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ELECTRONIC BANKING: TOP TRIO EMERGES

Scale has been a long time coming in global electronic banking, but it has arrived. Three major U.S. banks now have substantial worldwide market share, emerging from a crowded field of lesser players. With that, the stakes are getting a lot higher for banks trying to make it in the business.

So concludes a survey by Westport Consulting Group Inc. of Westport, CT, and FGI Research Inc. of Chapel Hill, NC, firms that have teamed up in recent years to study electronic banking around the world. They queried corporate users, both at Fortune Global 500 companies and smaller ones in the Dun & Bradstreet 5,000. While this survey looks at a host of issues that have echoed through past studies—telecommunications, connectivity, user interfaces, functionality—the emergence of big players was probably the most significant finding, says John A. Laurino, managing director at Westport Consulting, which drafted the survey.

When WCG and FCI did a similar survey two years ago (see "Not Quite a Wired World—Yet," April 1996), no bank had developed significant market share. That has changed. Laurino says that stipulations with banks purchasing the survey—they are paying $20,000 to $40,000 for the basic results—bar him from revealing names, including the identifies of the top players. But a couple of cash management consultants, asked to speculate about the top three, came up with the same names—Citicorp, Chase Manhattan Corp. and BankAmerica Corp. "Those are the banks with the major international presence," says one.

The Big Three have market shares ranging roughly from 20% to 50% each—some corporations have relationships with more than one of them and no one else is remotely close, the survey principals say. Their rise suggests to Laurino that electronic banking will follow the consolidation pattern set in so many other bank technology businesses. "The price tag is so big and so continuous that it's not for the faint-hearted. Once you're in this business, you've got to be in it 100 percent."

Electronic systems are still dominated by cash transaction capabilities, including foreign exchange; the ability to handle securities or trade-related transactions across oceans is much rarer. And the big three are, likewise, big in cash. Yet "those three are the ones that are really poised to do securities and trade, if the market ever decides it wants it," says Mark T. Greene, managing director for customer research and quality consulting at FGI. "If anyone is going to grab a niche in securities or trade, they're going to have to develop the technology and push it into the marketplace in a hurry before these three leaders do."

Laurino cautions that "these really aren't cash management systems. They're electronic systems that are facilitating transactions, but very few people are able to sit back and manage through these systems, to do pooling or netting. They don't seem to be functionally integrated all the way through." Big players *are* offering those solutions, however—customers just aren't doing it, perhaps "because they just haven't embraced the vision."

One new issue in the GEB world, not surprisingly, is the Internet. "Two years ago, the Web was nowhere to be found in anybody's questions. Now the Web has really emerged as an issue," Laurino says. However, Green notes that "it's certainly not something that has coalesced. From the company side, you see some that are really embracing it, an equally large group that's undecided, and a substantial group that's saying, 'Security? I can't do anything on the Web. It's awful.' "

If there's an ominous trend, Laurino and Greene say, it's in the huge investments that developing such complex systems require, which put banks, perhaps inadvertently, in the software business. "The banks have kind of created their own monster. They have pushed this technology onto their clients, and I would submit they did it as a defensive measure," Laurino says. "But now they've addicted their clients to this user-friendly, Windows-based interface" through which companies want more functionality, more data and more speed.

"This is not shrink-wrapped software in a box," Greene says. And since banks are eager to retain these customers for other services, they run a real risk of damaging the relationship if they don't deliver. He warns: "I think there's a whole lot of exposure."

—Jeffrey Marshall