



The Virtual Branch: What Does It Need To Look Like And Do?

By Rich Weissman, President/CEO DMA

In the industry, we've been talking about "the virtual branch" for many years. Yet, few banks have made this a reality as a broad delivery channel, and the industry has not tapped into the potential the virtual branch can truly bring. Why? Because there is confusion about the difference between online and mobile banking systems vs. the virtual branch as an operating unit. This confusion has created an environment in which banks think they have implemented a virtual branch, when indeed all they have done is to supplement their product line with electronic capabilities.

Online/mobile banking is typically a system (or multiple systems) which allows the customer to obtain information, to conduct transactions, and to communicate with the bank over the Internet, and recently through mobile devices as well, such as the cell phone. Here's what banks have done: First, they implemented their web sites for customers (and prospects) to get product information, find out branch/ATM locations, obtain contact information for communicating with the bank, and read bank financial reports/press releases. This approach was simply to provide electronic brochures with no real interaction with the user. Most bank web sites take this generic and passive approach.

Second, banks introduced online banking with online account statements, loan applications, account openings, transfers, bill pay, and for a limited few, the ability to have an IM (instant messaging) session with a bank representative if they needed help, or to at least contact the bank via email. Third, the more sophisticated banks introduced mobile banking with text alerts, tweets, and other instant communications, as well as offering webinars, podcasts, and other methods of providing information through Internet/mobile devices. And folks are toying with video conferencing so that a live conversation can occur between the bank representative and the customer. At best, that's where it has ended for even the most sophisticated banks. This has become a culture of "gizmos" and continually adding the latest technology gadget to the web site and online/mobile banking applications and thinking that newer technology is what makes for a virtual branch.

But is this the virtual branch? The technology folks may say "yes", but management needs to say "no". Because these systems don't act as a full-service replacement channel, and they don't acquire new customers or further penetrate the existing base as a meaningful sales function. That's what a branch is supposed to do, and one should not expect less from a virtual branch. The view of the virtual branch needs to have both a technology focus and a sales focus. It must be both a delivery channel soup-to-nuts, where the customer can conduct all activities through the virtual branch, and a sales channel soup-to-nuts where it acts as a profit center in and of itself (and not just a collection of expensive systems) and grows the bank independent of physical branches. Never should a customer be told to "visit your nearest branch" in order to complete any activity (sure there are some legal issues from time-to-time, but work through them and make the virtual branch on par or better than a physical branch). Never should sales be seen as physical branch-only. The virtual branch is not an extension of the physical branches; nor is it a "product line" that enhances the existing offerings. A virtual branch is so much more, and it becomes a virtual branch when it is a sales unit, with goals, incentives, and all of the outbound activities needed for new customer acquisition, customer referrals, up-selling, and all of the other sales functions performed elsewhere in the bank.

Sure there are lots more gadgets that can and will be incorporated, but it will only become a virtual branch when it is viewed as a stand-alone unit, with its own profitability objectives and its own customer base that it alone owns. We know that when folks talk about the future of the virtual branch, they talk about technology. That's great, but it's only half of the equation. Sales management, branch income statement, customer growth and penetration, and other such issues have to be equally part of the discussion.

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