturbing the pigeons by their joyous shouts! One could, as a Nomura executive told the author, access their New York/Tokyo offices even from the middle of Sahara Desert. True it is. But one has to be equally concerned with bread and butter activities and their implementation. A lot of misconceptions prevail and it is necessary to look at the elements of the process.

The current phase of developments indicates that the way ahead would be for established organizations (banks, brokerage houses, and so on, with branch network) to offer these services. It could be pointed out that some stand-alone banks have weathered the storms and are now firmly entrenched. The generally prevalent pattern is what is now called the 'Brick and Click model'. Predominant e-finance business models involve multi channel distribution. Most of the online vendors are entrenched financial conglomerates that use the internet as a channel for marketing and distributing their financial products.

Most of the competition for online client acquisition focuses on the layout functionality and facilities offered by a financial institute's web presence. From a client's perspective one could divide the online interface into five categories:

- Company specific websites.
- Directories and information portals.
- Vertical integrators.
- Point of sale sites: product marketing through various themes based web-pager.
- Value added portals: websites empowering consumers beyond mere listing and linking.
- Aggregator portals: price and quality comparison across a number of services of providers.

Perhaps a frequently used classification of services offered is by having recourse to delivery channels.

Access Devices

These devices include personal computers, personal digital assistants, televisions equipped with internet access or cellular phones and other wireless communication devices. Portals could supplement these.

Portals

Portals are becoming the critical link between access devices and financial service companies. Portals offer access to a range of financial service providers often for free or a fixed price, but generate revenues from fees paid by providers referred through the portals. These include portals designed by specialized financial service companies as well as general portals like AOL, Yahoo, and so on. Aggregators complement portals allowing consumers to compare mortgage insurance or other lending products offered by finance companies, enabling companies to support existing financial service providers as well as specialized financial service providers, and virtual banks' specialized software.

The Online Value Chain

The online value chain is a useful way to think of the important roles that will exist in delivery of online services to customers. The banks/FIs are 'manufacturers' of market products and process information (content). The delivery is through a network. The customer accesses it through various devices like personal computers (PC), mobile telephones, televisions, and so on. The organization would need to take a view as to which access device would be suitable for a given activity.

Filling in a loan application would necessarily have to be a PC-based activity as using the TV for such work would be impossible. However, care has to be taken to see the users' preference in accessing through a particular device.

We will now, briefly, touch on the problems associated with some of the aspects concerning entry into e-finance. Obviously the first thing that comes to one's mind is the establishment of a website.

Very often, the bank designs and builts a website, but it is not of much use. It seems that in such cases, much thought was not put into building the website. At one level, the problem to be resolved is whether we expect the access through PCs or mobile phones. Second problem relates to the information to be presented. In an article in Bank Marketing (Bachman 2001), launching of a website has been compared to dressing for an Academy Awards presentation 'function'. A financial institution must make its presence felt. After all, the web would be the vehicle for building loyalty and business.

The internet is unlike any other form of communication. Unlike a pamphlet or an advertisement, the internet is an interactive medium that is rapidly evolving. Organizations need constantly to maintain and upgrade their websites as technology and customer habits change. The list given below lays down a few areas, which would help FIs and others in designing new websites and also help those who are seeking to improve their existing set.

- Whatever be your intended audience, the website must reflect your strategic choice. It must clearly reflect what the organization is trying to achieve, for example, selling new products to existing customers; attracting new customers from other markets; or providing information to existing stockholders. These objectives should be specific and documented.
- The website is an information site and not a glitz. The site must satisfy highly directed visitors in search of specific information. It is not for entertainment.
- The graphical mode of presentation is a great advantage. Further, even video clips can be added. But it must be remembered that frequent visitors to websites get tired if they have to see the same picture or hear the same notes.
- Never create an entry page that takes longer than 15 seconds to download. Otherwise the customer would leave and not return again.
- Avoid any features that would cause the browser to crash, freeze or show error messages.
- If possible design pages to target customer segments.
- Provision of investment calculators could be a great help and should normally bring the visitors back.
- If possible add links to outside websites.
- There must be an incentive(s) to visit the site over and over again.
- Easy navigation is extremely important.
- One must never forget that every customer does not have access to a high speed, dedicated link.

It needs to be added at this stage that website experience may not augur well for interactive digital TV, PDA (Personal Digital Assistants), mobile phones, and so on. A survey conducted by Microsoft for Barclays and Nat West banks has found that the content has to be compelling in order to get the user to visit the site.

Designs for PC and TV viewing have to be different. In case of TV you are watching from a distance and in case of PC you are close by. The cell phones are a different cup of tea altogether. The differences are writ large. The small size of the screen necessitates that you offer altogether different solutions. It is now increasingly realized that FIs must not jump on to the bandwagon blindly. They must consider the limitations and issues that surround such a strategy.

However, there is an extremely cautionary advice that must be offered in concluding this section on web design and its use. If using the internet is to be successful, there has to be an operational efficiency behind it to fulfill the promises, which have been made to the clients, otherwise an institution's reputation can be at risk.

Aggregators

With the help of the internet one finds that the one-stop portal is a reality. To begin with the reasons for developing such portals need to be discussed. The need to have a website where customers could handle all of their financial affairs was thought to be the prime need. But one element was missing here. The customers were unable to carry out transactions from their multiple accounts at the same time. The concept of designing a home page that might have broader utility for the user than mere transaction processing and information delivery has some merits.

At this stage, it might be useful to clearly define the terms used. 'Aggregation' refers to gathering information from multiple websites and delivering it to a customer's account at a single website. Consolidation refers to gathering information about a customer's several accounts at the same website and presenting it to the consumer as an integrated statement.

Various types of portals (an outbound website gateway that links to other sites and an inbound gateway that presents information gathered from other sites) have been created. The really useful portals are part search engine, and part tool kit, calculator and part information market place. These portals *(a)* are an easy way to do research about different kinds of products, *(b)* send and receive email, *(c)* provide information and stock prices and *(d)* are a model scenario for taking a wide range of decisions.

The best example of an aggregator is the 'Lending Tree' which could best be described as a 'market place for lenders'. There is no doubt some truth in saying that these portals are useful on a pre-transaction basis rather than for an ongoing relationship.

Another type of aggregator (the account aggregator) places more emphasis on ongoing relationship building. These portals offer information, but very little by way of assessment. Many FIs are, therefore, providing tools to do so. These tools can and do help customers to have a better asset allocation. There is also a tendency to have links with associated activities like broking.

At a seminar on e-banking we found that many of the participants had apprehensions about the technology to be used for introducing such features. However, some of the speakers rightly mentioned that it was not exactly rocket science. It is a distinctly low-tech application and goes by the name of 'screen scraping'. It enables an aggregator to go to any financial site and that too with the customer's prior consent (not the service provider's). The aggregator makes the server think that it is the customer's routine request. The system, of course, needs a lot of maintenance. The 'security' aspects of such transactions have been discussed in a later chapter.

There are, however, serious challenges ahead. It is being gradually realized that the internet is not a stand-alone business proposition, but must be a part of a larger delivery capability. Integrating internet channel information, customer knowledge and transaction information with those at the branch, call centre, and ATM is a critical issue. The portal concept must be thought of within the context of a larger multi-channel delivery capability. The branch or call centre must have much more detailed information so that genuinely customer centered information can be provided.

Currently, the web services ought to be used to enhance internal efforts to integrate applications together in a product or process value chain.

E-BANKING AND ONLINE TRADING

These two topics have been discussed in detail in the later chapters. Here we would touch on some common difficulties experienced at the implementation stage. A major problem relates to cost escalations. The problems could be overwhelming unless one is aware and takes care right before going in.

The main culprit here is the professional fee for consultants. It is not always necessary that the vendor engineers are the most proficient ones.

In fact, most of the vendors send only the second or third line of consultants/engineers for implementation projects. This means that while the vendor consultants are refining their skills on their product, you keep paying more and more. Or you become their training ground. Besides, the professional service effort is always an estimated effort; you can not bind the vendor once the work agreement is signed off.

In situations where the system integration has to be done between two different systems, such as in the case of internet banking or treasury systems, which have to be connected to the core banking system using Application Programming Interface (API), the risk of cost escalation on this account increases many folds. The one way out seems to be to provide for a fixed charge for professional services. Most probably you will have selected the product through a quotation process from a number of vendors. And you can insist on a fixed charge for the professional services, else the quotations have no meaning. Another alternative is to have a man-days budget with a variation cap incorporated in the contract.

The decision-making process in most of the banks is such that in spite of the budget having been approved for the project, for every decision—be it for a business requirements specifications or be it for an item of expenditure—days and sometimes weeks are lost. They have to approach the same sanctioning authority and, hence, the delay. In today's atmosphere where vigilance is a bugbear most bankers are scared of, matters are referred to the original sanctioning authority, which in these cases is the board. The way these boards are (for that matter any board functions), cost escalations are not viewed very favourably. This will throw any project plan and manpower budget out of gear. And a vendor, who has calculated and committed the price quotation on a reasonably tight budget, will incur heavy losses. Hence, if you manage to get a fixed manpower budget in the contract, please have a foolproof decision making and expenditure sanction machinery in place for the project. Built in escalations/contingency provisions ranging from 10–20 per cent are hardly the solution. The recommending department's actions in allowing such cost escalations would be viewed with suspicion. It is better to sit down with vendors and try to identify areas where there could be delays and escalations and prepare a budget for them. The background notes should highlight these.

The essence here is that unless you find a way to control the professional service charge for your project, your entire financial estimates for the project is at the risk of going for a toss. At the same time if a vendor commits you a fixed professional service charge and you do not support him with an efficient decision-making system for the project, the vendor will have

no option but to abandon the project mid-way. Both the conditions have equally unpleasant consequences for you.

Rather these are unforeseen costs, some of which one would normally fail to see at the beginning when you are preparing your budget. Some of the more obvious expenditure items that are left out at the time of initial budgeting have been listed below. Individually, these appear to be small, but together they become a substantial part of the total cost. And if you miss out on these, it is going to be questioned later on.

- Hardware and Software for backup system and test system.
- Firewall System: hardware, OS and software.
- Firewall for back up system.
- Encryption mechanism.
- Web server certificates.
- Leased line and backup connection costs.
- Security policy design, validation and auditing cost.
- Disaster Recovery Center (DRC) costs.
- Risk Management and contingency plan.
- Costs of hiring/buying computers for project implementation and UAT.
- Costs involved in hiring consultant(s) for techno-legal planning.
- Process change management.
- Setting up new data centre or expanding the existing one.
- Leased line and encryption of data between data center and DRC.
- New support resources and their training.
- Telephone bills, transport and hotel charges for consultants.
- Additional costs due to people working late, working on holidays and weekends.

Some of the aspects touched on here may appear to be too obvious. Our own experience suggests that these very aspects can cause a lot more difficulties, as they were never anticipated.

Outsourcing versus Doing It Yourself

The technology arena is a harsh unforgiving environment where the expected end result is very high and mistakes or flops are considered worse than bad loans. For any bank/financial institution, wishing to implement

its own in-house system, the main consideration should be regarding the availability of people. Experienced, 10-hour-a-day workers, who are not only dedicated, but are also not risk averse is a prime necessity.

Figuring out the right cost for the project is the next task. Generalizations based on comparisons with other banks or institutions can be totally misleading. There are specific measures and techniques to determine the appropriateness of technology in a given institution. The normal thing is to compare it with the workload. In case of anticipated activities certain conjectural thumb rules have to be used.

The advantages of having work done in-house has been discussed in the following paragraphs. Two major advantages are control and costs. In today's competitive environment it is essential to have both these aspects properly taken care of. The banks/financial institutions would have dedicated support, which no outsourcing agency can match. Further the system can take care of certain overload without much extra costs. It can be said that stable systems last even for 5–7 years and since the depreciation on these items is probably complete in three/four years the system availability is for free. Customization may be possible if the banks were to approach the vendors right from the start.

Outsourcing has its advantages too. One can have ready-made expertise. Instead of hiring additional staff, the banks could follow Drucker's (2002) 'Consultant' model and make do with such specialists, as it would certainly be cost-effective. Almost 20 per cent of the costs are incurred on welfare and statutory benefits. A right outsource company may deliver products as operational solutions. Let the outside specialists do the work and let the bank use the results. Banks also can take advantage of the research work done by their vendors. The possibility of the outsource company and bank becoming partners after working closely cannot be ruled out. Staff turnover at senior levels would create substantial problems for the bank, but not for an outsourcing firm.

One can go on listing the merits and demerits of such options. The final decision would always be a result of diverse factors being balanced. One only hopes that these complex matters would be examined in depth and roadblocks identified so that the transition is smooth.

It needs to be added that staff training would be of paramount importance to achieve the desired results. There has to be considerable emphasis, during training, on security aspects as also on care to be taken while performing normal routine functions. It is also important to ensure that the participants internalize the need for as prompt a response as possible. The

system designers would sooner than later have to provide facilities to the concerned staff such that the customer queries/complaints are handled as quickly as possible. There would have to be job enrichment and an equally thorough training on aspects of 'Law and Practice'. One would have to aim at being a global entity and be ready to meet such challenges. Initially the response could be from NRIs, but to meet their growing demands is also no mean task. It is important to secure the business before it is diverted to other institutions. Gradually the customers would also feel the need for a secure financial environment. It is for the FIs to take the required initiatives and do all that would be necessary. This would have to be a bold decision.