

Intuit Purchase to Bring SMB Expertise to Online Banking

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In buying Digital Insight, Intuit will bring small and midsize business expertise to a banking channel that needs it: online banking. Banks should seek vendors that offer SMB-specific functions.

NEWS ANALYSIS

Event

On 30 November 2006, Intuit announced it will acquire Digital Insight, a provider of online-banking services, in a cash deal valued at approximately \$1.35 billion. The deal is expected to close in 1Q07.

Analysis

Banks have neglected small and midsize businesses (SMBs) in the rush to persuade consumers and corporations to bank online. Gartner's Small Business Focus Group revealed that SMB owners are aware that they fit into neither the consumer nor corporate niche (see "Findings for Worldwide Focus Groups: Improve Credibility to Win Over Small and Midsize Business Banking Customers"). Therefore, banks that want to differentiate themselves will seek vendors that offer SMB-specific online solutions.

After acquiring Digital Insight, Intuit will bring to online business banking substantial SMB expertise and understanding of customers. Intuit's online-banking services will likely enhance banks' online-banking replacement projects — especially banks replacing or adding business banking to their online channel and those that target SMBs.

Once completed, integration of Digital Insight will enable Intuit to:

- Deliver a more complete SMB online-banking offering — one that will differentiate Intuit and likely force other vendors to make acquisitions to catch up.
- Tap its customer base to find new customers for an integrated online solution. Because online banking is becoming a commodity market, Intuit's success with banks will depend on how well its online banking and payments for SMBs can be integrated and leveraged as part of a bank's multichannel, multisegment strategy, as well as how well it addresses corporate and consumer needs. (Intuit is unlikely to ignore its customer base of 25 million consumers.)

How SMBs choose to make payments often determines their choice of banks, the banking services they use and the costs for such services. For example, each segment of the SMB market needs a Web site that specifically addresses its banking needs and provides modern, convenient ways to accept and initiate payments.

With Digital Insight, Intuit can bolster small business electronic payment capabilities and volume. In turn, increased electronic payments will likely spur SMBs to more quickly cut use of paper checks in the U.S. — a big cost saving for banks.

This announcement also confirms that Gartner has accurately predicted the coming end of stand-alone online vendors. Although banks must obviously continue to support the online channel, online banking functions will be part of a broader, multichannel integration approach.

RECOMMENDATIONS

Banks:

- Support SMB online banking needs by providing electronic bill presentment and payment (EBBP) and online, multichannel tools.

- Select vendors that offer SMB-specific tools for EBPP and multichannel access to cash and payment management. However, be wary of online banking replacement projects with a stand-alone vendor. The vendor must have significant partnership in place with a multichannel integration vendor.

Vendors:

- Expect competition to heat up around SMB products and services. Aim to achieve a differentiating position by providing banks with new products and services — especially EBPP and analytics usable by large or small companies — that can be offered to SMBs in the manner they desire.

RECOMMENDED READING

- "Predicts 2006: Banking Services Will Need Greater Agility and Efficiency" — By 2008, stand-alone banking vendors will disappear. **By Richard DeLotto and others**
- "Technology Can Speed Up Banks' All-Important Channel Integration" — Banks that integrate their channel processes seamlessly will increase their share of customers' total spending. **By Graham Taylor**

(You may need to sign in or be a Gartner client to access the documents referenced in this First Take.)

This research is part of a set of related research pieces. See "To Win Over SMBs, Banks Must Make Banking Personal" for an overview.

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