Study shows increase in use of reminders

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Wouldn't it be great if someone sent you a friendly reminder every time your bank-account balance dipped too low or you risked missing a bill-payment deadline?

Thanks to the Internet, such alerts are becoming more common, helping forgetful, time-pressed customers avoid fees, damage to credit scores and identity theft.

Simple e-mail alerts for low balances and bill-payment dates are used by 25 percent of households that use online banking, nearly double the rate of two years ago, reported Javelin Strategy & Research in a recent study. The California firm predicts alert adoption will double again in the next four years.

Alerts are voluntary and can be customized to fit personal preferences. Aside from helping customers manage their finances, alerts also change the nature of online accounts from one-way deals to two-way streets.

"They convert a static relationship into an active one by sending content rather than by simply waiting for information to be sent," wrote James Van Dyke, Javelin's president, who authored the report.

Alerts also represent an additional type of glue that can be used to cement customer ties.

"Banks know that people who pay bills online are more loyal to that bank," said Deborah Kuehn of Kuehn Financial Education Services in Glendale.

In turn, electronic alerts let consumers maintain a more vigilant watch over their affairs at a time when inattention or procrastination can cause significant damage.

For example, banks now charge an average $27.40 in bounced-check fees - a record-high amount - according to a recent survey by bankrate.com. Similarly, the Government Accountability Office found that late payments on credit cards can range as high as $39, with more than one in three card customers assessed a late fee last year.

Credit-card holders who pay late or exceed their borrowing limits can face interest rates exceeding 30 percent, according to the GAO study.

In addition, late bill payment can damage credit scores, making it more costly to obtain financing.

Then there's the risk posed by identity thieves, whose damage can trigger hundreds of hours of account cleanup efforts. In Javelin's survey, consumers cited "unusual transactions" as the alert they most desire.

"My debit card once was stolen, but I didn't get the (phone) message until I got home," said Suzanne Searle, /33, a Scottsdale resident. "If they had e-mailed me, I would have received it much faster."

Searle, who considers herself an enthusiastic fan of online banking, uses bill-paying alerts on some accounts. She said she also would sign up for alerts for suspicious transactions, low balances and changes in personal information if those alerts were offered.

So far, banks - as well as brokerages, credit-card issuers and other financial firms - vary in the types of alerts they offer and their efforts in promoting them. Most common are alerts for unusual activity, large withdrawals and credit-monitoring issues, according to Javelin.

By contrast, fewer financial firms notify customers about activity in otherwise-dormant accounts, changes in bill-paying procedures, password alterations or changes in registered online-account users.

Indeed, the trend appears focused on allowing customers to sign up for what they want without burying them with too many messages that could be confused with spam or "white noise," according to Javelin.

Searle, for example, said she isn't interested in alerts that confirm routine deposits.

"It's nice if you can opt in," she said. "But it also can get to be too much information."

Javelin noticed preferences vary by customer demographics. For example, deposit-confirmation alerts are popular among young, low-income consumers; account-transfer notifications are mainly desired by older, higher-income people. In general, younger individuals are more likely to ask for alerts, and so are higher-income people.

Technological advancements will make alerts faster, easier to customize and, thus, more popular with consumers, Javelin predicts.

One improvement will provide more text messages as opposed to e-mails, allowing people to receive them on cellphones and other mobile devices, said Bruce Cundiff, a Javelin senior research analyst.

Another trend will let customers change their preferences on the spot, as opposed to having to go back to the financial firm's Web site.

For example, someone who receives an alert for a $500 wire transfer from her bank account might decide, as a reply to that message, to change future alerts to cover only transfers of $1,000 and up.

"It's all about bringing customers closer to the bank," Cundiff said.

But as helpful as alerts can be, they won't, by themselves, fix consumer financial woes.

"Alerts on unusual account activity may lead someone to learn about ID theft, just as constant alerts on low account balances may lead someone to learn about cash flow and budgeting," Kuehn said.

Alerts highlight "short-term money issues and encourage (people) to resolve these issues for the long term."

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