

# Fundamentals

Investment Company Institute Research In Brief

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## How Mutual Funds Use the Internet

The mutual fund industry's development of Internet capabilities appears to be evolving quickly, according to a recent survey of Investment Company Institute members.<sup>1</sup>

About half of the mutual fund companies surveyed by ICI indicated that they have a website. Of those without websites, nearly two-thirds plan launches within the next two years (Figures 1 & 2).

### Characteristics of Fund Companies with Websites

According to those fund companies surveyed, nearly 80 percent of existing fund websites were

figure 1

### Fund Companies Without a Website

(percent of responding fund companies without a site)

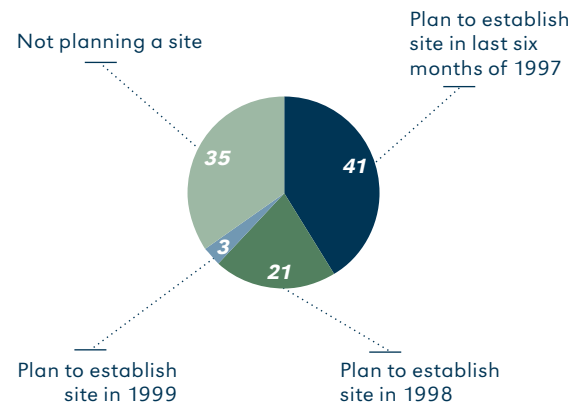
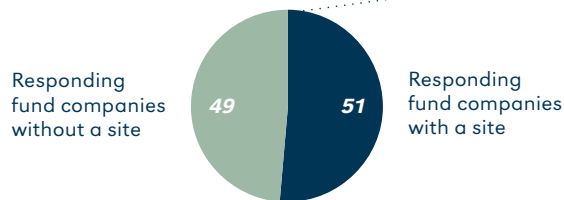


figure 2

### Mutual Fund Companies and the Internet

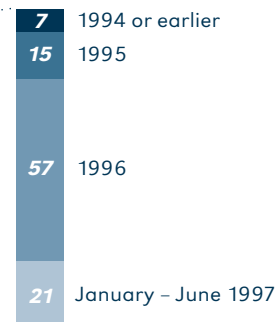
(percent of responding fund companies)

#### Fund Companies with a Website



Number of respondents = 187

#### Year in Which Responding Fund Company Websites Were Established



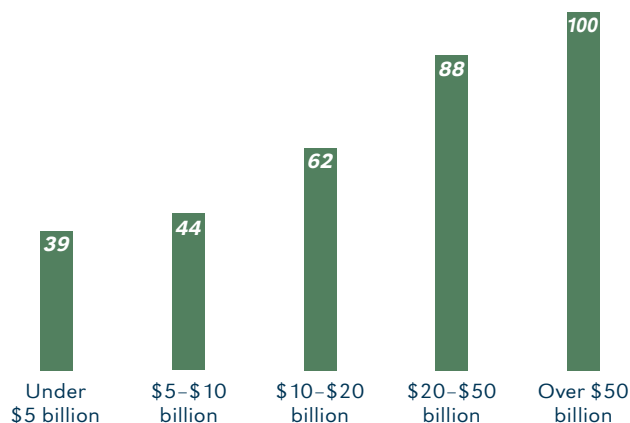
Number of respondents = 95

<sup>1</sup> The Investment Company Institute surveyed its mutual fund members in June 1997 about the development of fund company websites. The 187 fund companies that responded represent 46 percent of all Institute members and approximately 72 percent of member assets. The survey includes only those fund companies that chose to participate, thus the results do not fully represent fund company websites nationwide. One fund company may have reported for more than one website.

figure 3

### Fund Companies with a Website by Assets Under Management

(percent of responding fund companies with a site)



created within the last two years, with the remainder launched in 1995 or earlier.

Fund companies of all sizes utilize the Internet, but websites are most common among the largest fund groups (Figure 3). Every responding fund company with assets of \$50 billion or more operated a website, compared with 39 percent of fund groups with assets of less than \$5 billion.

Eight out of 10 fund companies with websites said they opened the sites to enhance communication with current and prospective shareholders (Figure 4). Few fund groups established websites solely to facilitate broker-dealer service or online

figure 4

### Reasons for Establishing a Website\*

(percent of responding fund companies with a site)

To enhance communications with current and prospective shareholders	80
To establish an additional sales channel	35
To provide educational materials for fund investors	29
To increase the fund company's range of services	28
To provide information exclusively for broker-dealers	11
To provide online transaction capability	3

Number of respondents = 95

figure footnotes

\*Multiple responses included.

transaction capabilities. Nevertheless, two-thirds of the responding fund companies with websites sell funds primarily through the sales-force distribution channel.

### Fund Services Offered on Websites

More than 70 percent of fund companies with websites provide basic information such as fund sales literature, fund prospectuses, electronic mail service and fund net asset values on their websites (Figure 5). Slightly more than two-thirds include background information on portfolio managers, investor education materials and fund company news. Roughly half offer financial or retirement planning information.

Fewer fund companies offered complex services. Almost one-third allowed users to download fund prospectuses, approximately one-fifth permitted visitors to retrieve service forms or account

figure 5

### Website Features\*

(percent of responding fund companies with a site)

Fund-specific sales literature	78
Electronic mail (e-mail)	76
Fund prospectuses	76
Fund NAVs	73
Background on portfolio managers	68
Basic investment education information	68
Fund company news	67
Financial planning information	55
Retirement planning information	49
Investment calculators	43
Current account information	24
Account history	24
Exchange capability	11
Purchase capability	6
Redemption capability	5
Bulletin boards	5
401(k) information	3

Number of respondents = 95

figure footnotes

\*Multiple responses included.

figure 6

### Downloading Capabilities on Fund Company Websites\*

(percent of responding fund companies with a site)

Prospectuses	32
Service forms	20
Applications to open an account	19
Annual/semi-annual reports	13
Order forms to purchase shares	9

**Number of respondents = 95**

figure footnotes

\*Multiple responses included.

applications (Figure 6), and about one-fourth provided access to personal account information.

As of June 1997, few fund groups offered online transactions, with 11 percent allowing exchanges within the fund company, 6 percent share purchases and 5 percent share redemptions.

Few fund companies restrict access to their websites. One-fifth allow only broker-dealers to enter specific areas of their websites, and approximately one-tenth offer web browsers for corporate or institutional clients.

### How Funds Maintain Websites and Track Usage

More than half of the responding fund groups with a website indicated that they receive some maintenance support from a third-party service provider. About one-tenth said they contract out all maintenance activities to outside consultants.

Approximately one-third of fund companies with a website reported using in-house staff to maintain websites (Figure 7). Most assign these duties to the marketing or computer department, usually devoting one staff member to keep up website content and appearance and one to answer investor or broker-dealer questions. Approximately half of the responding fund companies typically take less than 24 hours to respond to requests, with more than 40 percent indicating an average response time of 24 to 48 hours.

Nearly three-quarters of fund companies with websites track usage (Figure 8). Almost 70 percent

figure 7

### Departments Responsible for Website Design and Maintenance\*

(percent of responding fund companies with a site who maintain some or all of the site)

Design of Website		Maintenance of Website	
Marketing	80	Marketing	57
MIS/computer maintenance	36	MIS/computer maintenance	42
Legal/compliance	28	Communications	18
Communications	22	Legal/compliance	17
Product development	13	Operations/transfer agent	13

Note: Number of respondents varies

figure footnotes

\*Multiple responses included.

measure usage according to the number of “hits,” or individual pages or screens explored. Fifty-seven percent measured usage by the number of “visits” to the website. Fund groups reported a median of 14,500 “hits” and 10,271 “visits” per month during March 1997.

figure 8

### Visits\* and Hits\*\* to Responding Fund Company Websites, March 1997

(percent of responding fund companies with a site who track usage)

Percent of fund companies that only measure web usage by “hits”	43
Percent of fund companies that only measure web usage by “visits”	31
Percent of fund companies that measure both “hits” and “visits”	26
Percent of fund companies that can measure web usage by “hits” (net)	69
Percent of fund companies that can measure web usage by “visits” (net)	57

#### Number of “Hits” in March 1997

Mean	680,884
Median	14,500

**Number of respondents = 36**

#### Number of “Visits” in March 1997

Mean	54,726
Median	10,271

**Number of respondents = 35**

figure footnotes

\* A visit is when an individual accesses a website.

\*\*A hit is the number of pages or screens accessed per visit.

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## Back Issues Available

Institute research on a variety of subjects can be obtained by ordering back issues of *Fundamentals*. Contact the Institute's Research Department at 202/326-5913.

December 1996:	<i>Mutual Fund Ownership in the U.S.</i>
November 1996:	<i>Mutual Fund Statistics for the Bank Distribution Channel</i>
October 1996:	<i>Public Confidence in the Social Security System</i>
May 1996:	<i>Shareholders with 401(k) Plans Invested in Mutual Funds</i>
March 1996:	<i>Shareholders of International and Global Mutual Funds</i>
January 1996:	<i>Shareholders of Municipal Bond Mutual Funds</i>
November 1995:	<i>Shareholders' Use of Home PCs</i>
September 1995:	<i>Mutual Fund Statistics for the Bank Distribution Channel</i>
July 1995:	<i>Institutional Investors and Mutual Funds</i>
May 1995:	<i>Households with IRAs</i>
January 1995:	<i>First-time Buyer by Previous Investment Experience</i>
November 1994:	<i>Mutual Fund Statistics for the Bank Distribution Channel</i>
September 1994:	<i>Mutual Fund Ownership Among U.S. Households</i>
July 1994:	<i>Institutional Investors and Mutual Funds</i>
May 1994:	<i>Investment Patterns of U.S. Households</i>
March 1994:	<i>Mutual Funds with 12b-1 Plans</i>
January 1994:	<i>Shareholders' Perceptions of Investment Risk</i>
November 1993:	<i>America's Top Wealthholders</i>
September 1993:	<i>High Volume Mutual Fund Brokers and Planners</i>
July 1993:	<i>Demographic Trends and Their Implications for the Mutual Fund Industry</i>
May 1993:	<i>Mutual Fund Statistics for the Bank Distribution Channel</i>
March 1993:	<i>Understanding Why Shareholders Close Fund Accounts</i>
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November 1992:	<i>America's Aging Affluent Mutual Fund Owners</i>
September 1992:	<i>Women Who Invest in Mutual Funds</i>
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March 1992:	<i>The Pension Market: 1990</i>