

NEWS RELEASE

New Report Warns that Ireland Could Fall Behind in Provision of Online Financial Services

Dublin, Thursday, 12 July, 2001: Customer readiness and the small scale of the Irish market could seriously delay the rollout of comprehensive online financial services, according to a new study by Prospectus Strategy Consultants which was commissioned by financial solutions software company, Information Mosaic.

In addition, the study highlights the expense and poor servicing of ISDN allied to low Irish Internet access as being key obstacles to accessing online financial services from home.

"If Ireland is to be a credible international e-commerce hub then online financial services must be part of the infrastructure," said Katie Burke (Director, Financial Services, Prospectus and co-author of the study).

"It is a concern that we could fall behind other countries due to market scale, customer knowledge and the lack of affordable bandwidth."

She said that migration to online financial services will need to be more vigorously encouraged by the Government, main retail banks and larger communications providers. Otherwise Irish consumers will miss out on the current practice in 'Euroland' where increasing online competition has led to cheaper Internet financial products.

However, the report states that, "With less than a third of the Irish population accessing the Internet, Irish financial services organisations have a considerable challenge in generating revenue, never mind a profit, from a low base of online users".

The study involved in depth qualitative research with the leading financial services companies in Ireland.

"Some respondents believe that the Irish financial services industry is in danger of becoming complacent and this could present an opportunity for an overseas online predator to enter the market," commented John Byrne, CEO, Information Mosaic.

The report finds that management commitment has been an impediment to more vigorous rollout of online financial services. Most players point to senior management's lack of appreciation, understanding and innovation in relation to Internet opportunities. This is now regarded as less of an issue amongst larger institutions as senior management have become more bought into the realistic advantages of online financial services. In the case of smaller institutions, investment in Y2K and Euro compliance has meant that they have not had the resources to improve their basic brochureware sites.

Stockbroking is the financial services sector most likely to be affected by e-finance according to the study. A number of participants state that the development of online trading will "take the mystique" out of stockbroking, improve price transparency and encourage a more self directed, sophisticated user.

"The move to online trading is being driven by more sophisticated, Internet savvy customers and the activities of companies such as Schwab, E-Trade and Quicken.com," said Mary Cryan, Director Technology, Prospectus.

When it comes to mortgages, insurance and other financial products most financial organisations believe that Irish customers are researching, investigating and making initial contact online rather than executing transactions. However, some segments of the Irish market are seen to be more ready than others to transact online, eg affluent and youth/student segments.

General insurance, such as motor and travel, is viewed as one of the commodity products that is more adaptable to the Internet. However, the report believes that more complex, products such as life insurance and pensions will be more difficult to sell online.

While the outlook looks bleak for online consumers, most participants to the report believe that B2B products and services will experience significant change and growth online. Cash management and payment processes are unanimously believed to be the key B2B products for online transactions, despite reasonably low take up currently.

Most Irish financial services companies see the Internet as a means to cost reduction and operational efficiency with only a secondary focus on customer acquisition. The Internet is seen as a complementary channel to other delivery channels, not as a standalone channel.

"The key to success lies in financial retailer's ability to reward customer loyalty by offering profitable product combinations to various customer segments irrespective of channel," said Shiena Connolly, VP Business Development at Information Mosaic. "This is not about technology. It's about profitability."

"The larger players are following a mainly defensive strategy without much conviction that the Internet will help them to grow new customer business on the B2C front," said Katie Burke. "This conventional thinking could be to the advantage of more aggressive players with targeted intentions." Some participants to the study cited the entry of Bank of Scotland as a wake up call for Irish financial services.

Some respondents believe that the dot.com fall out could further delay the introduction of online financial services in Ireland. "Poorly planned, under resourced, technically unfit business models pushed out to market by inexperienced management have created the inaccurate impression that the Internet can never be a reliable, cost efficient, profit making medium," added John Byrne.

Some players are of the opinion the dot.bomb experience will help to ensure better technology, quality products and efficient delivery supported by strong brands.

However, for this to occur the report stresses, "There will be significant onus on the telecommunications sector to provide a solid infrastructure, at low cost, with increased bandwidth through networks such as ISDN and DSL".

Copies of the full report are available to readers online at www.prospectus.ie

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About Information Mosaic:

Information Mosaic (www.informationmosaic.com) is a provider of innovative and revenue enhancing solutions for leading retail financial services players. Their mission is to fundamentally change revenue models, customer experiences and customer profitability within the wealth management and retail financial services industry through enterprise package solutions. Their expertise lies in the provision of creative and profitable new business models that enable institutions to exploit and enhance revenue streams from existing and new customers.

About Prospectus Strategy Consultants:

Prospectus is Ireland's leading independent strategy consultancy, assisting Irish and UK companies build strong and profitable global businesses. Prospectus client base crosses Financial Services, Technology, Public Sector and Healthcare sectors, where Prospectus has a proven track record and deep industry knowledge. Prospectus combines professionalism and sectoral expertise with creativity and innovation.

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