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Non-Traditional Banking Channels – The Future of Retail Delivery

By Rich Weissman

Typically, “non-traditional banking channels” meant all delivery points that are not branches, and most frequently those which are electronic. This distinction is narrow, approaching the topic of evaluating channels on a discreet basis, where each channel is “stand-alone”. Instead, non-traditional channels need to be understood according to the customers’ perspective, where channels are not discreet, but integrated touch-points that are time, location, and transaction specific. It’s not “branch vs. non-branch”. Instead, an overall delivery strategy should define how channels are brought together into a cohesive delivery system that touches customers in different ways at different times for different needs.

At DMA, we have conducted extensive research over the years in consumer needs (please note this is very different from business needs). These are some critical strategic findings:

People want to deal with both branches and other delivery channels – not one or the other, issue-specific and transaction-specific. The market doesn’t view different channels as exclusive, but as part of an overall quilt of a quality delivery system. This is critical in understanding how to meet market needs. Aren’t there examples of institutions that are “branchless” or only one channel-focused? Sure, and some have done well, but they are few and far between, and they tend to be more niche/product-specific in nature. Generally, branches will continue to play a role, albeit narrow, highly focused, and just one part of an overall delivery system.

The market continues to view branches as important. The market still wants branches conveniently located, but, not for the traditional reasons. Instead, the market wants branches when starting a new relationship or opening a complex account. Customers want to talk to people and they want to do it face-to-face. Equally important, customers want to know that there is a “place” that they can go when there is a problem and they will be able to talk to someone about it.

The market wants to have telephone access, but narrowly defined as a place for “problem solving” rather than “transactional”. The telephone is for “talking to people, not talking to machines”. Telephone service is expected to be 24/7, where real people answer the phone and where problems can be resolved.

Banks have not utilized the cell phone and text messaging. This, too, can become another new channel for balance alerts, transfers and other transactions/communications.

The market does not like voice response unit (VRU) menus and automated response systems. The VRU is an interim technology whose time is passing. The use of the VRU should be minimal and phased-out entirely over time.

Online banking is becoming the preferred mechanism for transactions. Having a state-of-the-art online banking systems and web sites is critical, including online bill pay. It's where most people are beginning to do most of their banking. What's important is that the market is ready to use online banking for communications. The market wants to be able to communicate through e-mail and to have impinge (instant messaging) capabilities, so as to have real-time "conversations" with online.

There is high frustration among customers on foreign ATM and online bill pay fees. Although these produce non-interest income, the market opposes them, and is willing to "pay" in other ways. Developing appropriate pricing strategies is an important part of a delivery system.

ATMs are viewed as a critical, and customers think about using the ATM as "going to the bank". Having a solid ATM network, and enhancing ATM capabilities, such as bill payment and check ordering, are important steps to take.

Debit card and cash back at POS are becoming another critical component, and in many cases replacing ATM use. Getting cards in customers' hands, and getting them to use them, is important.

The fax is an interim technology whose time is passing, and the market wants to use it as infrequently as possible. The use of the fax machine should be minimal, and phased-out over time.

Mail is not a preferred channel. It's not instant and is viewed as out-of-date. Even for statements, the mail is viewed as too long. Customers want electronic versions are not only faster than mail, but contain superior information and access. Mail as a delivery channel should be phased out over time, and only used for customer up-selling communications.

This all means that an optimal delivery system has multiple and complex channels, where each plays an important role. Getting the mix right is where success lies, and successful strategies are ones that focus on the mix.

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