

Workshop on innovative business models in the digital economy

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Online business models in the banking industry : in search of innovation

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Online business in banking

Unfulfilled
Promise?

ONCE BITTEN, TWICE SHY

Representative Examples of Internet Bank Failures

Globe and Mail, Canada

December 16, 1999

B of M's Virtual Bank Fails to Deliver

"Rest in peace, mbanx. A few months ago, mbanx was quietly folded in with the electronic services that the Bank of Montreal offers branch-based customers."

"After spending \$70 million to build the mbanx brand, Bank of Montreal will fold mbanx's 175,000 customers into the 750,000 Bank of Montreal customers who signed up for Internet banking."

Past ventures led most firms to focus on Internet servicing and routine transactions rather than sales...

...and more recent failures have left many firms hesitant to invest in Internet sales capabilities.

The Business, France

February 3, 2007

Pru Chucks Rotten Egg, but Stink of Failure Lingers On

"Egg may have offered market-beating prices, but it provided its parent with a severe case of indigestion."

1999

Unfulfilled Promise?

2007

Computerworld.com, United States

September 21, 1999

Bank One Trims Its WingspanBank.com

"Bank One Corp's WingspanBank.com, an attempt to create a standalone Internet bank, will be downgraded to a test lab."

American Banker, United States

October 19, 2007

NetBank Failure Kills One Web Bank Model

"The remarkable thing about NetBank is that investors and bank managers continue to believe, even today, that the Internet banking model is viable for a standalone business."

Source: "B of M's Virtual Bank Fails to Deliver," *Globe and Mail Canada* (16 December 1999); "Pru Chucks Rotten Egg, but Stink of Failure Lingers On," *The Business France* (3 February 2007); "Bank One Trims Its WingspanBank.com," *Computerworld.com* (21 September 1999); "NetBank Failure Kills One Web Bank Model," *American Banker* (19 October 2007); CFC research.

Tuned for Sales?

0-15%

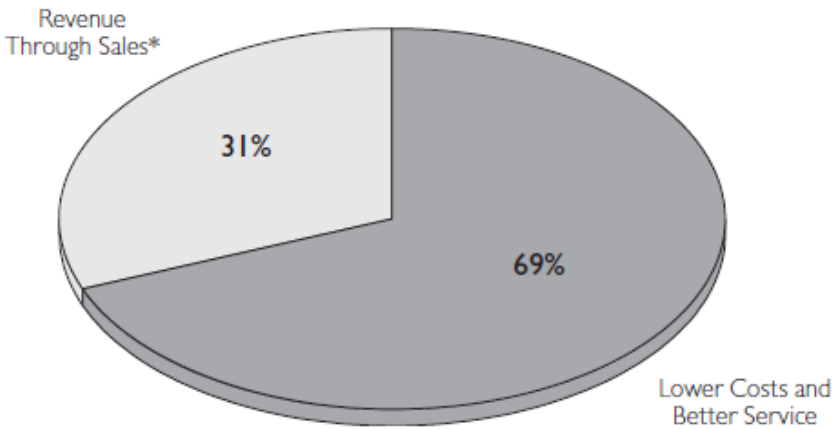
FOCUS ON FULFILLMENT

Institutions are focusing the Internet on low-cost service...

CFC Online Sales Survey, 2007

Percentage

Q: In terms of the investments your firm is making in the Internet channel today, which best describes your firm's objective?

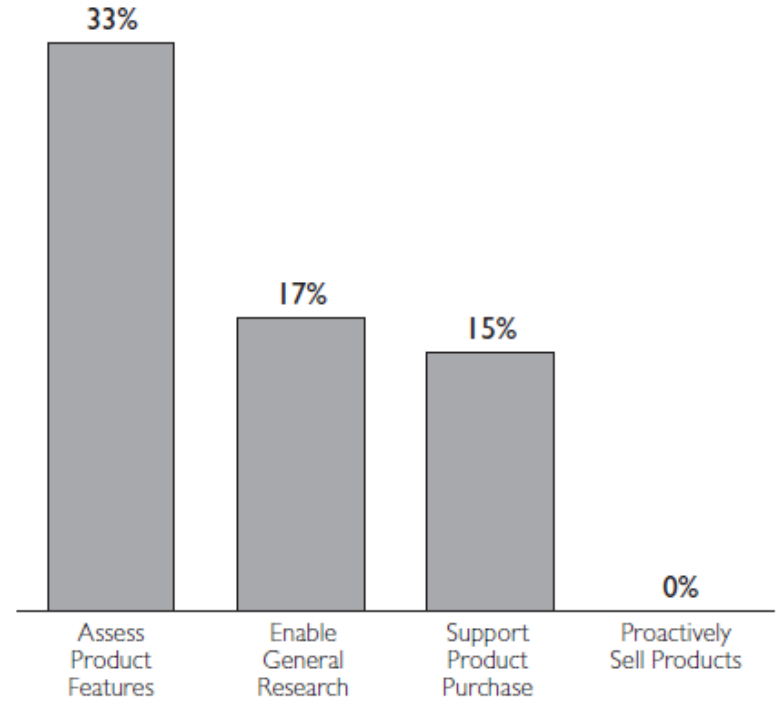


...with predictable results

CFC Online Sales Survey, 2007

Percentage Rating from Four or Five

Q: How would you rate your firm's capability?



Interest Margin related income

-50%

Average interest rates in Greece

Source: Bank of Greece

	Average lending	Average deposit	Interest Margin
Dec 1998	16,21	8,12	8,09
Dec 1999	14,02	6,98	7,04
Dec 2000	9,68	4,00	5,68
Dec 2001	7,26	1,96	5,30
Dec 2002	6,38	1,64	4,74
Dec 2003	5,95	1,15	4,80
Dec 2004	5,98	1,19	4,79
Dec 2005	5,73	1,28	4,45
Dec 2006	6,31	1,89	4,42
Jan 2007	6,35	1,97	4,38
Feb 2007	6,27	2,00	4,27

Since September 2002, banks submit detailed interest rate data, base on a unified methodology adopted in Eurozone. Historical data prior to 2002 have been adapted so that they are comparable with post 2002 data. We also have to note that the average deposit interest rate, underestimates cost of money as banks have to support their fast growing lending business through money markets with relatively high interest.

and tasks
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Innovation in banking

Sustaining

Or

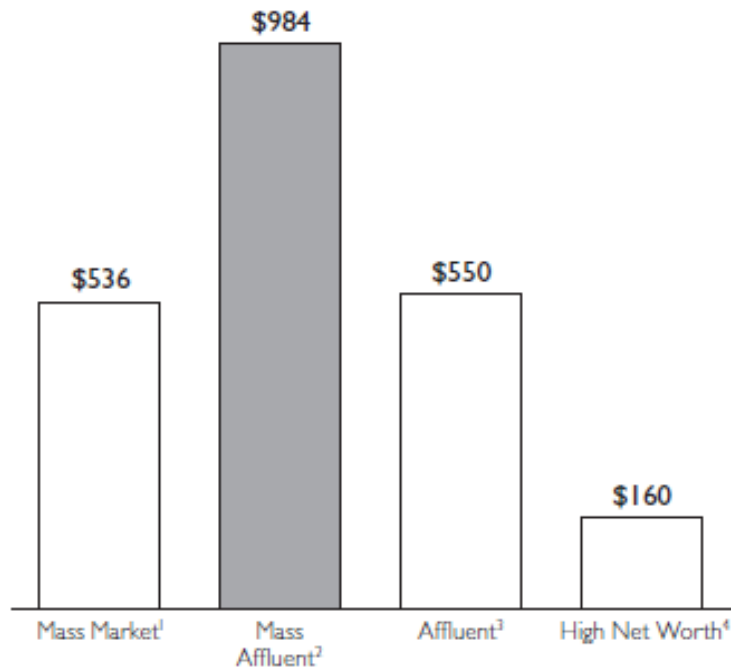
Disruptive

MASS AFFLUENT MATH

The mass affluent—our most profitable customers—...

Total Liquid Deposits, United States, 2004

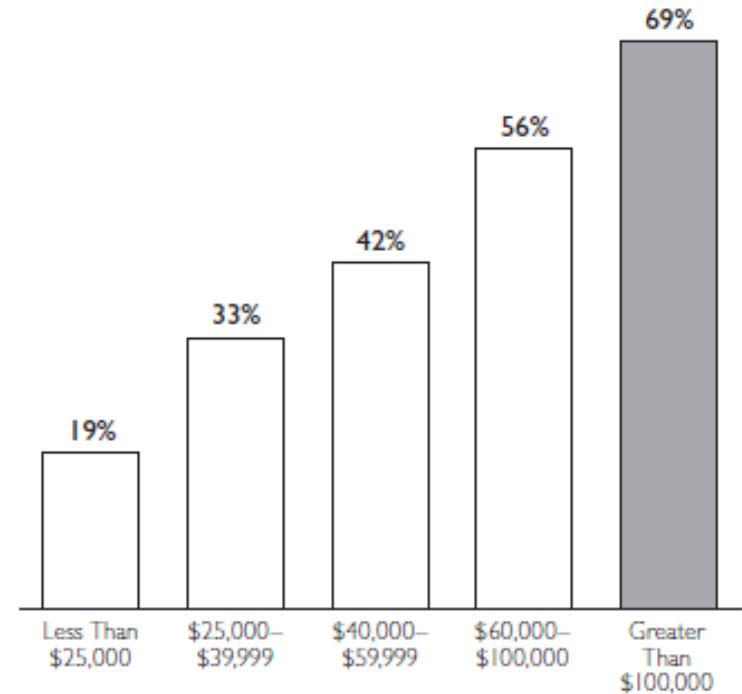
Billions of U.S. Dollars



...lead all groups in online banking activity...

Online Banking by Household Income, United States, 2007

Percentage Banking Online



¹ Mass Market = \$0–\$99,999 in Investable Assets.

² Mass Affluent = \$100,000–\$999,999 in Investable Assets.

³ Affluent = \$1 M–\$3 M in Investable Assets.

⁴ High-Net-Worth = More Than \$3 M in Investable Assets.

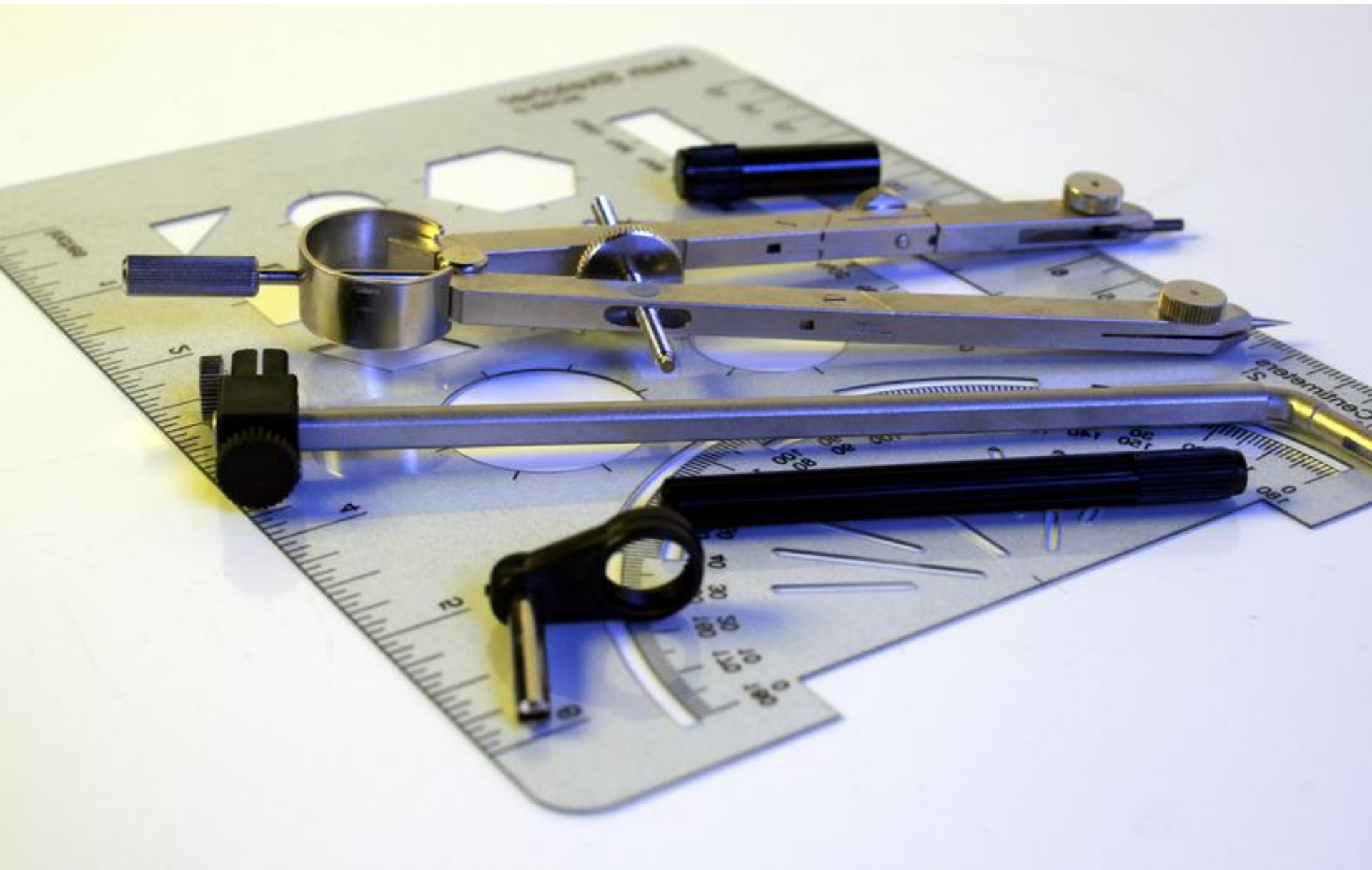
Source: Survey of Consumer Finances; Pew Internet and American Life Project, 2007; Affluent Dynamics; CFC research.



**Working harder, doing less.
(computers do not necessarily
boost productivity) (The
Economist: A Survey of
Information Technology; A
Question of Communication)**

[The Economist \(US\)](#) | June 16,
1990 | Copyright





Richer Toolset

The organization Source of Business Value

Improve it

Product promotion
New sales Channel
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Transform it

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New business models

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Listening?

$$\frac{d}{dt} = \frac{\partial}{\partial t} + \dot{x} \frac{\partial}{\partial x} + \dot{y} \frac{\partial}{\partial y} + \dot{z} \frac{\partial}{\partial z}$$

$$\Delta H = \frac{\partial H}{\partial x} \dot{x} + \frac{\partial H}{\partial y} \dot{y} + \frac{\partial H}{\partial z} \dot{z}$$

$$x = 0, \quad C = C_0$$

$$x = 0, \quad \dot{x} = \frac{\partial H}{\partial x}$$

$$2. \quad y = 0, \quad \dot{y} = 0, \quad \dot{x} = \frac{\partial H}{\partial x}$$

$$z = 0, \quad \dot{z} = 0, \quad \dot{x} = \frac{\partial H}{\partial x}$$



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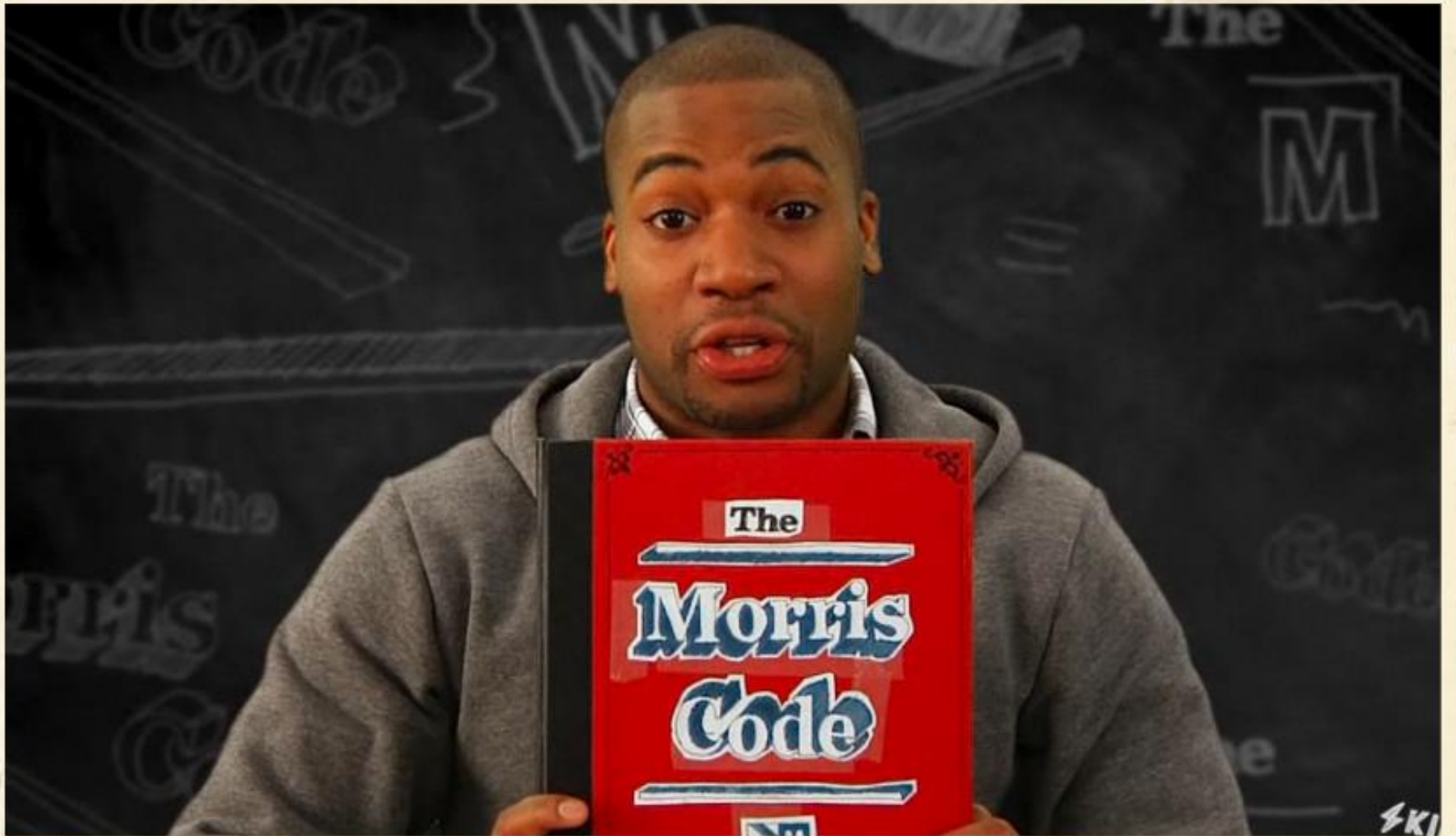
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Money Bar

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Where the Action Happens — the *Interaction*.

The Money Bar is where you'll truly get a high-definition view of your finances. By splitting your money into three categories* — **Scheduled Out** (the money in your [Spend account](#) that's allocated toward bills), **Free** (the money you have available to spend after your Scheduled Out bills are paid and before your next pay day), and **Reserve** (the money you've put aside) — you get a clear picture of not only what you have in the bank, but where your money's going.

To further enhance your view, below the Money Bar there's a listing of your specific Scheduled Out bills (these are the bills that are scheduled to be paid before your next payday). Your bills that have already been paid, or are en route, are labeled — so you know which [Bill Pay](#) dates and amounts you can change. Also, for the aspiring type, there's your [Wish List](#) that displays some of the items you're saving up for, and tells you how close you are to being able to afford them.

Nice Moves

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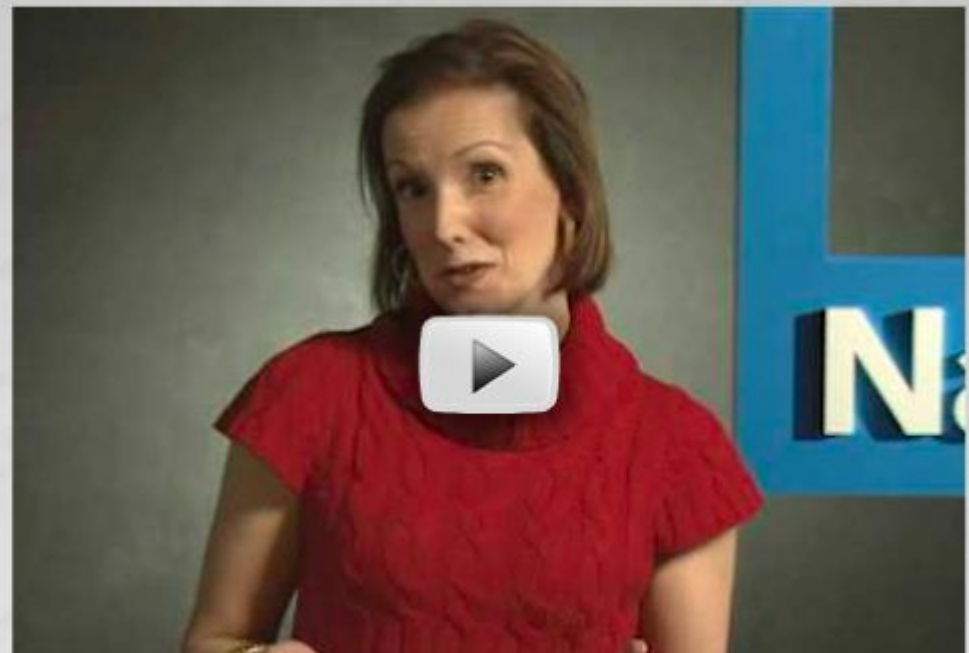
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