

# **Empowering Financial Organizations to Improve Their Customers' Worlds**

## **The Michigan National Case Study: Developing and Deploying an Internet Banking Strategy**

Doug Andrews  
Director of Internet and Direct Retailing  
Michigan National  
27777 Inkster Road  
Farmington Hills, MI 48334  
Telephone: 248.473.3680  
Email: Doug.Andrews@mnco.com

Randy A. Wardwell  
Director/Mid-West Canada Region  
S1 Corporation  
3390 Peachtree Road, Suite 1700  
Atlanta, Georgia 30326-1108  
Telephone: 404.812.8443  
Email: randy.wardwell@s1.com

During the next decade, technology will redefine your customers' world. Relationships established in the physical world, like those of financial institutions and their customers, will be increasingly enhanced in the electronic world, and the battle for customer loyalty will intensify. To win, financial services providers must continue to push the envelope, finding new ways to provide extended offerings to their most profitable customers while cost effectively meeting the needs of their overall customer base.

This paper illustrates how one bank is already winning this battle while meeting its customers' ever-growing needs, increasing its revenue and enabling it to maintain a competitive advantage. With the assistance of S1 Corporation, Michigan National is rapidly deploying Internet-based financial services that met its critical objectives.

### **Highlights**

- Michigan National is a subsidiary of National Australia Bank. There are many challenges developing and implementing a regional Internet banking strategy that dovetails with a global effort.
- Michigan National launched its first Internet banking solution on the Integrion platform. When Integrion announced its dissolution, Michigan National had a chance to re-evaluate its online products and services and make some important strategic adjustments for the future.
- In choosing its Internet banking software solution for the 21<sup>st</sup> century, Michigan National had a number of key requirements. They looked for a product that could provide scalability, open integration capabilities, and real-time functionality. In addition, Michigan National chose a strategic partner that could work collaboratively to create a valuable and unique product for Michigan National's growing customer base.

### **Background**

Michigan National, a subsidiary of National Australia Bank, has approximately US \$11 billion in assets. (National Australia Bank enjoys an asset base of US \$156 billion, placing it among the top 55 banks worldwide.) Based in Farmington Hills, Michigan, Michigan National offers its customers leading-edge products and services, the kind one would expect from a member of a global financial network.

In June 2000, Michigan National announced its intent to implement the S1 Consumer Suite. Executing on its aggressive Internet strategy, Michigan National will initially utilize the patented technology of S1's Consumer Banking application to offer customers core online banking capabilities. In addition, the bank signed a multi-year agreement to outsource its online transactions to S1's state-of-the-art Data Center.

The S1 Consumer Suite will provide Michigan National's customers real-time access to multiple accounts, including checking, savings, CD, money market and loan accounts. Customers will also be able to review statements and registers online, pay bills, see cleared and pending transactions, obtain loan balances, and transfer funds between accounts.

Michigan National intends to continue to strengthen its relationship with S1 as it further develops a comprehensive financial portal strategy; the bank has future plans to incorporate the S1 Consumer Insurance, S1 Consumer Investments, and account aggregation services from its subsidiary VerticalOne. Michigan National also has the

option to expand its offerings and incorporate products such as tax preparation, financial planning, and customizable content from other providers.

### **Regional vs. Global Internet Strategy**

National Australia Group Limited (The National) is one of the world's largest and most successful financial services groups with a wide geographic spread of assets in Australia, the United States, Asia, the United Kingdom, Ireland, and New Zealand. Operating from a head office in Melbourne, Australia, the Group's strategy revolves around international diversification and controlled organic growth. As part of this strategy, The National has created a global team to consider its various Internet initiatives. Overall objectives are developed at an international level, but deployed regionally.

Michigan National acts as a "research and development shop" for The National. As with any strategy, there are challenges to be met and rewards to be reaped by developing and deploying Internet initiatives in this way. For example, Michigan National must be careful to ensure that the technology providers – not to mention the technology itself – can operate in an international environment.

### **Positioning for the Future**

Strategy was translated into action in 1998 when Michigan National launched web banking on the Integrion platform. Michigan National was able to gain "first mover advantage" in Michigan by utilizing the Integrion solution. When the decision to disband Integrion was made, Michigan National took the opportunity to re-evaluate its online products and services.

Based on their previous experience, Michigan National knew that they needed more than just a technology vendor – they needed a strategic partner. According to Doug Andrews, Michigan National's director of Internet and Direct Retailing, "Finding a provider that could give us something more than just the transactional side of web banking was extremely important to us. We wanted to create a site with 'stickiness,' one that would provide our customers with better financial tools. Capabilities like insurance, investments, and other value added products and services are becoming more and more important to our online customers."

### **Michigan National's Requirements for Internet Banking Solution**

As Michigan National began the search for another provider, they looked for a large, well-known international player with a strong commitment to research and development. Security First Technologies was in the midst of acquiring two of its biggest competitors: Edify Corporation and FICS Group, N.V. The resulting company, S1 Corporation, promised to provide Michigan National with a broad array of exceptional financial products and services, as well as the bench strength needed to develop a functionality-rich offering, both domestically and abroad.

In addition, S1 was in the process of developing the newest version of its Consumer Banking product. The scope of version 5.1 of the S1 Consumer Suite included enhancements in three primary areas: architecture, functionality, and international capabilities. Michigan National was presented with the opportunity to participate in the controlled release of this new version, a position that allowed them to work in close coordination with the S1 team to hone the features and functionality of the online product.

### **Collaboration Yields a Superior Product**

As the work on version 5.1 progressed, Michigan National became intimately involved in the development and implementation process. “We had a lot of experience in defining the kind of functionality our customers want. It became a truly collaborative effort. Both the S1 and Michigan National teams brought a great deal of professionalism, innovation, and technical know-how to the process,” says Andrews.

Weekly meetings helped keep the development teams on track. Michigan National came to the table with additional ideas around product functionality, ideas that made sense to the S1 team. Thus, many of the enhancements that Michigan National suggested were incorporated into the beta release of the product. The resulting product was a stickier site for Michigan National’s customers, one with enhancements and expanded real-time transactional capabilities.

### **Future Developments**

S1 has the tools in place to become a “one stop shop” for Michigan National. With its recent acquisition of VerticalOne, S1 can now offer its customers the ability to view all their personal and financial data in one place, regardless of the source of the account. This capability empowers financial institutions to provide a personalized online experience, one that compels ordinary customers to become a loyal community of return visitors.

Michigan National’s goal is to implement and utilize the full breadth of S1’s products and services with the objective of creating a portal experience for their customers. In addition, both Michigan National and S1 remain committed to their “team” approach. According to Andrews, “We are passionate about this product and will do whatever it takes to get outstanding results, for us and for our customers.”

### **S1 Corporation**

S1 is the global leader in financial electronic commerce with 19 offices in 11 countries across 5 continents. S1 has 1800 employees with a 2000 pro-forma revenue of \$265 million. S1 has relationships with 57 of the top 100 financial institutions worldwide and enjoys partnerships with strong industry players like Hewlett-Packard Company, IBM, Intuit, and Andersen Consulting.

S1’s strategy is to create:

- a range of solutions to serve all financial institutions
- rich functionality that will attract and retain end users
- relationships with partners and other technology firms
- resources that make S1 the premier eFinance infrastructure company

S1’s solutions are designed to meet the needs of consumers, small businesses, and large corporations.

### **Michigan National**

Michigan National provides diversified financial services and offers creative ideas and product options designed to help consumers and businesses meet their financial goals. It is committed to being the financial services corporation of first choice in its markets and provides the leading-edge products and services that customers expect from a

member of a global financial network. Visit Michigan National's web site at [www.MichiganNational.com](http://www.MichiganNational.com).

**About S1 Corporation**

S1 (Nasdaq:SONE), the pioneer of Internet banking, is today's leading global provider of innovative Internet-based financial services solutions. S1 offers a broad range of applications that empower financial organizations to increase revenue, strengthen customer relationships, and gain competitive advantage by meeting the evolving needs of their customers across various lines of business, market segments, and delivery channels. Through its professional services organization, S1's applications can be implemented in-house or outsourced to the S1 Data Center. Additional information about S1 is available at <http://www.s1.com>.

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