

BY JOHN ADAMS

## Direct Access

# Firm Takes Swipe At e-Tolls Again

### ORCC has 50 takers. But will it matter?

**T**HE DEBATE OVER WHETHER WEB-enabled financial services can draw fee income from consumers is getting an added jolt as a new pay product from Online Resources hits the market with a group of more than 50 early adopters including First Command Bank and Pinnacle Federal Credit Union.

While on-line banking and electronic billing and payment were initially viewed as a way to earn fees, sluggish adoption caused many institutions to offer e-banking and bill payment for free. Conventional wisdom these days is that by not charging for these services—like not charging for teller transactions—banks will more readily be able to woo customers into using them. The upside: Customers will show their loyalty by maintaining their relationship with the bank and by keeping higher balances. It's a formula that's worked well for Bank of America—it has built a whole campaign around it—and a host of other financial firms.

But Online Resources president Matt Lawlor says there's still room for fees, if the mix of high function and ease of use

are right. He hopes Online Resources' new product, Money HQ, has that mix. "Our integration abilities allow us to package real-time money transfers and aggregation technology with on-line banking and bill pay so financial institutions can charge for it," Lawlor says.

Both First Command and Pinnacle say MoneyHQ is what their customers have been asking for—though it's still too early for any definitive returns and there's lots of debate over whether fee-based Internet-related products have any future at all in financial services.

"The fee income question is a tough one," says Chris Musto, an analyst for Watchfire. "If you can package it right, you can charge for it. But there's no functionality in Money HQ that wasn't available in some form before. It's a matter of bringing it all together."

Lawlor says that as each plateau of new Web technology is reached, there's a window to charge retail customers for the service. Eventually the service becomes too commonplace in the larger market to be a competitive differentiator, so the ability to levy a toll is gone. By that time, Lawlor hopes his firm has come up with something that reaches the next plateau.

His argument for Money HQ is based on selling financial institutions on the idea of being a transaction destination for consumers who have relationships with a number of firms,

# Direct Access

combined with a rethinking of how account aggregation can be best deployed. "Most of our clients will not get to be the 'be and end all' for all of their customers. It's not going to happen," says Lawlor, whose Online Resources has about 600 customers. "We want our clients to be the first point of contact, to be the primary institution for their customers."

The basic fee is nominal, only \$4.95 per user per month, which gives consumers access to a personal Web balance sheet that includes all financial assets and liabilities, including recent deposits, withdrawals, payment and transfers. The technology company hopes that providing a complete picture and transaction platform in one spot will encourage consumers to use Online Resources' clients as a first point of contact.

One early adopter, First Command Bank, is using the product as part of its long-term goal of a single portal and sign-on. The bank has high Web adoption, more than 40 percent, largely due to a customer base that consists entirely of highly mobile military personnel. Since the bank lacks a large branch network, integrating Internet function is a key element in its efforts to differentiate from competitors such as Navy Federal Credit Union and the Pentagon Federal Credit Union.

Sherry Sitton, svp of operations for First Command, says the user fees are justified by the faster service and easier navigation. "Home banking and bill pay had always been free. We basically said that we have a great product here, and you can buy up into it if you want to," Sitton says.

Online Resources has competitors of its own, and the company hopes Money HQ will not only convince people to pay for electronic services but differentiate the tech company from firms such as SI, Digital Insight, Corillian and Financial Fusion.

Andy Bergen, the director of engineering for Financial Fusion—which has about 200 clients and integrates corporate cash management with bill payment options—casts doubts on the idea of charging fees, though he does give a nod to adding account aggregation to the on-line mix as a possible leverage to charge fees. "We see more and more that things are going in the opposite direction with charging fees," he says. "We haven't seen our customers looking for a pay feature."

Another competitor, SI, charges a fee to the bank for its services, which the bank can then pass along to the customer or "eat." It offers an on-line platform where consumers can view transactions, check balances and deposits along with some self-service functionality. The Web sites include a payments section where users can view balances in relation to bills.

"There are some people who will pay just for convenience' sake, while you have others who won't do it at all. It's all over the board," says Rich Huffman, senior product manager for payments at SI, which has more than 650 on-line banking customers.

"But if you look at a preponderance of end-users in the consumer segment, there aren't a lot of them who are going to pay a hard dollar fee."

Huffman says one way that banks get creative is by offering free bill payment and other on-line financial services, but requiring consumers sign up for direct deposit and maintain a minimum balance. "In a way, the consumer is paying for it, and direct deposit increases that balance," he says. "The banks are getting their money, but in a soft-dollar way. And people do see a value in this set up."

Huffman says keeping the electronic bill-payment function in close navigation distance to on-line banking is vital in attracting consumers to the Web. "If you want to get customers to come to a bank's site and do stuff on a regular basis, then you need to have a bill-pay solution," he says. "Otherwise customers may not come to your site unless they have an issue with their statement, or they may want to look at it once every two or three months. But otherwise they don't come to the bank's site regularly. Bill pay gets people to the site, and that gives the bank an opportunity to market to people with banners and more targeted ads."

That level of integration is apparent at institutions such as Star Financial Bank, where on-line banking and bill payment have always been considered part of the same service since the offerings debuted in 1999. "People can sign up for on-line banking and not get bill pay. But if they do choose to get bill payment, it needs to be in the same venue as on-line banking so it's seamless," says Julie Shininger, on-line banking administrator for Star. "If a customer has to go through too much to get from on-line banking to bill payment, it's not going to be worth it."

Star's most recent move has been to remove fees for on-line bill payment, believing that adoption had hit a wall. The institution's on-line banking service was already free, with the condition that consumers receive e-mail statements. "We were able to offer on-line banking for free when a lot of other banks were charging because we were getting savings by sending statements out over e-mail," says Shininger.

Since the bank debuted free Web bill payment in March, she says it's still too early to gauge the impact, though early evidence suggests an increase in adoption. She says the hope is that the more people use the site for bill payment, the more loyal they will be, adding she believes the momentum across the industry is toward providing Internet financial services for free. "The days of charging are going to the wayside," she says.

Shininger says there may be room for fee income on the Internet in the high-net-worth market, where consumers tend to have more assets and complicated relationships that require

more regular maintenance. "It's a convenience factor for them," she says.

Free integrated service is a good way to attract new customers in the rung just below the high-net-worth level, a market segment more likely to appreciate the cost savings, she says. "You have to provide an incentive to use it. When you offer it for free, you get other customers and help them grow their assets over time," says Shining, who says Star does not offer account aggregation as part of its on-line suite of products.

It's in account aggregation—technology that financial institutions have been skittish about deploying—where much of the tale of Money HQ's level of success will be told, since that's a major way it's differentiating itself from other integrated bill-payment and on-line banking platforms. Lawlor says Money HQ's use of account aggregation is a means to bring all of a consumer's financial relationships together in a format that's easy to access and use and is the best use of technology that's always been in search of its rightful place in a financial institution's customer management strategy.

Lawlor says Money HQ's use of aggregation as an enabling tool that supports a larger product is a departure from how the technology has been traditionally pushed—as a standalone prod-

uct. He says using aggregation that way stands in opposition to what the technology was initially designed to accomplish.

"I've always felt that aggregation technology was positioned as an end rather than a means to an end," Lawlor says, adding that with Money HQ, aggregation is an enhancement that drives function.

Musto says Money HQ scores points by using aggregation "in a way that it was designed to be used."

In the end, though, whether the product will score big with consumers will be determined by how willing they are to surf around the Internet to do the transactions offered by Money HQ for free elsewhere.

"If a consumer tried hard, he could figure out a way to do what's offered by Money HQ for free," he says. There will be an interesting tension, because Money HQ is delivering those services in a convenient way where consumers will actually use it," he says.

Online Resources's desire to charge users—particularly for money transfers—will likely be challenged. Why? A consumer's ability to simply withdraw funds from one institution and deposit it physically in another—all for free. "You may want to charge for outbound [moves], but not inbound. You don't want to discourage deposits," Musto says. ■

