

P E R S P E C T I V E

An Overview of Multi-channel Banking



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Banking Turns Increasingly Digital

It is not an exaggeration to say that digital consumers are like no other. They belong to a generation that is more educated, more technology savvy and better connected socially than any other that came before. If they need information, they will research it on the Internet; if they want advice about a particular purchase, they will ask their social network. Their demands fuel innovation in the technology and communications space, giving rise to new, better products that they can't get enough of. They seek convenience, reach, availability and instant gratification.

These expectations have spilled over to their banking activities too. Now, digital consumers want their banks to acknowledge these needs and fulfill them, just like other retail businesses are doing. Banks are responding by delivering their services over a range of digital channels including the mobile and the Internet.

Digitalization in Africa and the Middle East

Today, digitalization is a worldwide phenomenon. The following data indicates how it has pervaded banking in this part of the world.

Banks in Africa and the Middle East record the highest number of average monthly ATM cash withdrawals. In 2009, this figure was 3,914 compared to 1,631 in North America, 2,797 in Western Europe and 2,789 in the Asia Pacific region.

In the Middle East, Internet penetration is 33.5% which is 3.3% of the world's Internet penetration. Mobile penetration in the UAE is already in excess of 200% and broadband penetration is expected to reach 100% by 2012. On the African continent, mobile adoption has crossed 50% in 26 nations; South Africa achieved twice that number at the end of last year. As a natural progression, this region will surely see high rates of adoption of these media as banking channels in the Middle East and African regions.

What is Multi-channel Banking?

With the availability of alternative modes of banking, consumers started to use more than

one channel. They went to the ATM to withdraw cash and enquire about their account balance. Then they started to use Internet banking, first to monitor their accounts, and then to make payments and transfer funds. At the same time, they also made visits to the branch. This was the time when consumers "banked on multiple channels".

The drawback of this kind of banking was that each channel was isolated from the other. Data generated on one was not visible on another, which meant that if a consumer initiated a transaction at the call center, but resumed it at a branch, he would have to explain the entire situation all over again to the staff. Banks too lost the opportunity to render efficient service or cross-sell, to these channel siloes.

With the integration of channels on a single platform, multi-channel banking became reality. Today, banking is integrated across devices, channels, products, and functions to provide seamless experience to customers across all touch points. Accordingly, banks have a 360-degree view of customer activity on every channel at any point of time. Customers enjoy similar visibility, and are also able to seamlessly transition from one channel to another, even during the course of a single transaction.

What Multi-channel Banking brings to Banks

A recent report by a research firm indicates that although branch investment still tops the list of a bank's spending, investment in other channels like Internet and mobile banking is on the increase. In Middle East and Africa, spending on online banking channels is expected to touch US\$ 50 million in 2012.

Banks stand to gain substantial benefits by investing in integrated multi-channel banking.

- **Cost reduction**

Multi-channel banking helps banks optimize operating costs and resources. For instance, branch staff engaged in routine operations such as cash disbursement may be deployed in other, more critical functions. With fewer customers walking in, branches can be smaller, and more cost effective to establish and maintain. Channel integration

reduces data duplication. Overall, it is estimated that the cost of serving a customer or transaction through Internet and mobile banking is a fraction of that incurred at a branch.

- **Customer satisfaction**

Seamless multi-channel banking makes banking convenient for customers as it allows them to transact from anywhere, at any time. Since transactions and data are updated in real time, customers have access to the latest information irrespective of the channel. Integration also provides customers a single view of all the accounts held by them at the same bank. These facilities improve customer satisfaction and with time, loyalty.

- **Customer acquisition**

Banks with an advanced multi-channel banking system can attract customers of other banks, which are lagging in channel integration. They can also use channels – such as mobile banking – to make inroads into markets where they have insufficient branch presence.

- **Revenue enhancement**

By providing a unified view of customers and enabling tracking of their channel usage, integrated multi-channel banking improves banks' cross-selling efficiency to bring them more business from existing customers. By reducing cost per transaction as mentioned earlier, and improving sales, multi-channel banking can make a reasonable impact on banks' top and bottom lines.

The Profile of an Ideal Multi-channel Banking System

A multi-channel banking system should be simple, convenient, affordable and anytime anywhere accessible, providing a unified view of customer's banking relationships for customers as well as for relationship managers. True multi-channel banking extends beyond the provision of banking access over multiple channels, to add value through:

- **Superior user experience**

Seamless customer experience is the essence of multi-channel banking. A customer should be able to use a bank's service on any of its channels. Also, having initiated a transaction, he should be able to continue it on another channel without obstruction. For instance, if he receives an offer about a new high interest deposit on SMS, he should be able to buy into it using his mobile, but send all the supporting documentation via the Internet banking channel.

- **Personalized banking**

Today's consumer has a strong sense of uniqueness that he would like service providers to acknowledge with personalized products and services. He desires personalized banking facilities that enable him to set reminders, quickly access links and "favorite activities", and choose the channels on which the bank must send alerts or initiate contact. Not only that, he may also want to personalize each channel separately. Multi-channel banking must be able to fulfill all these expectations.

- **Interactivity**

While customers are happy to conduct routine transactions on self-service channels, they invariably seek human assistance when faced with a problem. If ready help is not available at that time, they may give up the channel altogether. Banks can prevent this eventuality by making help available to customers on every channel, at the touch of a button. This can be achieved with a text chat facility – already provided by many – or an audio/video help service, or even co-browsing, whereby a customer care representative can remotely see the customer's desktop and walk him through the solution. What's more, using social media, banks can not only make these situations more interactive but also enable a customer to seek assistance from other customers who have had similar issues.

- **Security**

Online banking channels are subject to risks like financial fraud and identity/data theft. Banks should put in place secure communication and transaction mechanisms based on multiple levels of authentication and careful risk profiling of customers. Research suggests that online banking is more prone to cyber attack in the Middle East than in other regions, because fraudsters are able to take advantage of customers' relatively low knowledge of secure banking practices. Banks in that region must not only make their channels more secure, but also use them to spread awareness about safe banking.

- **Customer intelligence**

A good multi-channel banking system enables customer profiling by providing insight into transaction and channel usage patterns. A single view of all accounts held by a customer, helps customer care representatives across channels sell him the right kind of products. Banks can also make use of their knowledge of a customer's preferred channels to deliver enhance experienced over them. Now, web 3.0 technology is improving banks' customer intelligence further by mining online behavior and social interactions for deeper insight.

Challenges Facing Multi-channel Banking Endeavors

The advantages of multi-channel banking are many but maintaining a full-fledged and integrated banking system across channels is no cakewalk. Banks have to surmount various challenges ranging from setting aside funds to creating awareness among customers.

- **Investment**

Banks have to make a significant investment in infrastructure and technology for setting up new channels as well as integrating various existing banking mediums. They also have to integrate the different technologies being used and replace those that impede seamless multi-channel banking.

- **Keeping pace**

Communication gadgets with enhanced features are launched regularly and customers expect to be able to transact using these new devices. This requires banks to keep pace and rework / upgrade their systems on a continuous basis.

- **Security**

Every new channel is accompanied by a risk of security breach. Banks have to ensure that their security system is robust and up to date. Failure to do so could lead to a loss of money, customers and reputation.

- **Regulatory hurdles**

Banks might rush to introduce new channels, only to be obstructed by regulatory hurdles. For instance, a move to leverage social media as a banking channel may fall foul of laws protecting consumer privacy and security.

- **Creating awareness**

Older customers, comfortable with branch banking, might not want to shift to other channels; banks will need to educate them about the benefits of doing so. They must also promote the advantages of integrated multi-channel banking to existing and prospective customers to intensify usage of new channels.

What The Future Holds

Multi-channel banking can only improve from here. The advent of new electronic devices will result in additional banking channels. Banks, which currently follow a piece-meal channel strategy, will be forced to overhaul their technology to implement seamless multi-channel banking in order to remain competitive. Availability of one view of customer transactions and accounts and the ability to track channel usage will enable cross-selling and up-selling of the right products through the right channel. Banks will also focus on the human touch in self-service channels by facilitating personal interactions and this would be of utmost importance in ensuring quicker adoption of multi-channel banking in the Middle East and African Regions.

Non-branch channels like ATMs and mobile banking are already popular in Africa and the Middle East. Now, banks in this region must integrate all their channels under a single platform. Given the many benefits of multi-channel banking, the decision to forge ahead despite various challenges should not be a hard one to make.

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