# Transaction revolution takes out the legwork

The internet has brought a proliferation of new and emerging online transactional options, says **Sinan Sharwood**, and the transformation has barely begun.

If Kevin Dupé has his way, applying for a business loan could soon be a very different experience, with less customers facing bank officials over a video conferencing link.

"It's always good to look people in the eye," says Dupé, chief executive officer of New England Credit Union.

As New England's 20 branches are spread across northern NSW, the credit union is keen to adopt online technologies that remove the need for its customers to visit a branch for every transaction.

"But when it comes to business lending, we like to get a better feel for people," Dupé says.

And the internet could ride to the rescue, thanks to video conferencing, a technology the credit union is already using to connect its customers with financial advisers in moments, instead of asking one party or the other to drive kilometres for an appointment.

The credit union now has its eye on the technology as a way to assess candidates for business loans. "It's all about character," Dupé says, imagining the day when applicants could come to a New England Credit Union branch to chat with a loans officer at its Armidale headquarters. "Down the track, video could be a useful way to conduct that sort of transaction."

Dupé is not alone in considering the internet's role as a tool to change the way transactions and payments of all sorts are conducted. Indeed, at the very highest level of the financial services industry, the ENTPTnet service that facilitates secure, international and host-bank transfers around the world recently adopted the same technical standards that operate the internet. The change was made partly to ease the interaction of the systems of financial institutions, so that the institutions can make greater use of online transactions and payments.

At the consumer level, the internet is making completely new classes of product possible. The Bupa pre-paid Visa card, for example, introduced in February this year, makes it payable for under-18s to get their hands on a credit card. Would-be cardholders can apply for the card online, add to their balance online (or even via SMS) and then shop online with the card. This form of shopping is mentioned in Bupa's advertising, which singles out music as a likely purchase.

Another company, Centricom, is also innovating in online payments through a service that pre-populates internet banking sites with the bank account details of online merchants. This saves consumers the chore of typing in those details, thereby making it easier to shop online.

"For merchants this is the equivalent of having EFTPOS online," says the company's chief executive officer Simon Warner. He also notes that banks do not object to the software his company uses to enter merchants' details into the well-guarded web pages offered to part of internet banking services.

Warner says that acceptance comes from Centricom's investment in security, but also the potential to grow traffic.

"Three or 4 per cent growth in online sales is not uncommon," he claims. "The biggest boost we have seen was 38 per cent growth with no cannibalisation of credit card sales."

Warner, who currently numbers major HP Tissle Internet among his pilot clients, says "very large names will announce they have signed on in the foreseeable future".

He wouldn't put cent of customers to use the service by year's end.

But some other changes in the way goods are transacted online may be leading consumers into some risky behaviour that Philip Druce, managing director of online merchant house Option.com.au, believes should lead to further changes in online transactions.

"We recommend that our users pay by credit card or via services like PayPal," Druce says. "But people prefer to pay the easiest and cheapest way and that is direct transfer to the merchant's account."

Druce attributes this trend to the merchant fees charged by credit card companies and the likes of Centricom, which he says has contacted his company.

"From what I remember, their fee structure was geared towards banks and stories shop rather than smaller online merchants," he says.

"The majority of items sold online are valued at under $100," he adds. "We see that people buying in that range are not willing to pay extra to have the transaction secured."

"But we believe that if people were paying more online they would care more. This affects business because it stops people from paying for high-value items unless the vendor has secure payment facilities, and that excludes some categories of goods from e-commerce."

But while Druce worries that today's online payment systems restrict the types of transactions that can be conducted online, others are forging ahead with a wider range of online service that streamlines and automates more types of transaction.

BankWest, for example, in early March launched Online International Trade, a suite of services attached to its internet banking facilities that lets importers and exporters arrange documentary letters of credit and other specialist trade instruments online.

"If you were paying an overseas supplier, in the bad old days a business would have typed a draft down advice, supplied a copy of a bill of lading and asked for finance in US dollars for 90 days," says Carl Fewtrell, BankWest's national manager for international trade finance.

"Now the one screen allows the customer to do all of that online."

Half of BankWest's trading clients are already using the system, which will be available to all by the end of April.

Fewtrell now expects strong uptake. "The benefit for our customers is strong first," he says. "They do not have to relay instructions, which takes away a lot of their manual work and reduces our operational risk too. In the old days a customer would have completed the forms and we would have rekeyed them into our back office. There's obviously a substantial potential for error there that we can eliminate."

And that error and the chance to avoid it is also a factor in perhaps the most profound change of all to the way transactions are conducted in the age of the internet.

For financial institutions, one use for net to sell their products and initiate transactions, such as residential or business loans, retirement savings products and insurance in many more different ways.

In particular they are looking at ways to partner with other organisations to reach niche markets.

"Financial institutions see partners as their new channel for initiating transaction," says Peter Horton, Asia Pacific managing director of International Decision Systems.

"Partners see the chance to offer a[illegible] to[illegible] they[illegible] can't reach. The picture needs the web and the bank brand to help finding a lower cost route to market."

The internet makes this arrangement possible through software that lets the partner place an order and commence a transaction with the same speed a bank's own employees enjoy sitting in a CBD office tower.

"Software[illegible] the rules for the partners and secures the transaction," Horton explains, and it does so faster than would be possible with older tools like paper forms that had to be submitted to a financial institution.

"Everyone's costs are lower," Horton says. "And everyone gets new business."

That's not a change as technologically impressive as Kevin Dupé's vision of video conferences for loan interviews. But it is surely a business endeavour with even more profound ramifications for the way we all transact online, and given the proliferation of new and emerging online transactional options also something that is surely only the tip of a very large iceberg.

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- The internet is making completely new classes of product possible, such as Bupa's pre-paid Visa card, aimed at under-18s.
- This can be applied for, topped up, and used online.
- Another company, Centricom, processes stored banking data with the bank account details of online merchants.

**"Three or 4 per cent growth in online sales is**

One of the winners to come out of the eBay melee is locally developed website Oztion.

"Before eBay announced the changes with Paypal, we were getting on average 250 new members per day, and now we're getting 650 per day," OZtion managing director Philip Druce said. "The feedback . . . we are receiving is there's been a lot of sellers and buyers coming across because of the freedom of choice that exists."

Druce disputes eBay's claim that direct deposit transactions are four times more likely to end in a dispute. "Our stats show that 79 per cent of transactions use direct deposit," he said.

"Out of [those] a tiny 0.4 per cent actually end up in a dispute, but out of them, 80 per cent are resolved."