

# The impact of the Internet on buying behaviour in financial products and services

January 2008



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# Preface

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Every year since 1999, Capgemini Consulting, Efma, Microsoft and Novamétrie have joined forces to study the impact of information and communication technologies on the European banking sector. In 2007 and for the second consecutive year, Crédit Agricole has also been a partner to this study, which has become one of the benchmark barometers in a sector undergoing major changes.

The 2007 edition, like its 2006 counterpart, focuses its field of research on online buying behaviour in financial products and services Europe-wide.

## **A more representative perspective**

To achieve an even more comprehensive overview of the European context, in 2007 Spain and the Netherlands joined France, Italy, the UK and Sweden, all previously studied.

As usual, the study compares the strategic and operational perspective of the directors of Europe's biggest financial institutions with the more behaviour-driven perspective of Internet banking customers. Thus, in May 2007, 50 directors (30 in 2006) of network banks and specialised institutions were surveyed, along with 4,836 customers who regularly or occasionally use online financial products and services (around 800 surveyed per country).

## **A deliberately forward-looking perspective**

The sample of Internet banking customers who regularly use online banking represents a variable proportion of the total customer population. Estimated to be 47% of the Swedish customer base, it accounts for just 25% of French customers.

The choice of this specific sample, comprised of Internet banking customers with precursor behaviours, stems from a major bias adopted by the study, which aims to offer a forward-looking perspective of developments in the banking world.

## **An open perspective**

Testimony from players on the banking scene and the Internet, collected during the study's presentation at the Pré Catelan on the outskirts of Paris on 19 October 2007, also enriched this white paper. Their reflection on the strategic questions offered up by the study, combined with those expressed by the bank directors and customers surveyed, provide the framework of an answer to which the readers of this white paper will then be able to add.

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## The study partners

**Capgemini**, one of the world leaders in consulting, IT services and outsourcing, helps its customers change the way they do business and improve their performances by recommending them the right technologies. Consequently, Capgemini is committed to fostering freedom of action for its customers and accentuating their results, thanks to the know-how and attentiveness of its teams, by drawing on a unique working method called the Collaborative Business Experience. In 2006, Capgemini generated a turnover of €7.7 billion and employed around 80,000 people worldwide.

**Capgemini Consulting** is the strategy and management consulting arm of the Capgemini Group. With 5,500 consultants, 900 of whom in France, Capgemini Consulting is one of the world leaders on the market and the number one in France. Our speciality is combining vision with execution abilities. In financial services, Capgemini Consulting helps major organisations instil far-reaching changes in all their activities: retail banking, private banking, finance and investment banking, payment, risks and internal control and insurance.

**Efma** (European financial management and marketing association) has more than 75% of Europe's financial institutions among its members, from banks and insurance companies to credit organisations and payment systems. As a result, Efma unites more than 2,150 businesses in 114 countries worldwide. Founded in 1971, Efma has now acquired an unquestionable international legitimacy recognised by all finance professionals. Acting as both a research institute and a forum for discussion, the association showcases innovation in the retail financial services sector through meetings and conferences attended by peers, backed by a wide range of information services.

**The Crédit Agricole Group** is France's leading banking group, with a 28% share of the consumer market. Crédit Agricole is also Europe's number one by retail banking revenue and the world number four by equity capital. Its organisational system makes it a united and decentralised group in France: its financial, commercial and legal cohesion goes hand in hand with the decentralisation of responsibilities. With nearly 7,160 branches, Crédit Agricole's Caisses Régionales make up France's leading banking network, serving 20 million private and business customers. Combining sales dynamics, local relations and quality of service, this network constitutes a major competitive asset. Under the LCL brand, a recognised and valued name, the group has around 1,970 branches. In total, the Group is able to offer its 26 million customers more than 9,000 points of sale.

**Microsoft** in the financial services sector. Microsoft's financial services division helps financial establishments utilise technology to allow their teams to fully accomplish their goals and ensure their organisation's success. We assist our customers in the banking, capital markets and insurance sector to achieve four objectives: developing long-lasting relationships with their customers, differentiating themselves through innovation, improving their internal operations and developing their partnerships. In order to do so, our products and technologies, combined with our partners' skills, are aimed at key areas in which we believe we are able to offer strong added value, namely: customer relations and the renewal of distribution channels, risk management and compliance and, lastly, payment methods.

**MSN** is, together with Windows Live, one of Microsoft's two consumer Internet brands. MSN.fr is home to a range of themed channels (MSN video, entertainment, cars, finance, female) that provide value-added content prepared with benchmark partner providers. This content is absolutely free. MSN.fr also offers search, communication and Windows Live security services. MSN and Windows Live lay claim to more than 18 million unique users per month (source: Médiamétrie, all connection locations, June 2007), making the network France's leading portal in terms of audience.

**Novamétrie** is an institute specialising in strategic studies of opinion leaders. It offers interdisciplinary, globalising and holistic methodologies incorporating a quantitative perspective and qualitative approach. Novamétrie's science committee, comprised of academics and experts, provides an innovative, operational and strategic vision of research design coupled with effective recommendations.

# Major findings

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In the space of 18 months, has behaviour governing online purchasing of financial products and services seen a gradual development or a radical change? Has supply aligned itself with demand? What directions have Web users and bank directors headed in? In what respects do they agree and disagree? These are all questions examined by this overview of new trends and their impacts. Here's an overview.

## **The Internet: an increasingly promising channel for selling financial products**

European bank directors expect to be conducting nearly a third of all sales over the Internet by 2011, double the current figures.

However, there are significant differences from country to country. Findings show a gap of nearly four years between Northern and Southern Europe, with Latin countries' online sales forecasts equivalent to the current sales figures of countries in the north.

European Web users feel that the products with the highest growth potential are car and home insurance, as well as current account openings. These are followed by payment cards, savings products, personal consumer credit, credit cards and revolving consumer credit. Mortgages show a more moderate growth capacity.

## **Increasingly independent customers seeking the best price on the Net**

89% of those surveyed feel that the Internet is currently the primary source of information to be consulted before taking out a financial product, an increase of 12 points compared with last year.

The study also reveals that the number of Web users who say they are both independent in their financial product buying decisions and inclined to do as much as possible online has increased significantly, from 39% in 2006 to 55% in 2007.

French Web users are however the least interested (23%) in doing everything online, unlike users in the UK (in the lead with 64%) or those in Spain and Italy with 42% and 41% respectively.

*European bank directors expect to be conducting nearly a third of all sales over the Internet by 2011, double the current figures.*

### **Is a transformation in the multi-channel distribution model just around the corner?**

The Internet is now one of the strategic priorities of major European banks, which have realised that customers are increasingly “savvy” and growing numbers are applying online; over two-thirds of those surveyed have taken out at least one product online during the last 12 months.

It also seems that the Internet is a factor in the decline of branch traffic: 76% of customers say that the Net means they can see their advisor less often. Appointments, which are becoming a rarer occurrence, are also taking place on a different footing.

The Internet intensifies and focuses competition on prices, particularly because of niche players (specialists and online banks). Thus, 58% of Web users say they use the Internet to find the best price conditions. With a 26-point rise, this statistic has shown the biggest increase since 2006.

The rise in Internet sales and the reconfiguration of networks are today’s major challenges for Europe’s leading banks. Applying for financial products is tending to become a paperless process and the distribution of financial product sales per channel is changing. In Europe, 86.5% of sales are still conducted through branch networks (13.5% online). By 2011, the growth of multi-channel sales and the reconfiguration of branches will cut the proportion of sales of financial products and services generated by the network to 70%.

The challenge is real. Faced with evolving customer behaviour, the goal is to adapt sales practices and advisor skills, and invest in remote channels to cater for the anticipated volumes.

*The rise in Internet sales and the reconfiguration of networks are today’s major challenges for Europe’s leading banks.*

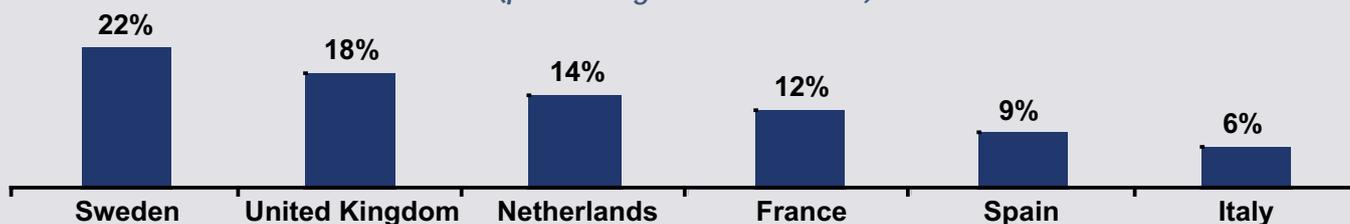
# The growth of the Internet as a sales channel

## The online sale of financial products in 2007

### > Overall perspective

- The Internet as a sales channel for financial products already accounts for nearly 20% of sales volumes in the UK and Sweden, according to the directors surveyed.
- For Internet banking customers, the usefulness of the Web as a purchasing channel has grown in all product families compared with last year's statistics. This is particularly evident in general insurance, account openings and investment products, with more than a third of Internet banking customers taking out products in these areas during the last 12 months.

*The directors' perspective\*: Internet proportion of sales in 2007  
(percentage of total sales)*

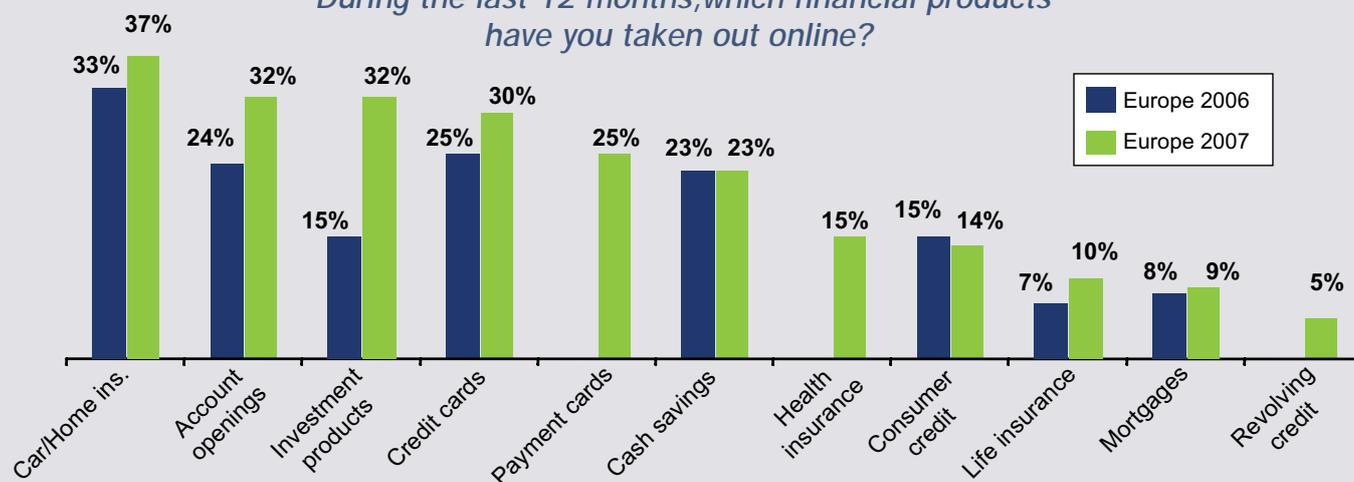


Source Novamétrie

\* The panel includes directors of major network banks and specialised institutions.

Figure 1

*Internet banking customers' perspective  
During the last 12 months, which financial products  
have you taken out online?*



Source Novamétrie

Figure 2

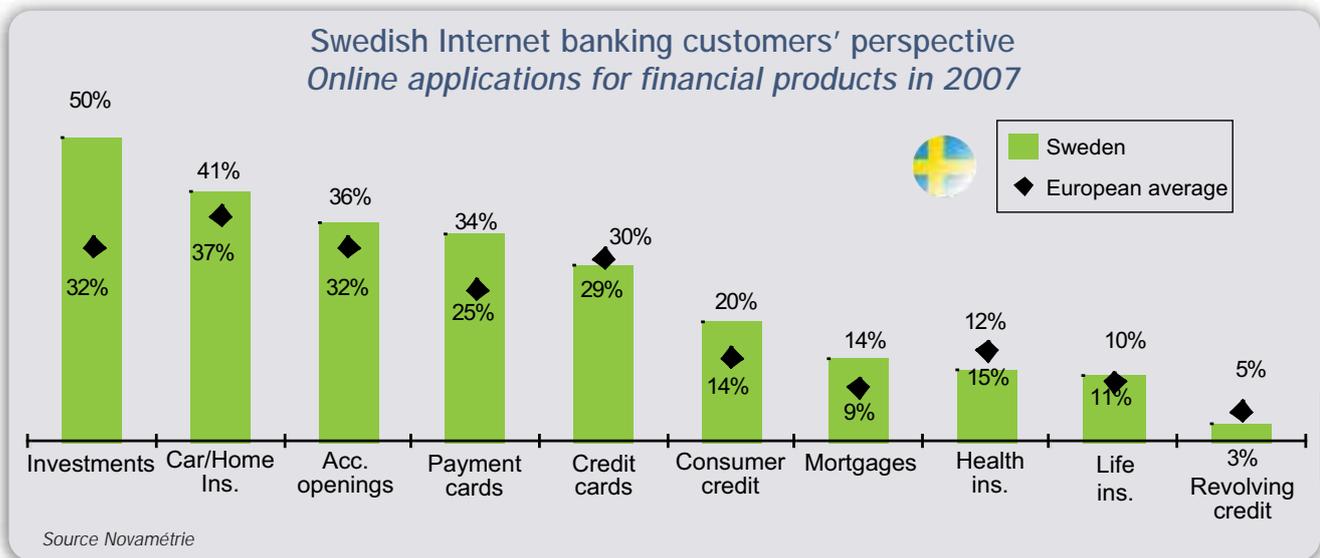
### > Detailed perspective by country

The perspective provided by the entire sample of European Internet banking customers nevertheless sometimes reveals surprising divergences in application rates between countries, usually due to the differences in online ranges from country to country.



- **In Sweden**, Internet banking customers confirm the figures reported by the Swedish bank directors surveyed, showing higher online application levels than the European average in all product families. Sweden is home to both a highly substantial online application range and strong customer appetite for a remote relationship with their bank.

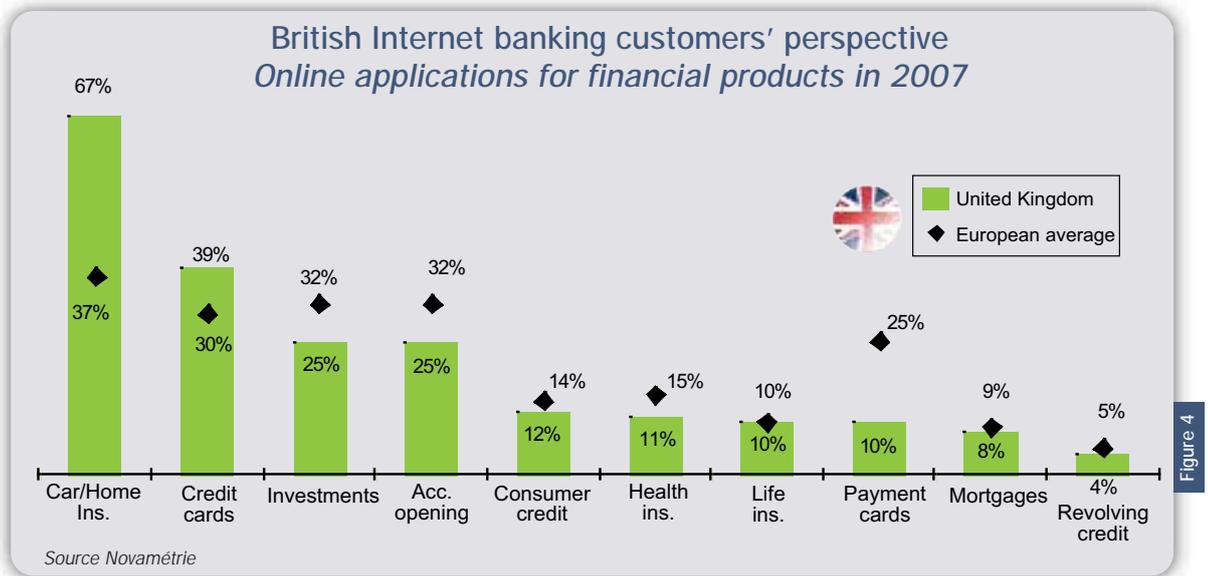
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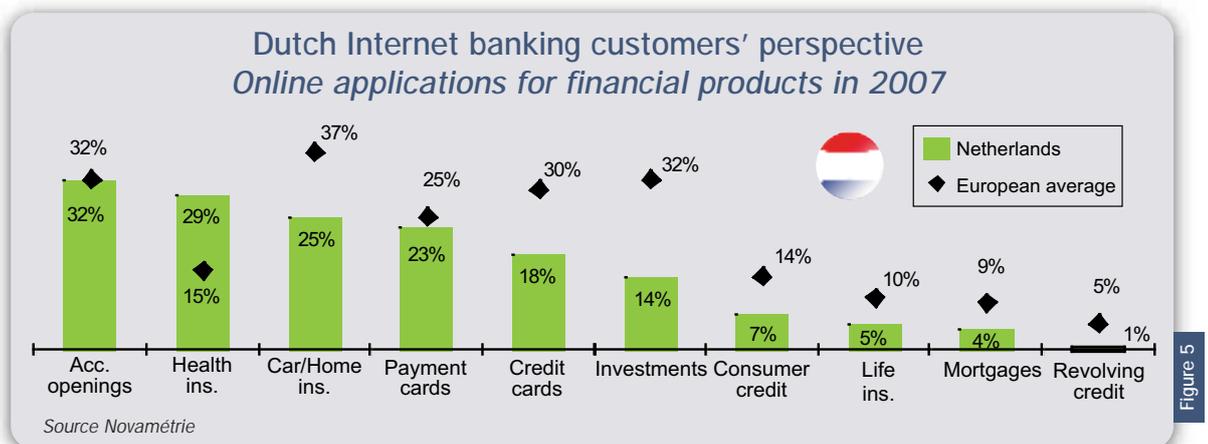


• **In the UK**, the number of people applying for car/home insurance and credit cards — just like payment cards — is far above the European average. In this respect, the success of Egg and Direct Line are perfect examples of how well “Internet direct” models for insurance and banking have fared in the UK.

As far as insurance is concerned, 83% of British Internet banking customers say they use the Web to make comparisons before purchasing.



• **In the Netherlands**, Internet banking customers take out fewer products online than the European average. Nevertheless, health insurance is the exception, showing a figure 13 points above the European average. Conversely, the number of people taking out car/home insurance and investment products is well below the levels seen in other European countries.





- **In France**, there are fewer Internet banking customers taking out financial products online than the European average in seven out of ten product families. However, in France there are more online applications than in other countries for three products: consumer credit, revolving credit and life insurance. This characteristic, which appears to result from the strength of specialists in these areas, shows that when there is an attractive range, French consumers are only too happy to apply online.

Thus, in consumer credit, Cetelem says that 15% of its activity is conducted over the Internet and Sofinco reports that one in three loan applications is made online.

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**French Internet banking customers' perspective**  
*Online applications for financial products in 2007*

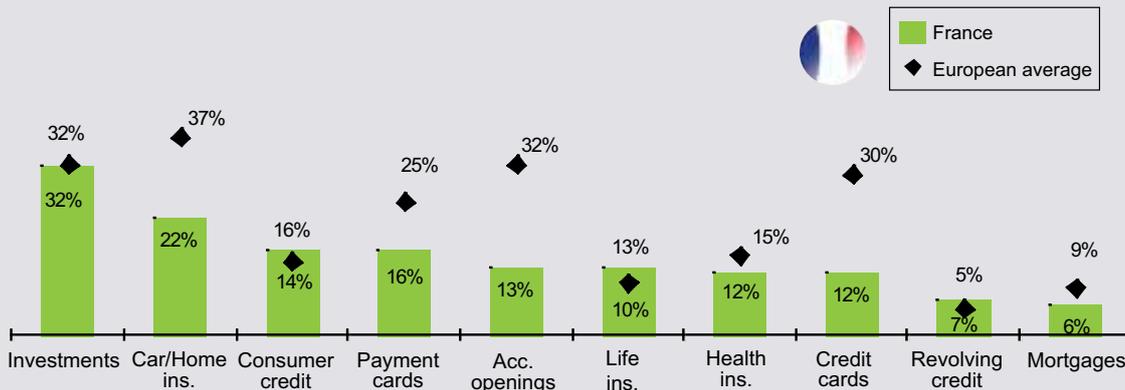


Figure 6

Source Novamétrie

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- **In Spain**, the number of Internet banking customers opening accounts and applying for cards online is far above the European average. Around 60% say they use the Internet to compare banks before opening an account or choosing a bank card. This places the Internet as a favoured method for establishing a relationship in Spain, thanks to available online application possibilities.

However, figures for the seven other product families are below the European average.

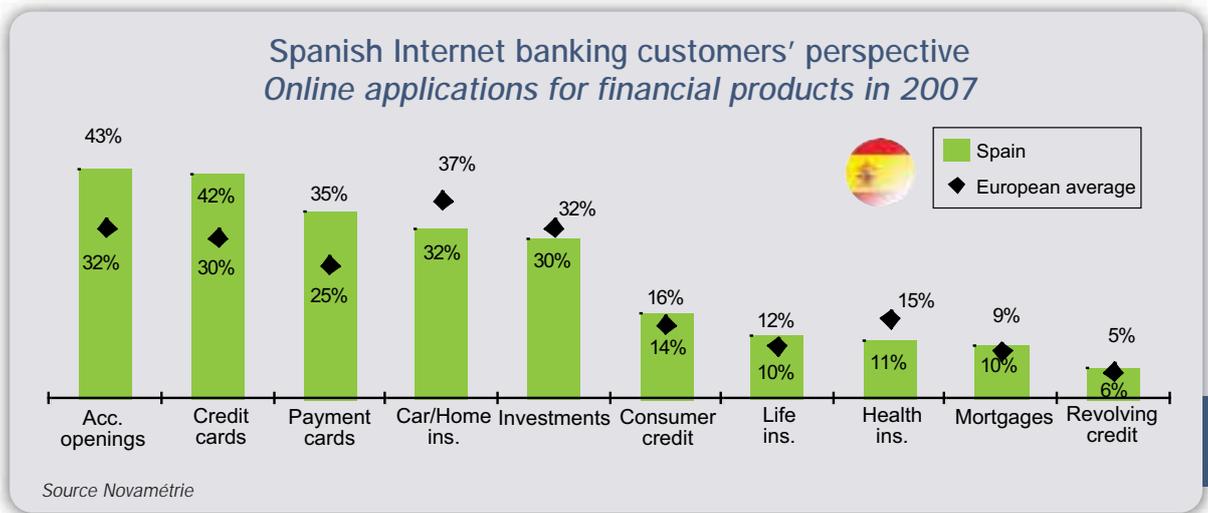


Figure 7



- **In Italy**, the number of Internet banking customers taking out products online is well above the European average in eight out of ten product families, whereas the Italian directors surveyed reported the lowest online sales figures in Europe. How can these differing views of directors and Internet banking customers be explained?

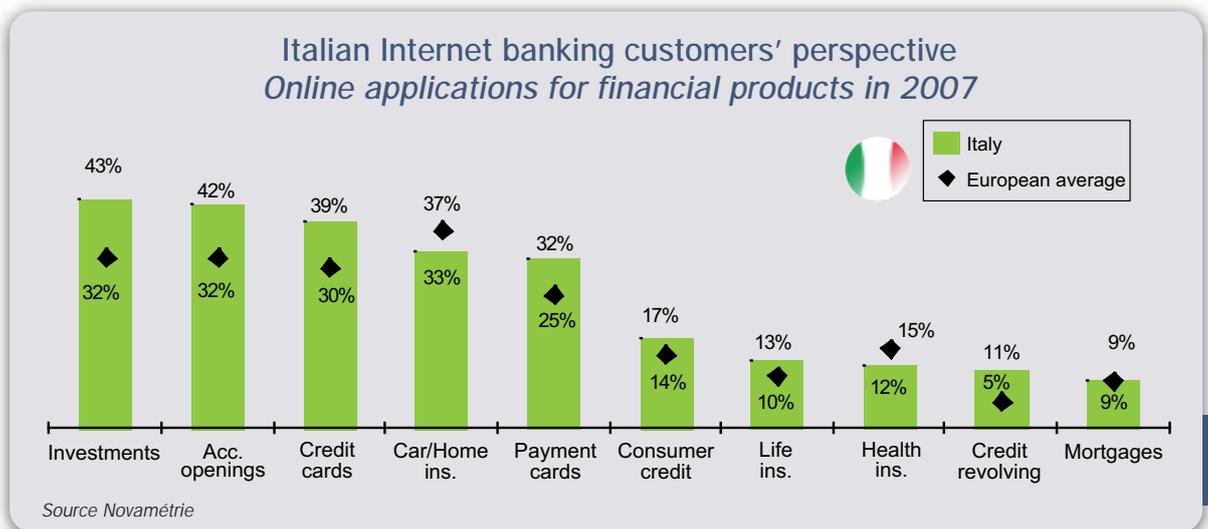


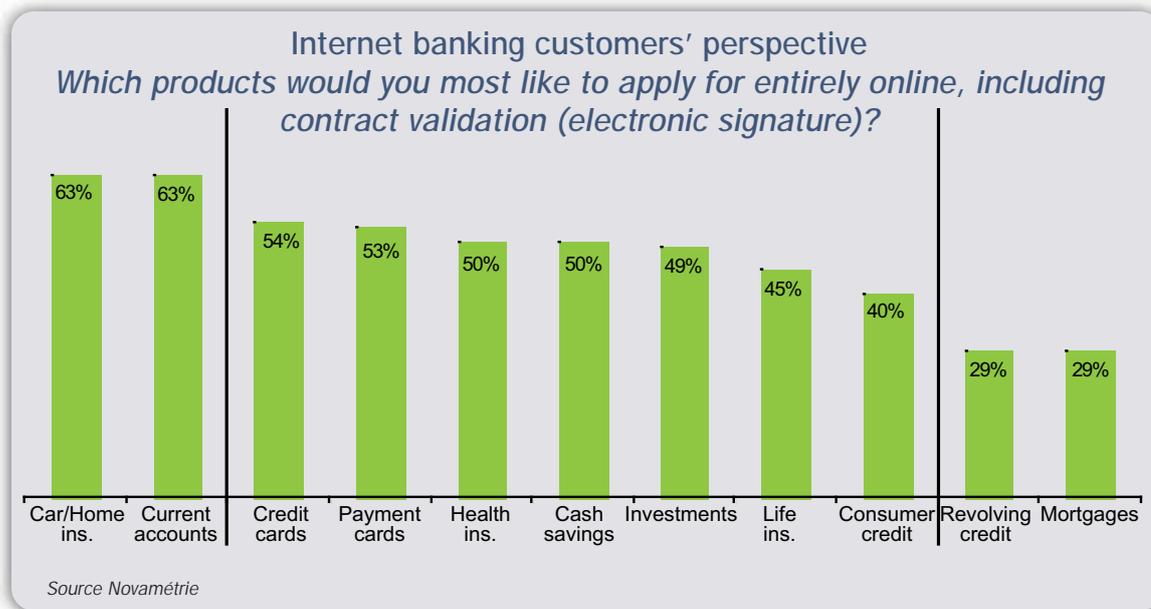
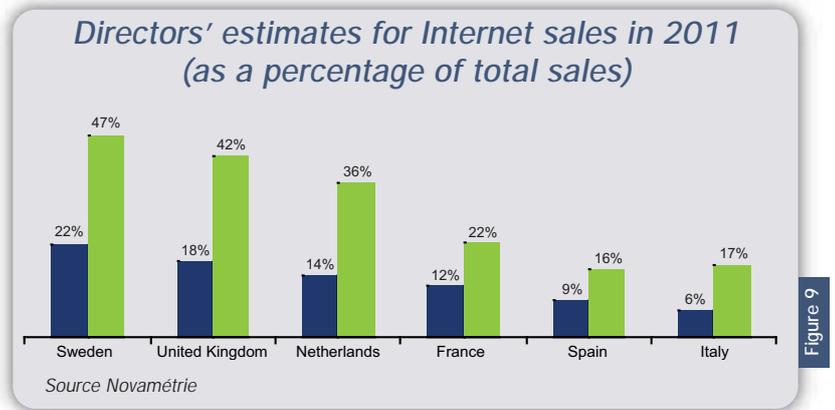
Figure 8

## Online sales of financial products by 2011

### > Overall perspective

The Internet as a sales channel is set for a bright future according to the directors surveyed, who unanimously forecast sales figures doubling for this channel by 2011.

- A gap of nearly four years separates Northern and Southern Europe, as online sales forecasts in the south are equivalent to current sales figures of countries in the north.



- Internet banking customer demand for taking out financial products entirely online has remained buoyant since last year.
- Average European figures reported by the Internet banking customers surveyed show that the two leading products in online sales are car/home insurance and account opening. Meanwhile, there is far less interest in taking out revolving credit and mortgages entirely online.

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>>> > Detailed perspective by product family and country

An indication of the growth potential in online sales is the gap between how interested Internet banking customers say they are in taking out products and services online and the extent to which they actually do so. Figures vary significantly among product families. For each family, the directors surveyed give very different assessments of the technical and legal constraints involved in online applications.

The perspective by country of gaps between interest levels and application levels also provides some surprises. This gap is largest in the Netherlands, regardless of the product in question. This points to a large unsatisfied demand in online applications. Conversely, France has one of the lowest levels of interest in online applications.

- **Car and home insurance products** are deemed the most attractive for online applications, according to the majority of Internet banking customers in all countries. Demand for online applications is best met in the UK, with a gap of just 8 points between interest and application levels. France has a gap of 28 points: just three specialists, all subsidiaries of insurers, have successfully positioned themselves in online sales.

Nearly 60% of Internet banking customers say they use the Web to make comparisons in insurance, as shown by the success of comparison tools such as Assurland.

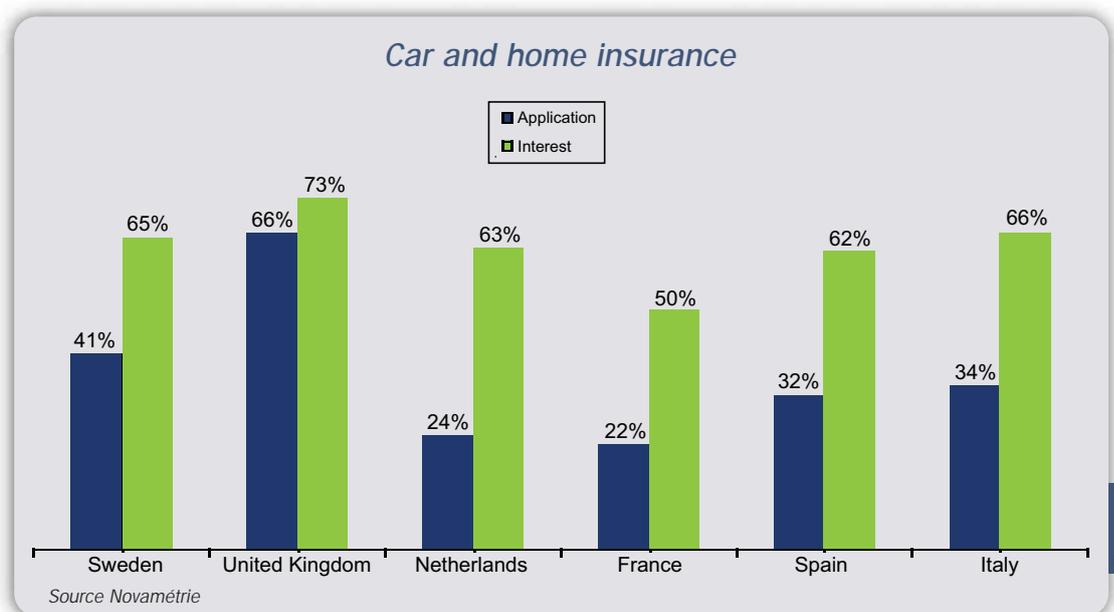


Figure 11

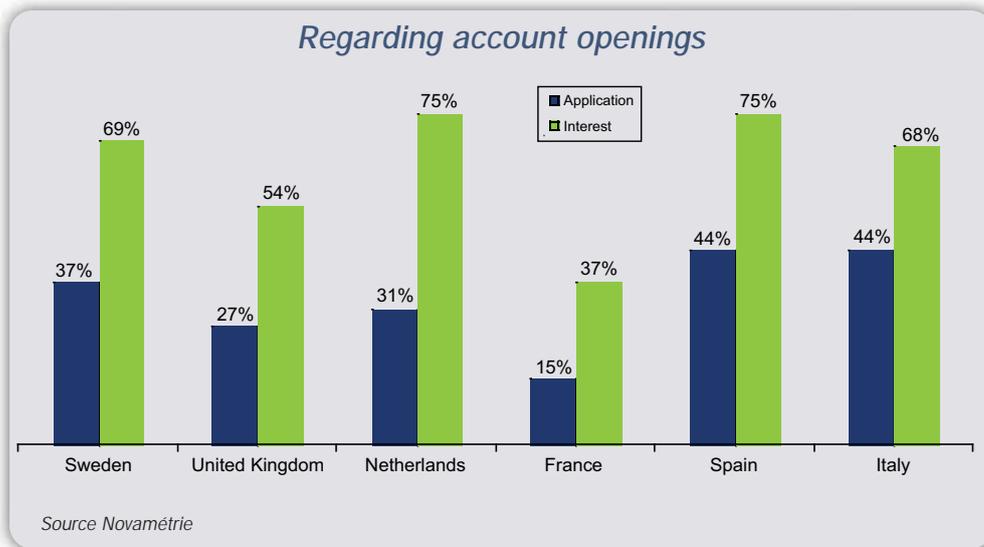


Figure 12

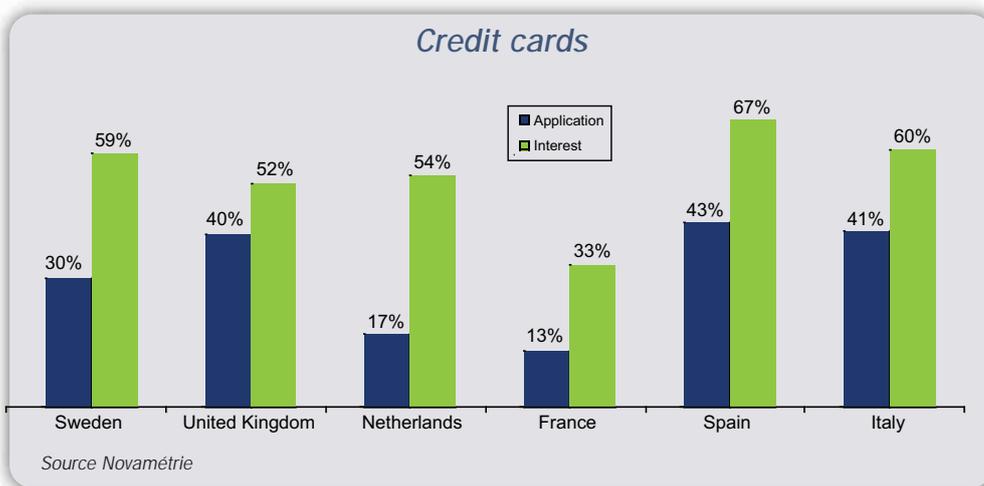


Figure 13

- **Regarding account openings**, the Internet is seen as a highly attractive channel for online applications by a majority of Internet banking customers in all countries, with the exception of France (37% of respondents compared with a European average of 63%). The importance of bank networks and the key role attributed to branches in France for establishing relationships partially explains this atypical situation. In addition, until June 2006, legal constraints imposed by the monetary and financial code prohibited account openings in France where the individual was not present for ID verification.

- **For payment cards**, the profile of responses from Internet banking customers reflects the same trends as in account openings.

- **Credit cards** attract a high level of interest in the majority of countries, apart from France. This is due to the fact that 90% of credit cards in France are personal retail cards, mostly issued by-shops. Meanwhile, payment cards are debit cards and are usually issued over the counter at branches or, in some financial institutions, by recorded delivery. The risk of fraud, loss or theft is judged too high for cards to be applied for online and delivered by standard post.

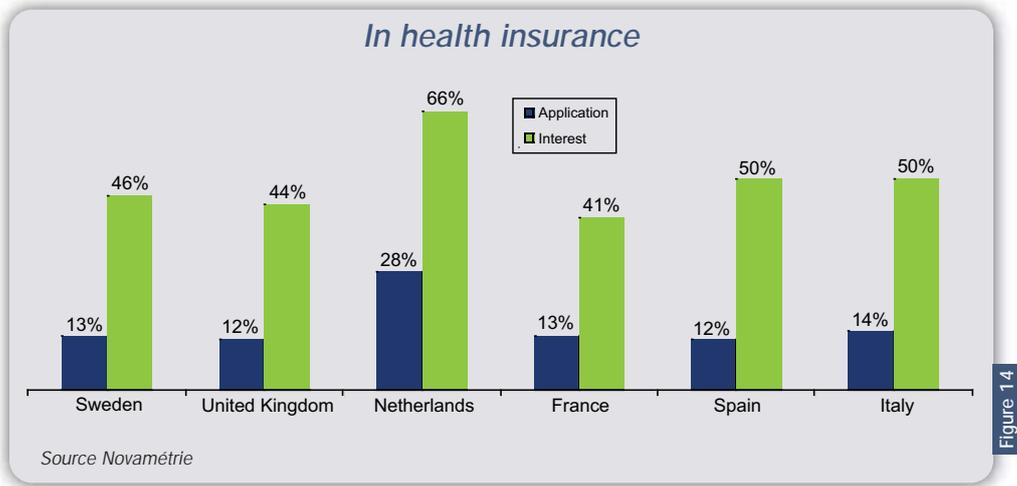


Figure 14

- **In health insurance**, interest levels are average. However, there is a large gap compared with the application levels reported in 2007, meaning demand is still unsatisfied. In the Netherlands more than elsewhere in Europe, this product family is particularly well-developed and attracts high levels of interest in online applications.

- **Investment products (or online share exchange)** constitute, in all European countries, the most advanced sector of the Internet channel and the area in which demand is best satisfied. This lead owes a great deal to the online brokers that emerged throughout Europe in the 1990s and which, at the time, demonstrated an ability to make the most of demand, the insufficient bank offering and their high prices.

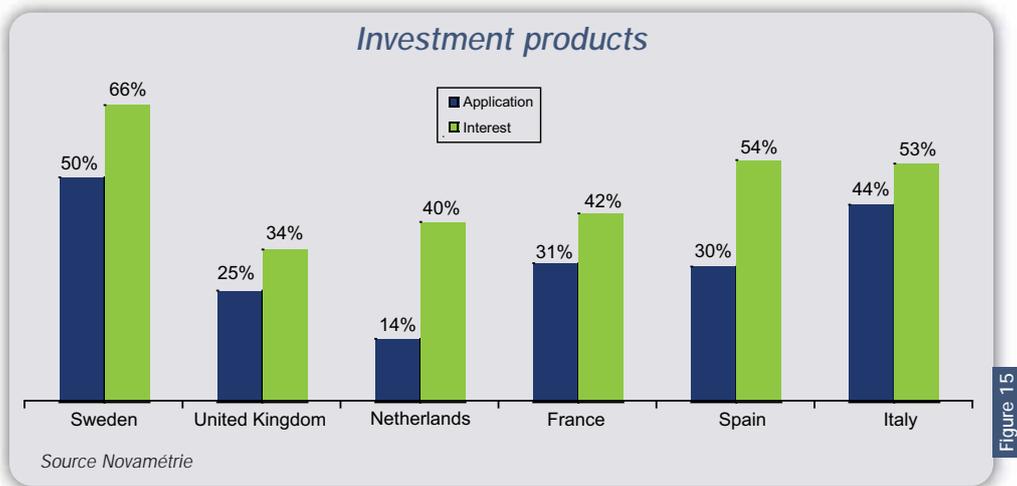
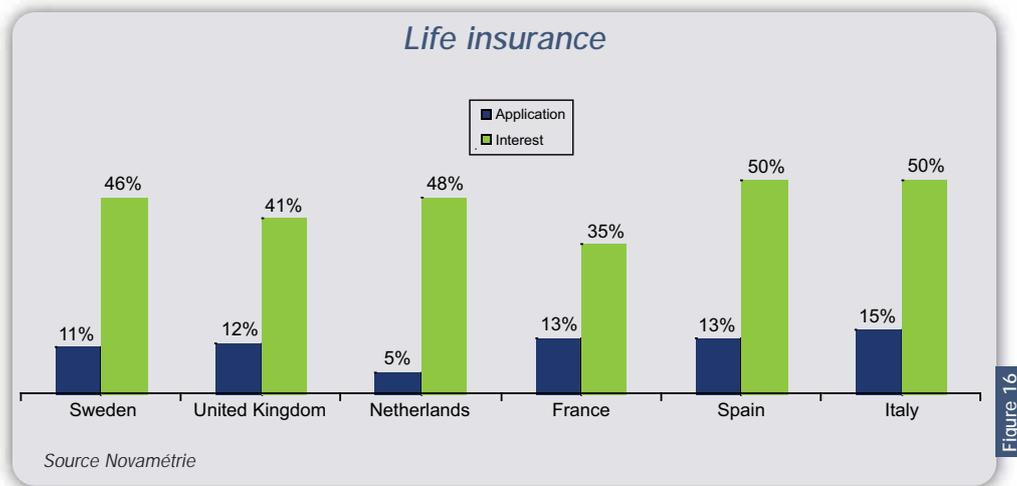


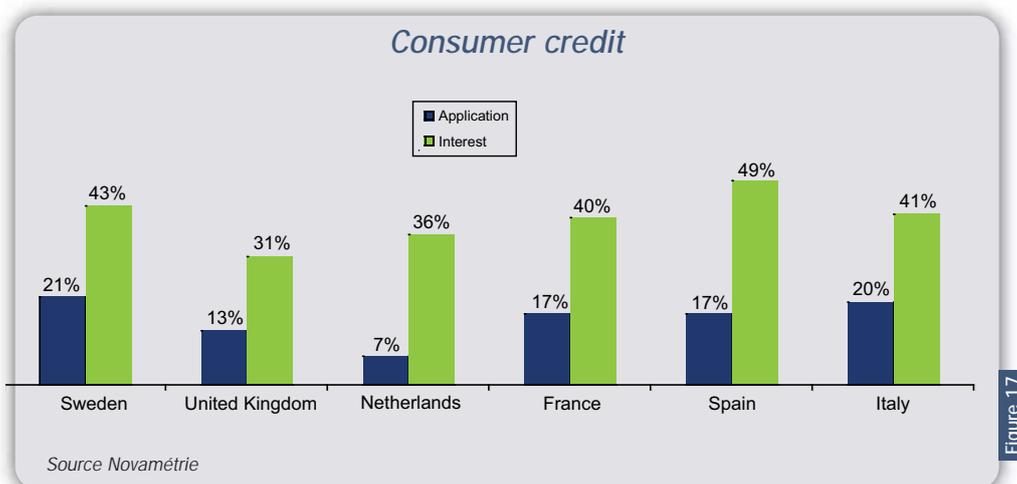
Figure 15

- **Life insurance** gives relatively homogenous and decidedly average scores in the European countries studied. Infrequent applications for this product, due to its very nature, partially explain the lower online application levels reported. In France, the range of life insurance products that can be taken out online is extremely attractive due to a dynamic market driven by specialists involved in a price war. Customers also make extensive use of comparison tools in this sector.



- **Consumer credit** records modest application levels, particularly in the Netherlands and the UK. However, there is a wide range of online consumer credit and in Spain, France and Italy the market is experiencing strong growth prompted by specialised establishments. Capitalising on their success, these financial institutions are now launching an offensive on the credit market by offering payment facilities on e-commerce sites.

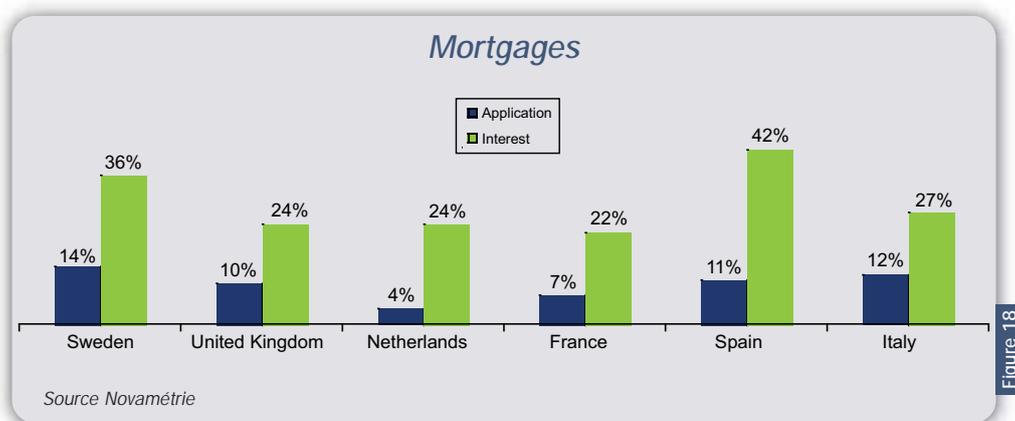
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>>> • **Revolving credit** is experiencing the same trends as consumer credit, albeit with significantly lower levels of interest.

• **Mortgages** recorded very low online application levels in 2007.

This product attracts the lowest levels of interest in applications completely online in all European countries. However, it is a product for which Spanish and French Internet banking customers mostly use the Web to make comparisons, as shown by the success of comparison and brokerage websites.



# The impact of the Internet on web users' buying behaviour

## The Internet as a source of information: the competition gets fiercer

- With a 12-point increase compared with 2006, the Internet has established itself as the most highly-prized information channel in 2007. The main reason given by 75% of European Internet banking customers surveyed is that it saves time.
- The Internet comes before friends and family and financial advisors as a source of information. However, while friends and family are placed second Europe-wide, this position is claimed by financial advisors in France. In Spain, "another bank" ranks second. In Italy, the specialised press comes in second place, while friends and family are placed last.

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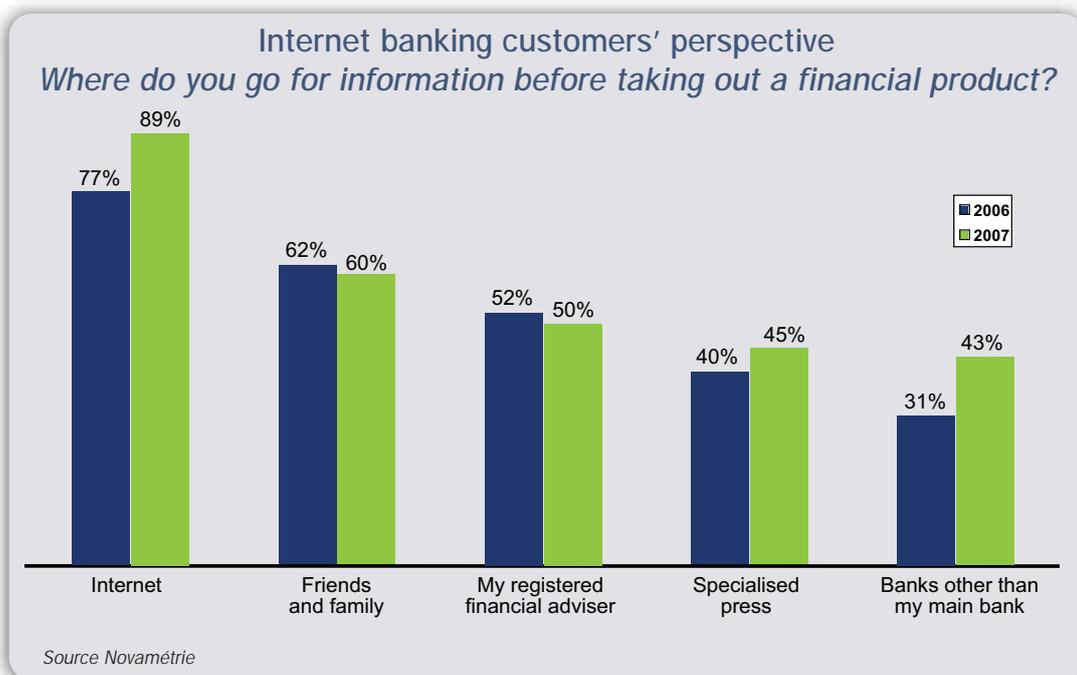
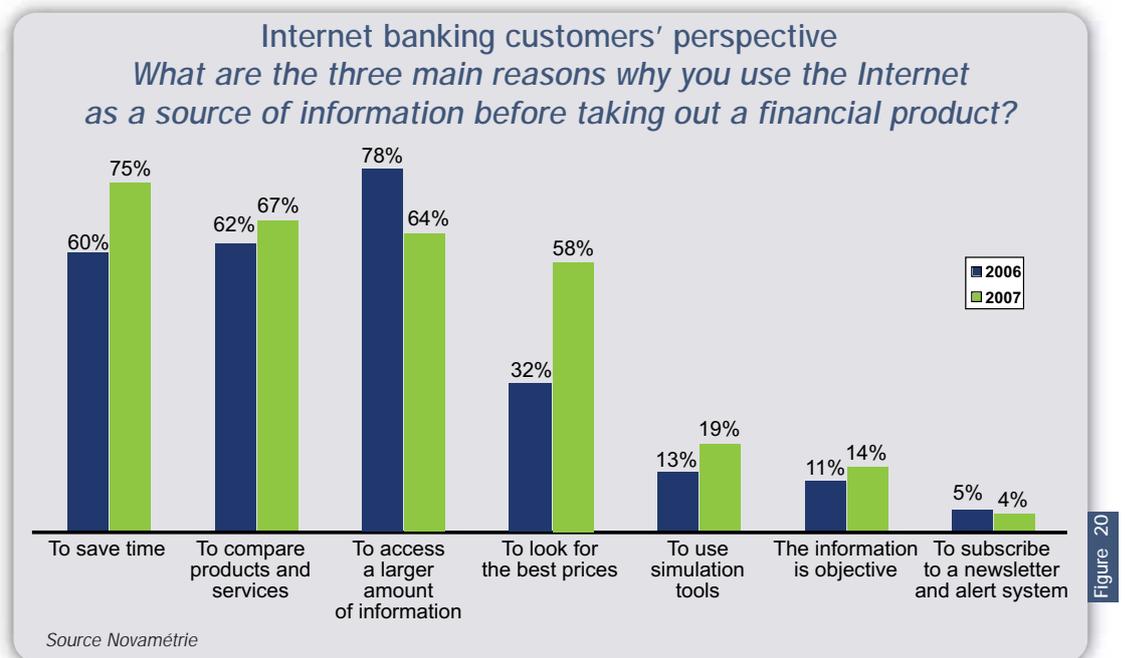


Figure 19

- When conducting research on the Web, customers mostly use their bank's website (80% of respondents), with the exception of insurance research.

It should be noted that although banks benefit from customer loyalty to their website, they also receive traffic linked to account viewing, which customers naturally conduct on the Web site of the bank where they hold an account. This explains the high audience figures for banks, which are of course correlated with their market shares in all countries.

As a result, banks have never before had so much customer contact, which has been boosted by the Internet.



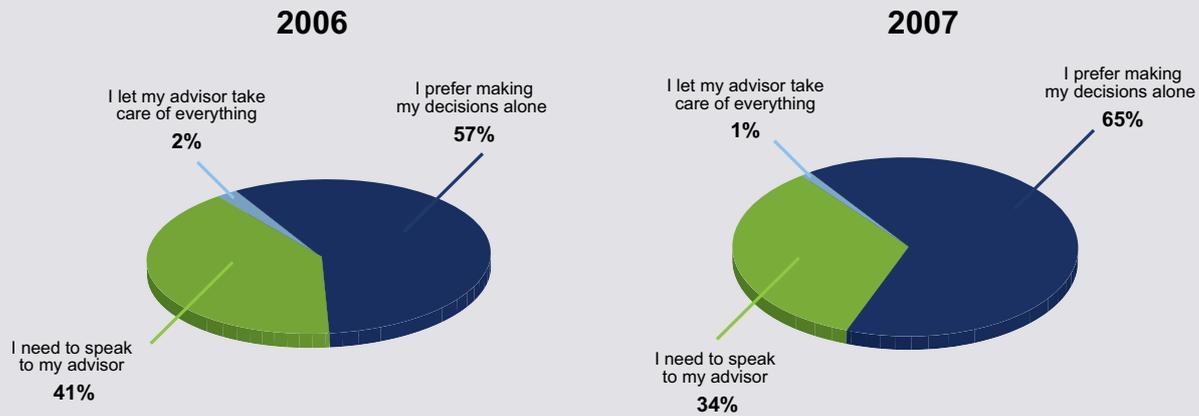
- Customers also visit other websites run by banks and specialised establishments. The wealth of information and the ability to compare ranges and prices are, after timesaving, the two main reasons for Web usage.
- The Internet strengthens competition between companies in the financial sector and focuses the rivalry on prices. Therefore, 58% of those surveyed say they use the Internet to find the best price conditions. With a 26-point rise, this statistic has shown the greatest increase compared with 2006.
- All directors surveyed in Spain, France and the UK agree that the Internet is gradually leading to the development of multibanking.

## The Internet as an application channel: more and more people won over

Independent and validator were the two main categories of Internet banking customers identified in 2006. In 2007, independent customers account for an even larger proportion.

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*How would you categorise yourself in terms of your decision-making before taking out a financial product?*



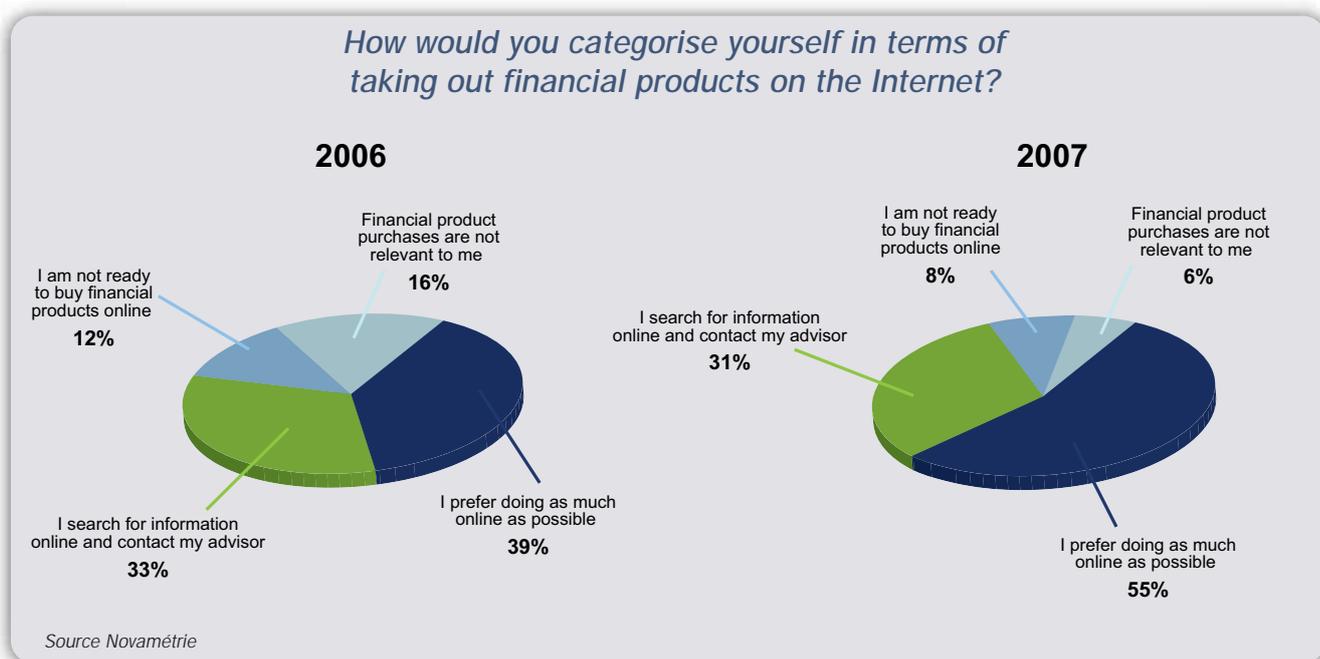
Source Novamétrie

Figure 21



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- **The increase in the number of customers who prefer doing as much online** as possible has proved even more spectacular: 55% of Internet banking customers now feel this way, compared with 39% in 2006. Once again, this average conceals marked differences from country to country. France brings up the rear, with just 31% preferring the “as much online as possible” route (the same figure as in 2006), while the UK is way out in front with an average of 64%.



- **Independent and keen to do as much online as possible:** Internet banking customers who, in each country, say they are both independent in their financial product buying decisions and keen to do as much online as possible are naturally customers who would entirely bypass the branch in the process of buying financial products.



*Internet banking customers who say they are independent and prefer doing as much online as possible*

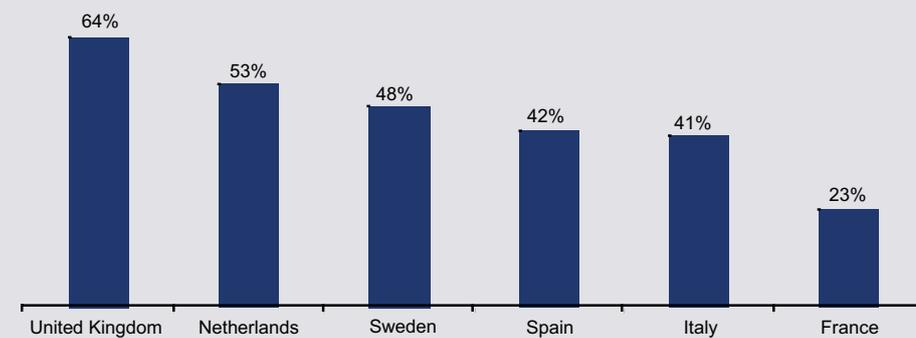


Figure 23

Source Novamétrie

- **The British Internet banking customers** surveyed are, at over 64%, in the “all online” category. This growing population is creating a genuine market for pure online banking and, at the same time, contributes to lower customer traffic in branches.
- **In France, the “all online” fringe only accounts for 23%** of Internet banking customers, totalling around 5% of bank customers or 4.2 million of the 18.4 million Internet banking customers. This figure, down compared with other European countries, is due to the strong link in France between customers and their advisors when making a purchase.

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*What do you feel is the level of risk associated with buying financial products on the Internet? (0 being a low risk and 10 being a high risk)*

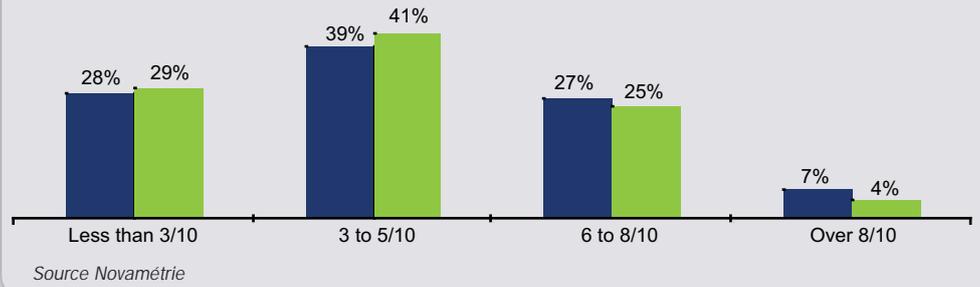


Figure 24

- **The perceived level of risk has since 2006 declined** inversely proportionally to customer appetite for the Internet. Two-thirds of Internet banking customers surveyed believe that buying financial products is not particularly risky.
- **On average, just 4% of Internet banking customers give a high risk rating**, a trend that is slightly more pronounced in Italy than in other European countries. The main cause of risk identified is fraud, with 31% of those surveyed fearing they could become victims. Internet banking customers are therefore confident overall in banks when using the Internet for finance and payment solutions.

This encouraging result should prompt banks to remain vigilant about the risks of fraud, the main perceived risk factor, in order to preserve confidence.

*What risk factors do you feel are associated with buying financial products online?*

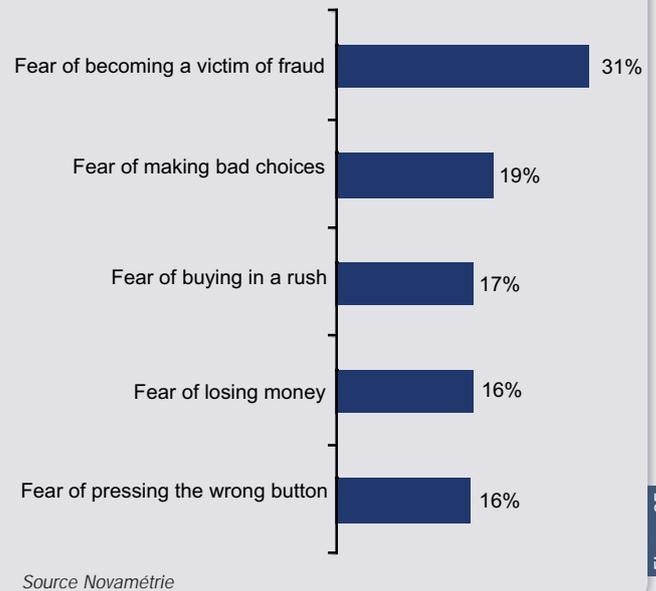


Figure 25

## The different statistical typologies of buying behaviour

The typological analysis allows us to organise the respondents into groups of customers who are consistent in their buying behaviour. It is constructed using customer responses regarding how they make decisions before buying, their attitude to online applications, the perceived level of risk in online applications and how often they take out financial products online.

The seven distinct groups are differentiated from each other on the basis of two factors: greater or lesser confidence in the Internet as a channel for taking out products and services, and the greater or lesser need to use several contact channels.

Two groups are confirmed online buyers: the informed negotiators and the expert aficionados. The group of occasional buyers, which comprises customers who are still hesitant to use the Web for taking out products and services online, is the largest. Lastly, there are three distinct groups of customers who are not ready to buy financial products online: the doubters, the resisters and the non-enthusiasts.

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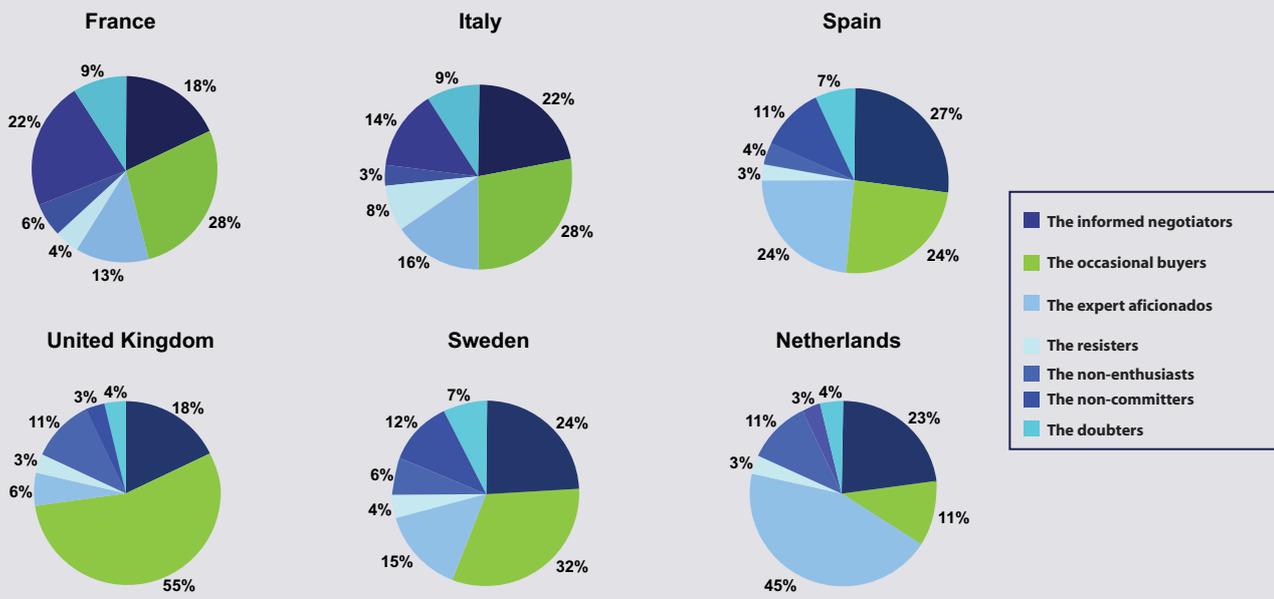
*The main cause of risk identified is fraud, with 31% of those surveyed fearing they could become victims.*



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- **The occasional buyers account for 30% of the Web users surveyed on average.** With a particularly strong presence in the UK, at nearly 55%, they form the dominant category in all European countries except for the Netherlands. Mostly male, occasional buyers are ready to buy online but take out financial products online less than once a month. Price, speed and the possibility of making comparisons are the main reasons why they use the Internet.
- **The informed negotiators account for 22% of the Web users surveyed.** Employed and aged 25 to 34 on average, they occasionally take out financial products on the Internet. Independent in their decision-making process, they rarely speak to their financial advisor. They prefer the Internet because it is fast and means they do not have to go to a branch. This profile is dominant in Spain.
- **The expert aficionados account for 20% of the Web users surveyed and up to 48% in the Netherlands.** Expert aficionados are mostly male executives living in a town of more than 50,000 inhabitants and with high incomes. Primarily independent in their decision making, they regularly take out financial products on the Internet. They are not particularly interested in making comparisons, but use the Web to save time and avoid going to their branch.
- **The non-committers only account for 12% of the Web users surveyed.** These customers have not made it as far as taking out financial products online. The non-committers use the Internet as a source of information and perceive a high level of risk associated with online applications. This group, primarily comprised of young French and Italian women on average incomes, stands out due to its proximity with financial advisors.

### Typology of Internet banking customers by country



Source Novamétrie

Figure 26

- The doubters, who account for 7% of the Web users surveyed, are mainly located in France and Italy.** Highly dependent on their financial advisor in the decision-making process, they do not view the Internet as a more practical or faster tool when taking out a financial product. They are mainly non-working or student females on low incomes who have been using the Internet for less than five years.
- The non-enthusiasts, who on average account for 5% of the Web users surveyed,** feel that the purchase of financial products is not relevant to them and never take out products or services online. Primarily women on low incomes, this group of independent-playful profiles never consults a financial advisor and views the Internet as a risky tool for taking out financial products.
- The resisters only account for 4% of the Web users surveyed.** This category feels that the Internet poses a very high risk and does not save time. It is not ready to take out financial products online. This group is mainly comprised of non-working or retired women on low incomes living in towns with fewer than 2,000 inhabitants.

# Developments in the distribution

## Development trends in bank websites



*Personalised emails and immediate and free return calls are the two services most likely to facilitate applying over the Internet.*

- **Is a new generation of Web sites on the horizon?**

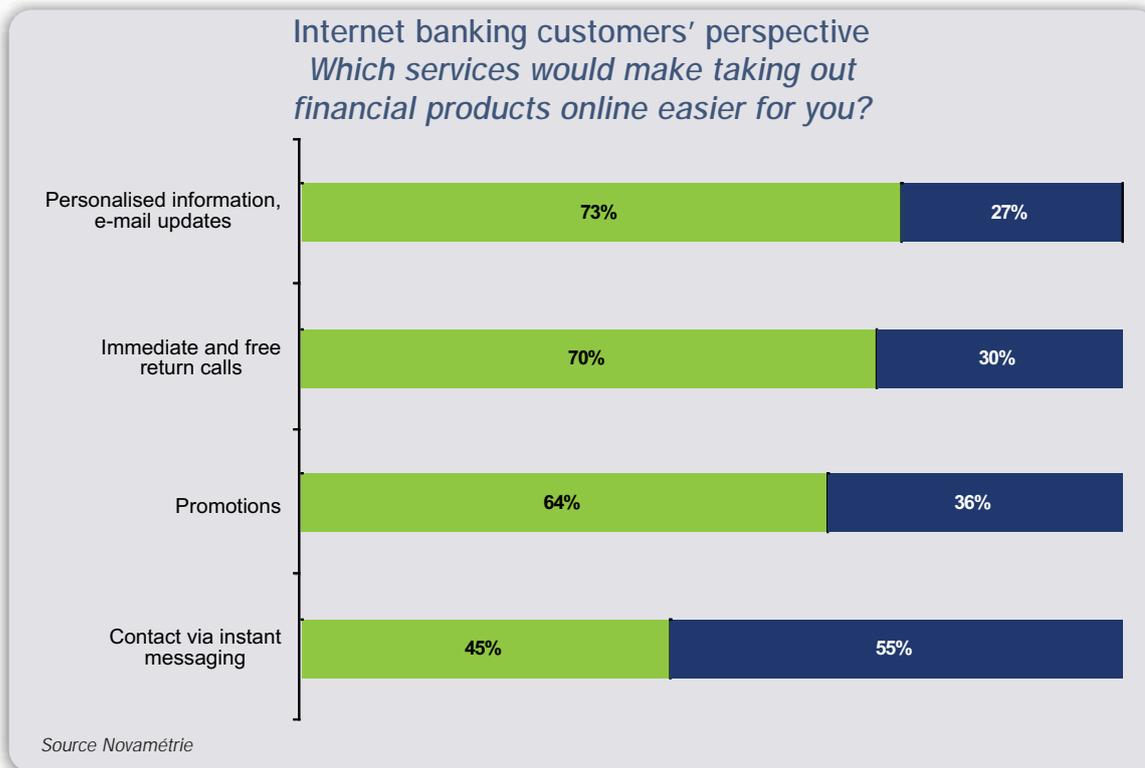
Since the beginning of 2007, banks seem to have focused their efforts on upgrading their Web sites in terms of design, the options available for applying online and the range of information, given that the satisfaction rating in this area has increased.

Is this an effect of the "Web 2.0 wave"? The answer to this question will not come for several months...

# of financial products and services

- **Which services could contribute most effectively to increasing online sales?**

Personalised emails and immediate and free return calls (Web call back) are, according to the Internet banking customers surveyed, the two services most likely to facilitate applying over the Internet.



## Do bank directors share the same perspective on which innovative services should be developed around online sales?

> The impact of contact with an advisor via instant messaging is seen as strong in the Netherlands, the UK and Sweden. "This is becoming increasingly important, particularly as far as shares are concerned," says one director, an opinion echoed by others. Conversely, the impact of this service is seen as low by bank directors in Spain, France and Italy. "It's not really up to scratch and the workflow management is not relevant," says one director.

> The same divide between northern and southern Europe is evident in video explanations of products and services. "Yes, it works, the people in the video bring the presentation to life more and make it more effective than a static explanation," agree directors in the Netherlands, the UK and Sweden. Meanwhile, the impact is seen as low in Spain, France and Italy. "Even though it's entertaining, we don't yet have optimum interactivity," reports one director.

- >>> • **When asked about the obstacles to online sales** and the developments to make, there is again much to learn from what bank directors have to say.
  - > The cultural obstacle is particularly evident in Spain: "It's a question of changing the way branches work and evolving the customer culture, but this takes time..." says one director.
  - > The organisational obstacle is given special mention in France: "The network's concerns are holding us back. The message needs to be conveyed that everyone will benefit from sales being conducted on the Net."
  - > The regulatory aspect is singled out by Swedish directors, who would like to be able to make the sales process entirely paper-free and "make it a complete procedure from the moment you click 'enter', but legislation still doesn't allow it."
  - > In technology terms, three major developments are seen as necessary by almost all European directors: improving back office processes in order to integrate systems into websites; improving tracking systems to better identify customer profiles and behaviours; and improving customer behaviour databases.
  
- **Audience creation and conversion rates** are also core issues in upgrading Web sites to achieve greater commercial effectiveness. In this respect, what are the direct marketing strategies favoured by the directors surveyed?
  - > The purchase of keywords from search engines, which are "more relevant than banners, where you can't really measure the effect", is the solution advocated by the directors of French and Italian network banks.
  - > E-mailing, a "targeted practice that allows you to evaluate results according to campaigns", is favoured by network banks in Spain, the UK and Sweden.
  - > Banners are still the favourite marketing tool of the Swedes, as one bank director testifies: "we have inserts for a number of products and it works, as we know exactly where to put them."
  - > Partnerships with other Web sites, "to be where the consumers are", are preferred by specialised players, all countries combined.

- **The network's involvement in promoting the bank's website** is also seen as key to success. How can networks be encouraged to promote online sales? A number of different solutions are offered.
  - > Reconciling advisors and the Internet: this is the priority in France and Italy, "persuading advisors that the Internet is a separate channel that can complement their service and serve as a substitute in very low value-added transactions."
  - > Rewarding Web users and advisors is the recommended method in the Netherlands, the UK and Sweden.
  - > Upgrading websites and inventing new forms of remuneration ("so that the sale is no longer the sole aim in branches") are, lastly, the two solutions favoured by specialised players.

## The impact of Internet growth on the branch network and the relationship with advisors

- Even more than in 2006, a large majority of European customers say they are satisfied with their advisor.



Figure 29

- However, the trend indicates an increasingly marked preference for the Internet for obtaining information and buying financial products. Is this due to a lack of confidence or a lack of added value attributed to the network?
- Half of the directors surveyed believe that the growth of the Internet has an impact on the branch network: 30% say that branches are set to become smaller, while 13% expected instead a reduction in branch numbers.

*Does the growth in Internet sales have an impact on the expansion of your branch network? Do you think that this will lead to a reduction in the number of branches or cause a decline in branch staff numbers?*

**Reduction in branch numbers**



**Size of branches**

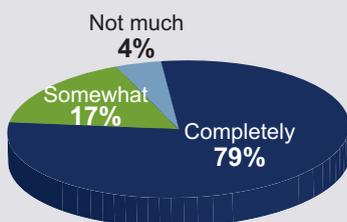


Source Novamétrie

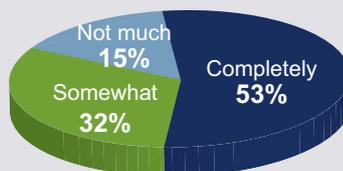
Figure 30

*The directors' perspective: do you feel that the Internet, as an information source on the one hand and a financial products and services sales channel on the other, alters the customer-bank relationship?*

**Source of information**



**Sales channel**



Source Novamétrie

Figure 31

- The majority of directors acknowledge that the Internet as an information and sales channels alters the customer-advisor relationship.

- The change in the customer-advisor relationship compared with 2006 can also be seen among Web users. Firstly, 76% of Web users say that the Internet means they can see their advisor less often. Consequently, growth in Internet usage is likely to have the effect of decreasing branch visits.

Internet banking customers also confirm that they visit their branch on a different footing: because they are better informed, they hope that their relationship with their advisor will be more effective. "Getting down to the essentials with my advisor" is a priority for 76% of respondents, who feel they are in a better position to negotiate on prices.



- Enhance the role and added value of advisors: this is the response that directors want to provide in answer to changing customer profiles.
- > Increase skill levels and develop interaction at the work station and a proactive approach to customers are the three main ambitions of directors, all countries combined. The aim of this drive is to achieve strong financial expertise compared with rival offerings, an improved knowledge of online banking tools ("contending with the Internet generation means that you need to be on an even par") and an anticipation of requirements ("targeting customer requirements in order to offer them a competitive range before the others do").
- > Product specialisation is, conversely, a development targeted more specifically in the Netherlands, the UK and Sweden.

## The transformation of distribution models in financial products and services

- Which of today's newcomers will be tomorrow's most threatening players? Each respondent answered this question according to the situation on their own market.

> Non-banking players are singled out by directors in the Netherlands, the UK and Sweden. So who are these non-banking players?

They are peer to peer specialists, "which, like Zopa, position themselves as an Internet bank, with a business based on prices, and which utilise support networks to bypass intermediation"; the large-scale retailers, "Tesco, Virgin, Ikea, etc., all of the companies launching a bank by drawing on a good customer base and a recognised brand"; and search engines and portals such as eBay and Google.

> Financial players – brokers, asset managers, remote banks – are, conversely, the most threatening players of tomorrow in the opinion of Spanish, French and Italian directors.

- What perspective do directors have on the growth of the Internet in the distribution of financial products in the six European countries studied? How has their perspective changed since 2006?

> From now on in Spain, France and Italy, as has been the case for some time in the Netherlands and the UK, the Internet is seen as a marketing performance and business strategy lever.

> However, the role of the Internet is perceived differently from country to country: viewed as a separate "sales channel" in northern Europe, it is described as both a "sales aid and sales channel" in Latin countries.

> The divergences are even more striking in terms of the pricing envisaged (differentiated in the north, non-differentiated in the south) and investment strategies: whereas the Internet and phone services come in first place in the Netherlands, the UK and Sweden, the priority is once again placed on branches in Spain, France and Italy.

*Swedish, British and Dutch leaders' views*

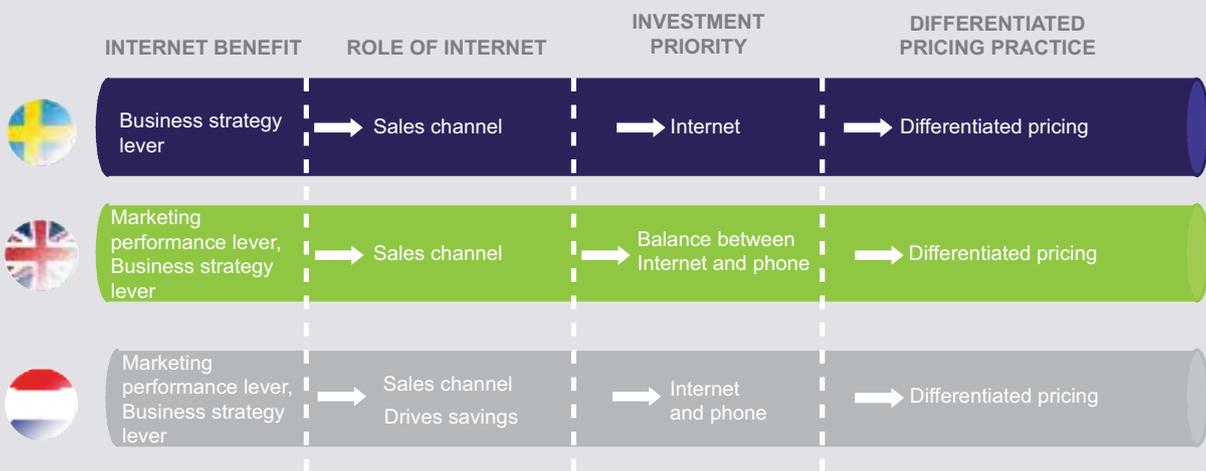


Figure 33

Source Novamétrie

*French, Italian and Spanish leaders' views*

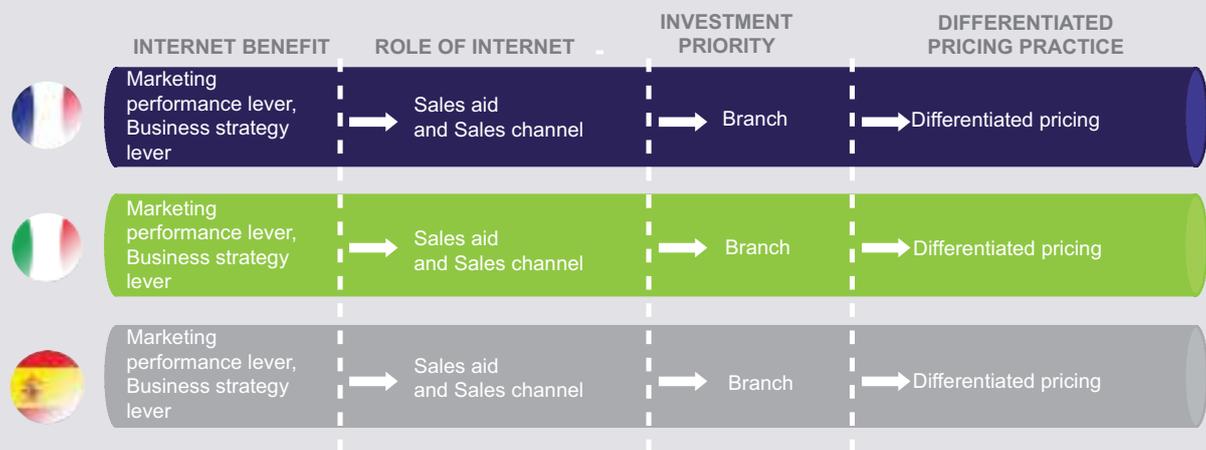


Figure 34

Source Novamétrie

# Appendices

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## Quantitative analysis sample and method

Survey procedure: Internet.

Sample: 4,836 users of online financial services.

Survey dates: 18 to 25 May 2007.

### Respondents: confirmed Web user profiles

The specific nature of the sample should be stressed: it consists of Web users who regularly (more than three times a month) or occasionally (once to three times a month) visit the website of their bank or insurance company.

In 2007, the population accounted for around half of Swedish customers, a third of British and Dutch customers, a quarter of French and Spanish customers and just over a fifth of Italian customers. This gives an idea of the penetration rate of Internet banking and the reality of banking e-commerce in Europe.

### Confidence interval

The table below shows the confidence interval that can be attributed to a numerical result, in accordance with the size of the sample surveyed, based on random samples.

For a sample of 1,000 people representing a given population, an answer provided by 25% of those surveyed corresponds, for example, to a confidence interval of 2.8%. In other words, there is a 95% chance that this same answer will be given by 22.2% to 27.8% of the entire population studied.

Percentages	5	10	15	20	25	30	35	40	45	50
Size of the sample	or 95	or 90	or 85	or 80	or 75	or 70	or 65	or 60	or 55	or 50
50	6,2	8,5	10,1,	11,4	12,3	13,0	13,5	13,9	14,1	14,2
75	5,0	6,9	8,2	9,2	10,0	10,5	11,0	11,3	11,4	11,5
100	4,4	6,0	7,1	8,0	8,7	9,2	9,5	9,8	9,9	10,0
150	3,6	4,9	5,9	6,6	7,1	7,5	7,8	8,1	8,1	8,2
200	3,1	4,3	5,1	5,7	6,1	6,5	6,8	7,0	7,0	7,1
250	2,7	3,8	4,5	5,0	6,2	6,2	6,2	6,2	6,2	6,2
300	2,5	3,5	4,1	4,6	5,0	5,3	5,5	5,7	5,8	5,8
400	2,2	3,0	3,6	4,0	4,3	4,6	4,8	4,9	5,0	5,0
500	2,0	2,7	3,2	3,6	3,9	4,1	4,3	4,4	4,5	4,5
600	1,8	2,5	2,9	3,3	3,6	3,8	3,9	4,0	4,1	4,1
800	1,5	2,1	2,5	2,8	3,0	3,2	3,3	3,4	3,5	3,5
1 000	1,4	1,9	2,3	2,5	2,8	2,9	3,1	3,1	3,2	3,2
1 200	1,3	1,7	2,1	2,3	2,5	2,7	2,8	2,8	2,9	2,9
1 500	1,1	1,6	1,8	2,1	2,3	2,4	2,5	2,5	2,6	2,6
2 000	0,96	1,3	1,6	1,8	1,9	2,0	2,1	2,2	2,2	2,2
2 500	0,87	1,2	1,4	1,4	1,7	1,8	1,9	2,0	2,0	2,0
3 000	0,79	1,1	1,3	1,4	1,6	1,7	1,7	1,8	1,8	1,8
4 000	0,69	0,95	1,1	1,3	1,4	1,4	1,5	1,5	1,6	1,6
5 000	0,62	0,8	1,0	1,1	1,2	1,3	1,4	1,4	1,4	1,4
7 500	0,50	0,69	0,82	0,92	1,0	1,1	1,1	1,1	1,1	1,2
10 000	0,44	0,60	0,71	0,80	0,87	0,92	0,95	0,98	0,99	1,0

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## The impact of the Internet on buying behaviour in financial products and services

