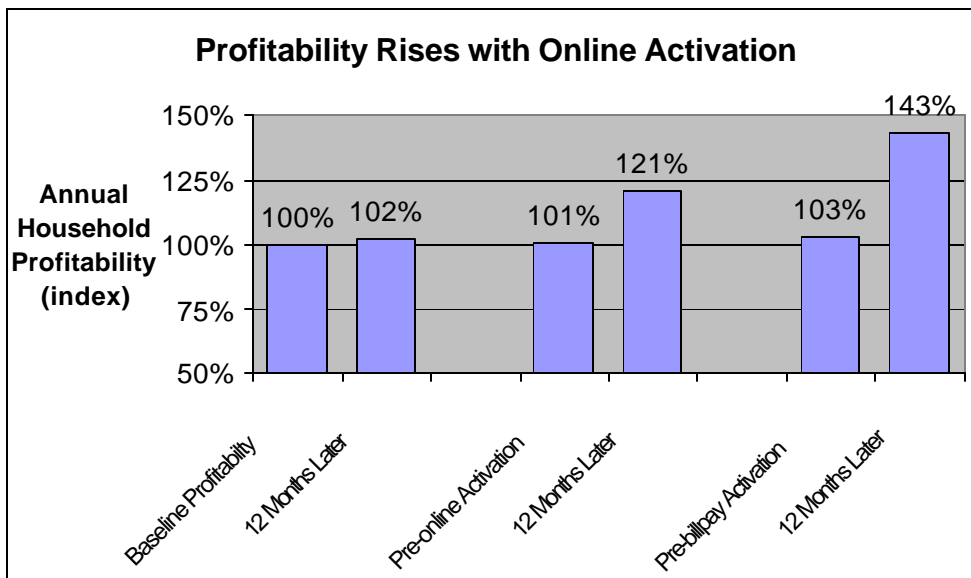


Bottom Line Profit & Websites: What's the Connection? By: John McDonough, FI – Performance Consulting

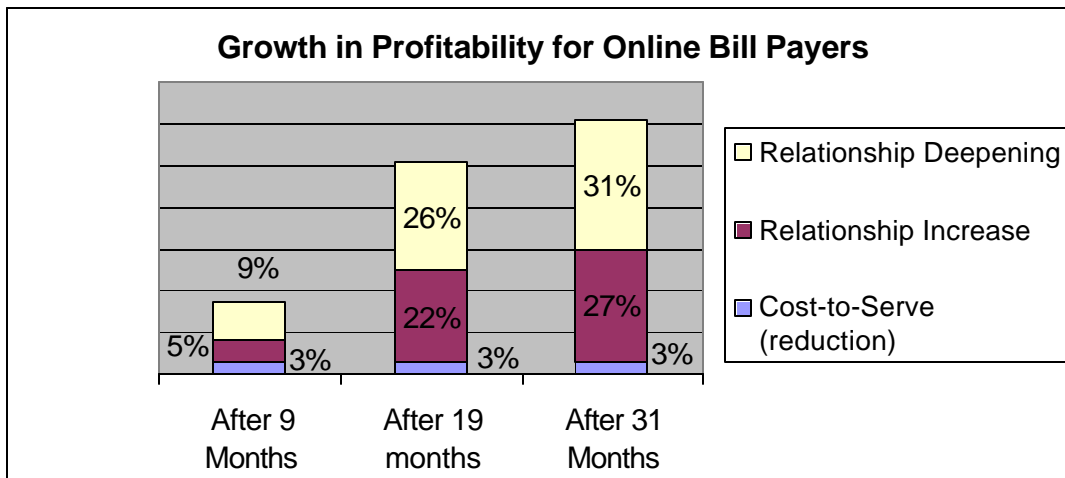
As analytic number crunching, financial institution contingent fee profit consultants, why would we be interested in website design? Is there any relationship between hard dollar quantifiable bottom line income producing opportunities and a community bank's website?

Well first it's probably important to note that our services are different than most other contingent fee "consulting firms", in that we realize there is more to profitability than just looking at ways to increase overdraft income. Sure we can and do look at all aspects of non-interest income, but we also examine as many facets of the business as possible to produce the greatest overall increase in net income. This includes looking at interest income, fee income, non-fte corporate expenses, customer profitability, product profitability, corporate image and yes, our clients' websites.

When we look at community bank websites, we see many were developed several years ago when businesses were scrambling to stake their claim on the online frontier. Website design was still in its early stages and the primary goal was to get something out there. Since the "dot com" hysteria and wild spending has ended, we find many community banks dropped web efforts assuming that as long as they had a site, the rest really didn't matter. As is often the case the pendulum first swung too far in one direction and now it might be too far in the other. Now is the time to take another look at your website. Is the look consistent with the corporate image you want to convey to your community? Does the site have useful functionality and ease of use? While some customers may never use a computer and may never visit your website, do you want to ignore those customers that find the internet a useful tool for personal finance and an alternative to costly branch visits?



Source: Boston Consulting Group, "Online Bill Payment: A Path to Doubling Income" Nov. 2003 Note: Results are based on customer and transaction data over 30 months showing 12 consecutive months of actual net income after capital charges.



Source Forrester Research, Inc. "Want to Get More Online Bill Payers?" Jan. 2003

As the charts above indicate, a well designed website can be a direct contributor to profitability. Transactions generated over the bank's site are often less costly than similar transactions conducted over the phone or at a branch. If the site is well designed and easy to use, it can generate a positive experience for a bank's clients and deepen the customers' relationships. It can also provide an advantage in attracting new customers.

With that in mind, we spoke to Michael Truese, the founder of Within Reach Concepts, a company dedicated to creating effective and easy to use websites. We asked Mike for his insights into effective website design and functionality.

What makes an effective site for a financial institution?

An effective site is one that helps you realize cost savings, generates additional revenue, increases customer retention and improves customer profitability while providing your customers access to information and services without confusing or frustrating them. Begin by thinking about your institutions goals and what your customers want to accomplish by using your site. Basic functionality might include: balance inquiry, funds transfer between accounts, ordering new checks, viewing check images, checking branch hours and locations, finding an ATM machine, applying for loans, doing financial calculations, checking rates, and learn about new products and special offers. Then design and develop the easiest way to complete those transactions while also providing you a solid return on your investment.

What are some of the biggest mistakes that you see banks making with their websites?

There are a few universal mistakes that many firms make

1. Trying to do too much
2. Conversely, doing too little
3. Amateur Design & Development

Too Much:

Some sites have too many bells and whistles. All that stuff takes FOREVER to download, and in many cases creates a distraction, turning away prospects and customers alike. Focus: decide what's important, and stick to that. Add new features as your customers demand them, and as they become cost effective.

Too Little:

There's no content beyond a history of the bank, a photo of the potted fern in the lobby, and a rate chart from 1998. The lack of information says there's a lack of vision and interest in customers.

Amateur Design & Development:

Did you design your own branch offices, or did you hire an architect? Your website is your 24-7, never takes a break branch office and sales channel, reachable by any customer AND PROSPECT! So making an investment in a professionally designed and developed website is just good sense. While large banks have the budget to support a full time web design and development team, most community banks do not.

How can we determine if our site is designed well?

Listen to your customers – they'll tell you, sometimes directly (“your site stinks!” or “Love your website!”), but mostly indirectly. Are customers calling your customer services lines, or asking a lot of questions at the branches, that could easily be provided online? Is your website benefiting your bottom line or just adding expense? If customers are complaining or it is just an expense, you might have a few problems with your site: it's too slow; it's too hard to find information; the information is obscure (not customer centric); customers don't know about your website. Is your website up to date?

What are some steps we can take if our site requires an overhaul?

The best websites are a company wide effort, starting at the top, and involving all aspects of the financial institution. Start by setting a clear vision, goals and objectives. After that is determined, resources must be allocated to build it. Spend time to identify appropriate professional resources to design and develop the site. Too many times, companies try to save money and produce their own site. It's a false savings – bad design costs much more than good design and produce fewer benefits.

How can a bank go about selecting a top notch web site design firm?

There are many factors that go into deciding on a quality firm, and more considerations than we can list here. For additional information check out: "How to hire a great website design firm" at http://www.wreach.com/article_hire_designer.htm. In summary, ask about experience, visit the sites they have created and get a firm understanding of their expertise. Price is not always indicative of value. Get a clear understanding of the value the firm is providing and at what cost.

John McDonough is a Senior Consultant with FI – Performance Consulting, a management consulting firm based in Blue Bell, PA, focusing on profitability of community and regional financial institutions. To learn more please visit their website at www.FI-PerformanceConsulting.com or by calling them directly at 800-273-6062.

Michael Truese, the founder of Within Reach Concepts, a website design and development company based in Jersey City, NJ. To learn more please visit their website at www.withinreachconcepts.com or by calling them directly at 1.888.948.4467 (1.888.within.reach).