



TABLE OF CONTENTS

WHY CUSTOMER CARE WILL DRIVE THE GROWTH OF WEB-BASED BANKING?

WHY EBPP WON'T WORK WITHOUT E-CARE

MORE THAN JUST CUSTOMER CARE

WHY BANKS AND BILLERS CARE ABOUT EBPP

MORE THAN ONE E-BANKING MODEL IS EMERGING

WHAT DOES A COMPREHENSIVE E-CARE STRATEGY INCLUDE?

THE BOTTOM LINE ON E-CARE

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Why Customer Care Will Drive the Growth of Web-Based Banking

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Why Customer Care Will Drive the Growth of Web-Based Banking

As financial institutions race to replace bills, statements and checks with electronic transactions, failure to factor e-care into the e-banking equation will cause these initiatives to fail

To thrive and even survive in the Web economy, banks, brokerages, and other providers of financial services are racing to make Internet banking a reality.

Electronic Bill Presentment and Payment (or EBPP) promises to change bill-paying as we know it, replacing printed statements, paper checks, and the post office with electronic transfer of funds over the Internet. By linking billers, banks, and their customers, EBPP allows anyone with a checking account to receive, review, and authorize payment of their bills from a Web site.

While it's widely expected to make bill paying easier and more economical for everyone, EBPP won't attract a significant number of consumers until 2001, predicts Forrester Research. In the meantime, EBPP players are busy building the complex infrastructure that will allow banks, billers, and customers to track accounts and transact debits and credits over the Internet. They are launching pilot tests of their software and Web sites, convincing customers that EBPP offers a better way, signing up software and billing partners, and overhauling their often aging information systems.

But in the rush to get ready for Internet banking, many EBPP players have already committed an error that could prove fatal to their initiative. They've failed to factor customer service into the e-banking equation.

Why EBPP Won't Work Without E-Care

Why does this matter? Because once banks and other EBPP players make bills available on the Internet, their call centers will be crushed with calls from Web-savvy customers who demand fast answers. They'll ask, How do I add a payee? How do I set up recurring payments? Why wasn't my last payment credited? What happens if I already paid a bill the old way?

EBPP will increase the demand for customer service, and because they've already made the choice to interact via the Web, most customers will insist that their issues be resolved on-line. Without the ability to deliver immediate answers over the Web or the wherewithal to field queries to the appropriate partner within the extended e-banking enterprise, EBPP will fail. Unforgiving customers won't wait for the fix: they'll give up on e-banking before it gets off the ground.

"Because of the immediate nature of e-billing, customers will demand high levels of on-line customer service and will expect immediate Internet access back to their biller for issue resolution," says Michael Seppi, Director, Electronic Bill Presentment & Payment, at systems integrator Cap Gemini. "No longer constrained by the traditional telephone call, customers will issue database searches, email, chat sessions, or direct on-line requests for assistance," says Seppi.

More than any other single factor, EBPP's success depends on the ability to deliver superior customer care over the Internet. EBPP players who want to survive can't afford to consider customer care an afterthought. From the outset, they need to make e-care a core component of their e-banking strategy to support and fuel the adoption of this new service offering in a way that effectively addresses the e-customer.



TABLE OF CONTENTS

WHY CUSTOMER CARE WILL DRIVE THE GROWTH OF WEB-BASED BANKING?

WHY EBPP WON'T WORK WITHOUT E-CARE

MORE THAN JUST CUSTOMER CARE

WHY BANKS AND BILLERS CARE ABOUT EBPP

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More Than Just Customer Care

For leading banks and other innovative players, e-banking represents much more than just the electronic transaction of debits and credits. It offers an opportunity to build relationships with customers that weren't possible when bills were paid the old-fashioned way.

Although almost all paper-based bills today include flyers promoting new products and services, billers find this untargeted approach largely ineffective. Customers, tired of so much junk mail, disregard these offers. Because of its ability to deliver personalized and relevant service, e-care presents a tremendous opportunity to cross-sell to the consumer, targeting new products and services based on individual customer profiles and needs.

"With paper billing, banks and billers lose the opportunity to build a meaningful customer relationship," says Seppi at Cap Gemini. With e-billing, billers will tailor products and services for their customers based upon unique customer needs. That reduces traditional, labor-intensive costs, increases revenue per customer, and allows banks and billers to gain additional loyal customers.

We'll explore exactly what's entailed in delivering superior customer care, but first, let's look at why EBPP matters and how it's emerging.

Why Banks and Billers Care About EBPP

Why change the way we pay our bills? "Because," says Cap Gemini's Seppi, "the way bills are produced and sent to customers today is archaic, costly, and inefficient."

According to a study conducted by Microsoft Corp., a key backer behind e-banking player Transpoint (www.transpoint.com), more than 18 billion bills were mailed out to U.S. households in 1997 and an estimated 20 billion in 1998. In the course of the billing process:

Billers spend approximately \$65 billion (or about \$1.50 per bill) on the data collection, preparation, and delivery. Another \$11 billion is spent on the collection, processing, and clearing of payments on the bills. An estimated \$22 billion is then spent resolving the customer issues that result from exceptions, such as data entry and clerical errors, erroneous items on bills, and general questions about bill content and format. Considering the cost of doing business the old way, EBPP is a matter of survival for banks and billers. For consumers it comes down to convenience. With no bills piling up on the desk, there are no checks to write, no envelopes to stuff, and no stamps to stick. E-banking offers a faster, easier way to carry out a necessary task that is tedious and uninteresting.

Given the benefits to both companies and consumers, EBPP is expected to grow dramatically in the next couple of years. A report by financial services company BancAmerica Robertson Stephens estimates that in 1998 about 1 million bills were presented via the Internet and predicts that number will reach 500 million in the year 2000.

More Than One E-Banking Model Is Emerging

Given EBPP's potential, it's not just banks that are betting on e-banking. A flock of other financial players are hoping to cash-in, including brokerage houses, mutual fund companies that offer cash management accounts, Web sites that specialize in financial services, portal players, and "consolidators" that serve as middlemen.

Early market studies indicate that consumers prefer to choose the Web site from which they pay their bills — whether that be their bank, broker, or an Internet site they frequent. That can happen two ways. EBPP players,

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such as banks, can and are developing their own EBPP initiatives. Or, they can turn to "consolidators" such as Transpoint to do the job for them.

By using a consolidator, the EBPP players save the considerable cost and effort of designing systems and forging relationships with billing partners. Also, the consolidator, who takes on those jobs for multiple players, will realize some economies of scale. Either way, the consumer visits a site that looks and feels like the bank or Web site they're used to doing business with, even though the transaction actually originates with the consolidator.

Consumers also indicate that they want the electronic bills that are presented on-line to look and feel similar to those the U.S. mail delivers each month. Once each bill is presented on-line, customers will be given a chance to review charges and usage patterns, and then asked to click on the "authorize payment" button.

As e-banking contenders ready their initiatives, several EBPP models are emerging. Forrester Research breaks them down like this:

Biller direct. This approach — already used by billers like AT&T and Discover — forces consumers to log in separately at each company's site to review bills and authorize payment. It's the fastest to implement, gives billers direct control over the bill, and allows them to maintain contact with the customer. Analysts and other EBPP watchers see this set-up as too impractical to prevail. For bill payers, jumping from site to site is only a bit less time-consuming than writing out checks and dropping them in the mail. Another drawback: it offers only minimal integration with the cash account from which they pay their bills.

E-mail bill delivery. In this model, the consumer's e-mail box serves as the aggregation point. Billers send summary bills via e-mail, embedding a link to the biller's URL, where consumers review the statement and pay the bill. Although this model improves on the biller direct model by adding a single aggregation point, most find it still lacking. To accommodate consumers without formattable HTML e-mail clients, most summary bills will be presented in text format. This model also forces consumers to log in at each site and offers no link to the primary cash account. And, it's less secure than presenting bills directly on a password-protected site.

Thick consolidator. In this model billers send detail billing data to an EBPP processor that forwards the summary items to consumers via a consolidator. Consumers can then pay all their bills with a single login and check account balances when paying bills. However, because EBPP processors host both detail and summary data, billers fear losing control over the marketing and promotional capabilities of their bills.

Thin consolidator. A variant of the thick consolidator approach, billers send only summary data to the EBPP processor; detail data is hosted at the biller's own Web site. The differences between thick and thin consolidation will be invisible to consumers. This model — supported by Transpoint and CheckFree — stands the greatest chance of success because it offers consumers a single aggregation point for bills and gives billers the greatest control of their bills.

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WHY BANKS AND BILLERS CARE ABOUT EBPP

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What Does a Comprehensive E-Care Strategy Include?

Whichever model prevails, banks and other institutions delivering EBPP must be prepared to field and answer questions in a way that is fast and efficient for customers and cost effective for the organization delivering service. To do that, they need to provide a wide array of ways for the customer to interact with their bill-paying applications. And they need to make sure all partners in the extended e-banking enterprise have access to that information as needed. A comprehensive e-care strategy includes the following:

Web Self-Service: EBPP applications need to include some standard self-service features that help customers help themselves without having to place a call or send an e-mail message. Doing so saves customers time and enhances their perceptions about the bank with which they're doing business. And it saves the bank time and money. EBPP applications should offer customers an immediate, intuitive way to:

- Update personal information such as name and address
- Change their passwords
- Request a cancellation in service
- Add or deactivate an e-biller account
- Add or change the bank or financial institution from which their bills are paid
- Find the answer to a problem by searching a rich knowledgebase of solutions

Problem Resolution & Response Management:

EBPP systems should offer customers an easy way to ask questions or submit incidents over the Web or e-mail and receive fast, personalized replies. Keep in mind that to be effective, response systems must be integrated with data from other customer interaction methods — phone, e-mail, Web, or even in-person at a branch — so that the customer can choose their preferred method of communication. And the bank or biller service organization has to have a single view of all these interactions, regardless of where they originated.

Knowledge Manager:

As banks and billers begin to interact with customers through EBPP applications, they will rapidly acquire vast amounts of information about everything from the most commonly asked questions to how well the applications themselves work. A knowledge management application provides banks, their customers, and billing partners, with a shared resource to capture, publish and distribute that knowledge, and a medium through which to inquire, learn and interact. Banks need to organize that corporate knowledge in a form that is quickly accessible and easily usable by customers, billing partners, or any workflow within the extended enterprise.

Interaction Management Center:

Even though customers will prefer e-care, don't deny them the opportunity to pick up the phone and call you. Like the e-mail response system, to be effective, data from your call management system needs to integrate with information gathered through all other customer care channels. That way, when a customer service rep speaks to an e-banking customer, he'll have at his fingertips a record of all interactions that have taken place with that customer.

Extranet Workflow:

EBPP applications are systems that extend beyond the boundaries of one organization. To succeed, banks, consolidators, billers, and customers need to be joined in a collaborative relationship that is transparent to customers. Customers prefer to interact with a single party. That means it's critical for banks to have the ability

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to automatically workflow customer queries to billers and other appropriate parties for resolution. Without an extranet-based workflow system, manual intervention is required throughout the process, raising costs and the risk of poor service. With it, all parties in the extended e-banking enterprise have one view of the customer.

Personalization:

To ensure that e-banking customers get exactly what they need, e-care systems need to provide personalized service, based on a customer's actions and behavior. Personalization services help you better understand and respond to each customer's needs and intentions, ensuring that each customer gets exactly what he needs — when he needs it. This increases customer efficiency in interacting with your enterprise and builds loyalty for doing business with you. And it enables banks and billers to make relevant recommendations for those products and services in which a customer is most interested.

The Bottom Line on E-Care

EBPP will alter banking and bill-paying forever, making it more efficient and economical for everyone. But these gains pale next to the real payoff: the e-care opportunity to foster customer loyalty and increase profits in ways that were never before possible. That reward will be reaped only by banks and billers that act fast to factor e-care into the e-banking equation.

TABLE OF CONTENTS

**WHY CUSTOMER
CARE WILL DRIVE
THE GROWTH OF
WEB-BASED
BANKING?**

**WHY EBPP WON'T
WORK WITHOUT
E-CARE**

**MORE THAN JUST
CUSTOMER CARE**

**WHY BANKS AND
BILLERS CARE
ABOUT EBPP**

**MORE THAN ONE
E-BANKING
MODEL IS
EMERGING**

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E-CARE STRAT-
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