



Get With the Program

Adding a personal financial management program to your Internet banking platform could help you retain current customers and recruit new ones.

BY CHARLES KEENAN

When First Bancorp went live last April with an online personal financial management program, it decided at first not to promote it. The product was part of a new Internet banking platform for the \$3.5 billion-asset holding company, and executives preferred taking a wait-and-see approach before actively leading customers to the site. “We have deliberately not done any marketing,” said Cathy Dudley, a senior vice president at First Bancorp. “[Our high adoption rate] is an indication that our customers want these tools.”

First Bancorp’s tool is similar to online products such as Quicken.com and Mint.com, sites that help customers view spending patterns, develop budgets and aggregate onto a single screen data from all of a customer’s financial institutions. Even without actively promoting the product, the Troy, N.C.-based bank found customers were flocking to use it anyway. In its first quarter, 1,400 of the bank’s 17,000 Internet users had activated it.

First Bancorp is part of a growing contingent of community banks looking to use online personal financial management tools to help customers better manage their finances. The effort is in part to generate goodwill at a time when the reputation of the banking industry has suffered from eroding trust in the wake of consumer backlash and failed banks. However, perhaps more important, PFMs can also help bring in new customers while helping retain customers and building relationships with them.

“The more we can do with folks to help them do better financially, the more loyal they become to us,” said Denise Kassekert, executive vice president of relationship banking at \$4.2 billion-asset Beneficial Mutual Savings Bank, a Philadelphia-based thrift that started offering in June a PFM dubbed FinanceWorks. “At the end of the day, it is about growing wallet share.”

Other banks that have yet to offer a platform need to start shopping for an option, said Mark Schwanhauser, an analyst at Javelin Strategy and Research, Pleasanton, Calif., and they need to do so before the bulk of Internet users make a selection. “The time is right to be thinking about online financial management,” Schwanhauser said. “The products are there,

300 financial institutions for the first 12 months since its debut in August 2008. Community banks can also tap Yodlee, a vendor that helps run Bank of America’s “My Portfolio.” Other upstarts marketing themselves to financial institutions include Geezeo, Wesabe and Jwaala.

Fulfilling a Need

Consumers keep gravitating toward using online tools to manage their finances. About 88 percent of consumers now pay bills and transfer funds online, according to Digital Insight. Sixty-two percent want a single place to manage all of their financial accounts.

About 22 percent of all PFM users said they work with Quicken Online, accord-

and transactions in one place ranked “most important,” according to Javelin. About 51 percent cited up-to-the-minute account balances, while 35 percent said spending categorization was most important.

The increasing interest in PFMs comes at a time when consumers have crimped spending and have become more budget conscious due to the recession. The PFMs have tapped pent-up demand from consumers wanting to get a handle on their finances, and banks have started to respond.

These programs place all incoming transactions into spending categories and can instantly boil down the result into sleek pie charts to give consumers a snapshot of just where all their money is going. Users typically can divvy up ATM cash withdrawals

the opportunities are there, and it’s a way to distinguish [your bank] from the competition that doesn’t have them.”

The race is on. Web sites Mint and Quicken Online have garnered about 80 percent of users who elect to use nonbank sites, with each having about 1.2 million users, according to a mid-year report by Javelin. (Intuit Inc., the owner of Quicken, agreed to buy Mint in September for \$170 million, further concentrating its dominance among independent providers.)

Meanwhile, national banks all have their versions, while American Express announced its version, dubbed “Money Manager,” in October. Community banks and credit unions have relied on third-party vendors to get up to speed. FinanceWorks, a product offered by Digital Insight, a PFM vendor based in Calabasas, Calif., garnered

ing to an August Javelin survey. About 20 percent said they use Bank of America, followed by 14 percent for Mint, 10 percent for JPMorgan-Chase and 29 percent for “other bank or credit union.”

The PFM push started out quietly in the middle of the decade. Wells Fargo & Co. introduced “My Spending Report” back in 2005, and other banks slowly followed. The Wells Fargo product allows customers to view spending patterns within their accounts at the bank.

A few factors have accelerated the adoption rate. The newer generation of PFMs allows customers to aggregate data from accounts from their other financial institutions. This feature is proving to be essential. Among various features in PFMs, 63 percent of 1,800 consumers surveyed said a platform that shows all account balances

among different categories.

There is especially a need in Michigan, said Bob Powers, first vice president of the support services department at Byron Bank, a \$839 million-asset financial institution in Byron Center, Mich. Unemployment hovers around 15 percent in the state, the worst nationwide.

“The financial tool area is certainly one of the biggest areas of demand,” Powers said. “There is a real heightened sense of how do I manage my money, how do I make sure that my bills are paid on time, and how do I look at all these different relationships I have in one place?”

Byron Bank has tapped a need. When the bank debuted FinanceWorks last year, 12 percent of its online customers were using the service within six weeks. Now about 26 percent of them are doing so, going to the

site at least once a month. “Now we can become the financial hub for our customers,” Powers said. The bank promotes FinanceWorks dead center on its home page, with a screen shot of the tool.

Byron Bank’s experience underscores a key advantage banks can offer over the independent online PFMs: Consumers trust banks the most in terms of security. “We looked at online sites where you can list your bank,” Powers said. “But customers don’t feel comfortable going to an online site like that. It also drives people away from our site.”

When it comes to security, customers trust banks more than PFM Web sites by a 2-to-1 margin, according to a recent Javelin survey, which gives them an edge over nonbanks. “Community banks have an advantage in that consumers are looking for trusted services integrated into the e-banking solution so they don’t have to go to a lot of [different] places,” said Susan Hawkins, a senior vice president of e-banking and commercial treasury solutions at FIS, a bank processing and technology compa-

ny based in Jacksonville, Fla.

Moreover, banks offer more convenience: Users can monitor and conduct transactions at the same site. Banks can use their customer service departments to help consumers with questions.

Some banks are taking it a step further by bundling PFMs as part of other products. Frost National Bank, a \$16 billion-asset bank based in San Antonio, developed in-house its own PFM, packaging it with an Internet banking account to lure new customers. The bank introduced “Frost Momentum” in 2008, an online-based and paperless combined spending and savings account.

The product has tools to monitor purchases, create budgets and personalize savings folders. Customers also have an incentive to use their debit cards: For every 10 debit card purchases made per month, the bank will raise the current interest rate paid on the account by 5 basis points, up to 25 basis points and a maximum interest of 3.26 percent.

Frost Momentum helps support the bank’s

retention rate of 97 percent of customers each year, while attracting newcomers, according to Erika Pullen, Frost Bank’s senior vice president of marketing. Some of the new customers have opened Momentum accounts just to take advantage of the PFM tool, she said. “With this program we knew we were going to bring them in and develop the relationship,” she said. “[We knew] this would really attract a group of consumers that hadn’t banked with Frost before.”

Part of Frost’s strategy revolves around targeting technologically savvy consumers, who like to manage things online, Pullen said. The Momentum product helped fill a void in the market. “No one was offering such a well-rounded product, she said. “The lion’s share [of the market] was out there for someone to grab.”

Attracting a More Profitable Group of Users

Consumers who use bank PFMs also tend to be more profitable for the financial institution. “These are customers who stay with the bank,” Hawkins said. “They have a higher return over their lifetime.”

SAFE Credit Union, a financial institution with about \$1.4 billion in assets in North Highlands, Calif., said its FinanceWorks customers generated a profit three times that of customers who use only its Internet banking, according to a July Webinar sponsored by Javelin. FinanceWorks users had average account balances of \$14,523, compared with \$10,249 for those who only used Internet banking and \$8,329 for other households.

PFMs also can boost wallet share. At SAFE, FinanceWorks users averaged 3.7 services, compared with 3.2 for Internet banking and 2.8 for all households.

About 66 percent of Bank PFM users are likely to remain with their current financial institution, according to Javelin. That compares with 53 percent of those who use the Internet to check balances and 43 percent who use paper and pen to bank.

“Much like bill pay, PFM becomes a very sticky product,” said Peter Glyman, a co-founder at Hartford, Conn.-based Geezeo, which has sold its product to credit unions and was in talks with a dozen com-

>> What a PFM Should Provide

Banks have been wary to aggregate account information from competitors, but banks must face changing market forces, according to Mark Schwanhausser, an analyst at Javelin Strategy & Research. Quicken Online and Mint—now both owned by Intuit—offer the service for free. Now all banks must incorporate the tool into their offerings or risk losing out to nonbank providers, he said.

Schwanhausser distinguishes PFM “lite” platforms, which categorize expenses and include basic budgeting tools, from “deluxe” ones, which consolidate information from all of a consumer’s accounts. Successful PFMs should focus on seven key customer wants:

Be available 24/7. The PFM should be able to provide customized alerts and reports by e-mail or text messages.

Offer real-time information. Consumers want balances updated continuously so they know where they stand at any time.

Aggregate data. Include information from all financial institutions to give consumers the complete picture.

Offer transparency. Use aggregated data to cross-sell; show where consumers can avoid bank fees.

Allow customer control. Use a single sign-on, and make it simple.

Tap security best practices. Use fraud-risk scores to flag transactions that customers should scrutinize the next time they log in.

Incorporate customer goals. Allow access to a year’s worth of historical expenses at minimum so that customers can set realistic targets.

—C.K.

>> More Online Features Hit the Market

Banking is increasingly moving to an online world. PFM is one innovation. Newfangled banking accounts are another. One company, Plasty Inc., debuted in October iBankUP, an online bank account that can be activated in minutes with a valid Social Security number.

The account is aimed at youth and is structured like a checking account with a debit card and has an online checkbook. Yet one main difference from traditional bank checking is that users can view balances in real time. They can also load cash for a prepaid debit card at more than 60,000 retailers nationwide.

Customers can use computers, cell phones or their Facebook accounts to verify their balance before making a purchase. "We combine the ubiquity, simplicity and speed of the Internet with the convenience of a prepaid card," said Patrice Peyret, chief executive officer of New York-based Plasty.

—C.K.

munity banks in mid-October. "If people have all their accounts aggregated on one platform, it becomes a very hard relationship to leave."

Sizing up the Market

Core providers are a good place to start looking at PFMs, experts said. These include processors such as FIS, Fiserv Inc. and Harland Financial Solutions, which all offer various add-on products with different options and levels of functionality. FIS, for example, offers its own products that help customers categorize expense and use savings goals reports. But the company also resells FinanceWorks and Yodlee. Banks can also start with their Internet banking providers, which are often separate from their core vendors. Q2 Software Inc., an electronic banking provider, offers Yodlee; Digital Insight sells its FinanceWorks product.

More advanced products include those offered by Digital Insight, Yodlee, FIS (formerly Metavante) and Jwala, according to

Javelin. Products from these vendors go beyond basic categorization and budgeting tools by consolidating account information from all financial institutions. "These firms stand out for developing PFM tools that can change lives," Schwanhauser said. "They constantly seek to improve [the product]." Javelin gave best-in-class for community banks status to FinanceWorks, since it contains packages tailored to consumers and micro businesses.

"One of the sweet spots that we hit early on was the community banks and credit unions that [were] looking for those key differentiators," said Mark Shulman, a senior product manager at Digital Insight. Howev-

er, PFM tools will most likely become just another part of a community bank's offerings going forward, experts said.

At Beneficial Bank, its use of FinanceWorks helps fit into a great strategy of being seen as a financial knowledge resource in its community of Philadelphia and its suburbs. "Our mission is to focus on educating our customers," Kassekert said. "By helping them to do the right thing financially with these tools, they will grow stronger wallet share for us as well as generate word-of-mouth [publicity]." **B**

Charles Keenan is a freelance writer in Brooklyn, N.Y.
