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INTERNET BANKING AND WEB TV

INTERNET BANKING AND WEB TV – THE ELUSIVE MASS MARKET

The number of Internet banking customers is currently small, but is growing rapidly. Will this delivery channel ever appeal to a mass market?

In another "financial futures" web page ([Internet Banking – US Research](#)) we describe how the number of US households using home based financial services currently stands at about 17 million (15% of households), while the potential user base is some 27 million (24% of households). But the same research points out that the potential users are either consumers with high levels of technological skill and medium levels of financial need ("Followers on Need"), or low levels of technology skill and medium levels of financial need ("Followers on Skill"). That leaves a large proportion of the population with neither the technology skill nor the financial need to be attracted to on-line, PC-based delivery of financial services. A realistic interpretation of the research is that this delivery channel will always appeal to a niche market, levelling out at about 25% of the population at most. In particular, it seems unlikely that a mass market will ever adopt the PC, which is still difficult to use and requires some typing skills.

So what about "Web TV"? Several commentators apparently believe that a mass market for on-line financial services will emerge once it becomes possible to access the Internet from TV sets, which are owned by close to 100% of the population and are entirely familiar and unthreatening.

There are a number of problems with this view:

It is not clear how consumers will be able to carry out any but the most rudimentary financial transactions without a keyboard.

- The "fit" is wrong. People watch TV primarily as a form of relaxation, in the living room, with the rest of the family. Internet banking will interfere with conventional entertainment leading to resentment by other family members, and lack of encouragement by entertainment programmers.
- On-line banking via TV has been possible for many years using technologies such as viewdata (Bank of Scotland's HOBS system was launched in the early 1980's and is still around), Teletext, or more recently the Co-op Bank's hook up with Sky TV. These services have had a modest success but they can hardly be regarded as mass markets.
- US research carried out as part of SRI's New Media programme reveals a number of effects which are likely to constrain the growth of web TV:
 - ⋮ Mass markets for new media will not take off without compelling content, and content developers will not invest without mass markets.
 - ⋮ Early adopters are vital to developing new markets, but mass-market approaches tend to put them off.
 - ⋮ Unlike early adopters, mass-market consumers value simplicity over novelty and sophistication.

For these reasons, it seems unlikely that delivery of financial services via either PC or TV will ever become a mass market. Nor is it likely that some sort of hybrid multipurpose device will emerge. The same SRI research suggests that the long heralded "convergence" of PCs and TVs is a myth – a much more likely scenario is that consumers will adopt different devices for different functions. Putting this another way in terms of the virtual value chain model, consumers

choose different Contexts for different activities.

One other possibility is that a very low cost, very simple and very intuitive dedicated Internet access device is developed. Certainly there is a huge trend in this direction on the part of several different industries including telephone companies with low cost mobile phones and personal digital assistants (PDAs), and also IT companies with "thin client" devices. It is possible that a mass market for Internet banking will develop on the back of some such future device.

But in the meantime there is already available a much simpler form of on-line banking. [Automated speech recognition](#) over the telephone (as described in another "financial futures" web page) requires no special equipment, no training, is accessible to anyone with a humble telephone, and can be used to conduct most routine financial transactions simply, conveniently and at minimal cost. This looks like the most promising mass market new delivery channel for at least the near term.

So does this mean that Internet banking is a non-starter? Absolutely not. As already pointed out, although the Internet banking customer base may be relatively small, it is highly attractive and potentially very profitable to banks in terms of relative wealth, education, and complexity of financial needs. More importantly, the nature of this medium, its Context, means there are unprecedented opportunities for adding value by combining financial with non-financial Content, establishing virtual communities, and providing a trusted environment for [retail e-commerce](#). But that's the subject of another "financial futures" topic.

Interested? Please contact Nick Collin on nick@ncollin.demon.co.uk or **+44 (0)207 833 8765** with comments or questions.

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