

trading

Weary of wireless hype

Computer Sciences Corporation (CSC) believes most brokerage firms could be using the wireless internet to empower their brokers, retain and acquire customers, and increase productivity while bringing customer relationships to a new level, explains David Seabrook

Projections of explosive demand growth fuelled the rush to offer wireless access to financial services. But now the brokerage industry is weary of wireless hype. Predictions in 1999 were for about 20 million wireless traders by 2005. Current forecasts are much lower – 1.6 million according to Tower Group, or 2.7 million according to Celent Communications.

Small screens and slow connection speeds make it difficult to display complex financial information on the most popular mobile devices. Some analysts believe concerns for security will limit customer willingness to perform financial transactions through the wireless channel. And new applications require next-generation technologies, typically 2.5G or 3G, which are not due to be widely available until 2002 and 2006 respectively.

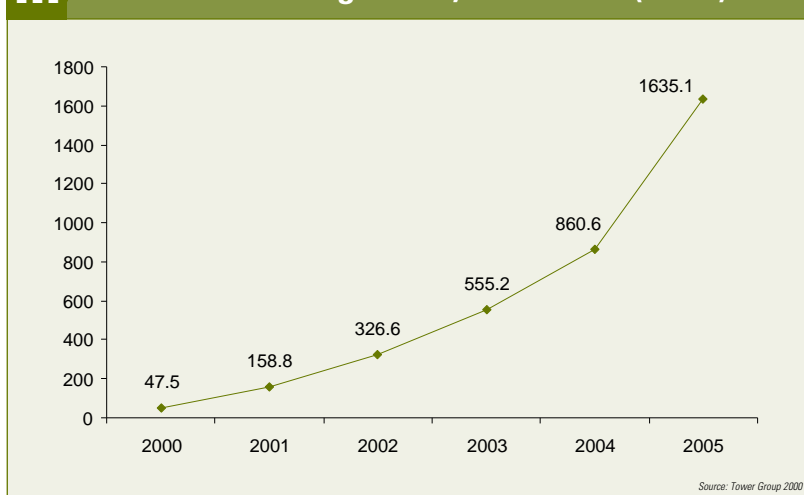
Even worse news for business managers is that many firms report that they have yet to make any money at all out of offering wireless financial services. In a June 2000 Forrester Research survey of 23 banks and brokerages with mobile strategies, only 32% believe that offering wireless access would result in incremental revenue, while 45% did not expect incremental revenue and 18% were undecided.

These discouraging realities help explain why most brokers have been reluctant to provide competitively distinct offerings to customers remaining content with 'me-too' plays.

Competitive offerings on the mobile internet

If all this pessimism is justified, then why continue to urge online brokerage firms to

m US mobile brokerage users, 2000–2005 ('000s)



exploit the wireless internet? In spite of these very real issues, we believe that creative online brokers can use the wireless internet to boost their top and bottom lines by increasing productivity, retaining customers and acquiring new customers more effectively than their competitors.

A double win for wireless agents

Time is money, especially for brokers. Perhaps the single most compelling business case for the wireless internet is broker productivity. If they can take advantage of anytime/anywhere services to make more client calls, then they can serve more clients. And with the integrated voice/data and push/pull capabilities of the wireless world, they can respond faster and more accurately to keep those clients satisfied, for example, with instant messaging (IM) and e-mail document delivery in intelli-

gent automated voice response. More clients mean more dollars, and happier clients also means more dollars. The bottom-line impact is twofold and immediate.

New ways to retain customers

The cost of acquiring customers far outstrips the cost of retaining them. We estimate it costs between \$200 and \$300 in marketing and sales expenses to secure a single new online financial services customer. Once acquired, the customer must stay around long enough for the company to recoup that investment.

And because a competing online provider is just a click away, customers need a good reason to stick around. But trades are undifferentiated commodities, so there are no 'better trades' to offer. The only path to superior customer retention is superior customer service, and the wireless

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internet provides a number of ways to improve service dramatically.

Wireless technology can also introduce more intimacy to customer relationships than previously possible.

Most customers today communicate with a broker on the phone or over the wired internet. But with the wireless internet they can interact with their broker while either party is mobile. They can also engage in time-critical interactions while mobile.

Because a wireless device knows where they are, their mobile, time-critical interactions can also be location-specific. Furthermore, the interactions can include voice and data, or both, which lets customers communicate synchronously (as in a phone call) or asynchronously (as in e-mail) in one voice/data-integrated connection. Because wireless is bi-directional, either party can push or pull data. Wireless devices know who parties are, so brokers can provide personalised and differentiated services.

This whole package addresses the emotional needs that are so important in any relationship – the needs for instant gratification and a sense of control.

Put all this together, and you have the ability to reach a whole new level in customer relationships by meeting 'the wireless hierarchy of needs'.

Creative online brokers can address various combinations of these relationship needs to create what we call new relationship value propositions.

These include:

- **Instant messaging**

IM is more immediate than e-mail and less intrusive than telephoning. Because they can identify the sender of an instant message, brokers are able to prioritise their IM responses to get back to their best customers first. Instant messages thus enable a new kind of responsiveness by eliminating the frustration of the voicemail tag and enabling better customer service, while increasing the sheer number of requests a broker can handle.

- **Integrating voice and data communications**

Voice is more intimate, but data can be cheaper and more immediate. Internet brokers can merge data and voice by offering access to analyst voice recordings or live analysts or brokers.

They can design systems, for example, in which customers who click on an option to speak with a broker are automatically transferred to a conversation with their personal agent, or with the research analyst responsible for the stock they're considering.

With WAP, brokers can design applications that allow clients to check balances or transactions and automatically initiate a call in certain circumstances, for example, when the price of a stock has changed by more than 5%. It is also possible to create an interaction in which the broker and the client are sharing data, such as charts and graphs, while simultaneously discussing the data.

Savvy brokers will also offer services

specific to a given device to leverage the strengths of each device. They will take into account, for example, that personal data assistants (PDAs) are better suited to viewing charts and graphs than mobile phones, but that phones are better suited to combining data and voice applications than PDAs.

- **Personalisation**

Coping with one-size-fits-all products is no longer necessary with the wireless internet. The technology allows brokers to communicate what the client wants, when the client wants it. Services are already available through which clients receive wireless alerts on stocks they nominate, either when there is significant movement or when a relevant news item becomes available.

- **Location-specific content**

Brokers can push information to a subscriber about companies or service centres based near the subscriber's location. Such location-specific solutions are already becoming available in the retail sector, where users can ask how to get to the nearest Thai restaurant or sporting goods store, and wireless banking customers can find the closest ATM.

- **Social use of market information**

Users can discuss and share data more easily with wireless devices. The technology is already in place to beam information between users of hand-held devices, and the immediacy of communication meets emotional needs as well – it's fun!

m Competitive offerings on the mobile internet

Brokerage	Trade & Quotes	Alerts & notifications	Access account information	Order status	Track stocks (not in your portfolio)	Access research & charts	News, weather & horoscopes	Transfer funds between brokerage & bank accounts	Devices
Ameritrade	✓	✓	✓	✓	✓		✓		Sprint PCS Phone, Palm V & VII
Morgan Stanley Dean Witter	✓	✓	✓	✓	✓	✓*	✓		Palm IIIxe & V
CSFBdirect	✓	✓	✓	✓	✓		✓		Phones, Palm III & VII, Rim, Windows CE Handheld
E*Trade	✓	✓	✓	✓	✓	✓	✓	✓	Phones, PDAs, Rim
Fidelity	✓	✓	✓	✓	✓	✓*	✓		Phones, Palm V & VII, Rim 950
TD Waterhouse	✓		✓	✓	✓	✓*	✓		Phones
Schwab	✓	✓	✓	✓	✓		✓		Phones, Palm IIIx & Vx Rim 950 & 957
Suretrade	✓		✓	✓	✓	✓*	✓		Phones, Palm III, V, VIII; Rim
CitiTrade		✓	✓		✓		✓		Phones
Wells Fargo		✓			✓				Phones, Palm VII

* Charts only

Source: CSC Research, 2001

trading

m Current partnerships

Brokerage	Carriers				ISPs			Others
	Sprint	AT&T	Verizon	Nextel	OmniSky	Palm.net	GoAmerica	
Ameritrade	✓	✓	negotiating	✓	✓		negotiating	
Morgan Stanley Dean Witter*		✓	✓					
CSFBdirect		✓*	✓		✓	✓	✓*	Speechworks
E*Trade	✓	✓	✓	✓	✓	✓		Voicestream, Cingular, OracleMobile, Everypath
Fidelity	✓*		✓	✓	✓	✓		Inflightonline.com
TD Waterhouse	✓	✓*	✓	✓				Phone.com
Schwab	✓	✓		✓	✓	✓		Aether Systems*
Suretrade								

✓* Advanced relationship
 ✓ Relationship exists – available over the network

Source: CSC Research, 2001

New ways to acquire customers

Unlike the wired internet, the wireless internet requires businesses to work with a network operator. Smart brokers can use these partnerships to their advantage.

Fidelity recently raised eyebrows by partnering with OnStar to provide wireless trading (see top story, front page). Although the prospect of trading from your car is unnerving, we think that Fidelity made a very smart deal, because OnStar users represent a relatively affluent and tech-savvy market.

The wireless internet allows brokers to tap the vast audience of existing wireless service users in the quest to increase marketing conversion rates. Co-marketing with service providers also brings access to information for qualifying potential new clients by internet usage, expenditure and credit rating, within the limits of privacy agreements. This information lets you target direct mail, e-mail or message-based initiatives more tightly, which improves the likelihood of conversion. All leading online brokers are currently trying to maximise reach through partnerships with leading service providers and internet service providers.

Brokerages can use the wireless internet

as a channel to target their most profitable customers – those who have large existing investments or trade frequently. Fidelity, for example, has a wireless promotion targeted at either new customers who invest at least \$50,000, or current customers who invest an additional \$50,000. Other firms are developing wireless instant messaging, but only for their best customers.

Pricing and promotions have been the key means of differentiation among mobile phone service providers, and this dimension will also be significant for wireless brokerage.


Although Fidelity, CSFBdirect and E*Trade all charge the same commission fees for wireless and wired trading, they have each announced different promotions to try to acquire mobile subscribers.

For some companies, the mobile internet will be an opportunity to re-brand in an effort to attract new customers. For example, Fidelity's online broker, PowerStreet, has a weaker internet brand name than either Schwab or E*Trade. Fidelity has renamed the brokerage for the mobile internet, calling the new service InstantBroker. Schwab also initiated a new brand, calling its mobile application PocketBroker.

It's all about relationships

The key to success in wireless brokerage is to deliver personalised relationship value to the right person in the right way. This is not a new concept for the brokerage business, since it has always been about relationships.

When the internet arrived, intimate relationships seemed for a while to become archaic. But now the wireless internet is here, and brokers and their clients can get back to developing and nurturing effective business relationships.

And this time, parties can relate from any location, at any time, through a wide selection of media, to send or receive voice or data in one connection and on one device that fits into a palm or a pocket. 



David Seabrook

David Seabrook is a principal consultant in CSC's Strategic Services Group.

He specialises in helping business executives to develop business strategies that fully exploit information technology. Seabrook has nearly a decade of experience in strategy consulting for leading US and international companies. He currently focuses on wireless and internet strategy in the financial services sector and recently designed an innovative internet strategy to minimise channel conflict for a leading mutual fund company.

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