PERSPECTIVE

Role of Alternate Channels in Banking and Wealth Management

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"People want eyeball-to-eyeball, to build a level of trust, and then they will do business on the internet."

- Ambrose Mc Ginn.

Recent studies show that eighty percent of customers are not interested in purchasing investment products over electronic channels or phone; they would rather meet a financial expert or analyst in person before coming to a decision. It is also true that even now, sales are high from branch banking in wealth management, but alternate channels provide convenience for the regular transactions and provide banks with higher profits with lower operational expenses and transaction cost.

"Channelize through channels" is the new mantra for present day banks, which in earlier times relied solely on the branch network to fulfill transactions, sell products and acquire customers. In those days, expanding the business meant adding more branches at high real estate and licensing costs.

That problem has been largely addressed by the invention of new low cost channels. What's more, channels like the ATM, Kiosk and Internet Banking have enabled banks to reach a wide consumer base across geographies with little effort. The Internet and mobile channels have also provided customers of wealth management products a convenient mechanism to update their portfolios and receive information – for example the price of a security or portfolio alert.

There is a growing demand for channel (and supporting) technology. Banks are integrating channels in order to ensure accuracy and integrity of transaction data. Channels are not only a means of customer service, but also sales and customer acquisition. With wealth banking customers becoming more technology savvy in recent years, their usage of alternate channels of banking is increasing. Banks are investing in mobile banking applications to enable their wealth banking customers transact over smartphones.

Apart from the branch, the following could be the preferred channels by wealth banking customers.

Online / Electronic (E) Banking

The arrival of the World Wide Web and other technologies has radically changed banking, and wealth management sector is not behind in using this technology. Financial institutions now offer online securities trading and investment to make these products accessible even to small investors, which were not earlier accessible to small investors. The Internet has not only provided an efficient mode of transaction, accessible anytime and anywhere, but also allowed investors to use self-help features to take informed decisions. It also provides transparency in terms of prices for online broking and consistency for customers irrespective of their time and place. Financial institutions have been able to improve cross sales by placing relevant advertisements on online banking portals. Online tools are very useful for financial planning / decision making and goal tracking. In fact, many banks provide dynamic product selectors to assist customers choose financial products based on their needs and expectations of return.

Online banking enables customers to interact with a relationship manager using the chat facility, to give them a branch-like experience without the costs. Last but not least, it makes transactions paperless.

On their part, banks must pay attention to the following issues pertaining to the online channel:

- Customers' reluctance to use electronic interactions for wealth management decisions.
- Cyber-attacks on portals.
- Server maintenance in order to support high traffic.
- Unauthorized access and fraudulent transactions.

Technology Point of View

The technology for online channels - which is secure, fast and reliable even under severe load - comprises of the larger pie of technology investment. A strong back end, which can interface with the front end of online banking is imperative in order to process requests without delay. An online banking solution that works on request mode will not succeed in the wealth management business where timing and speed of execution are very important.

ATM

The Automated Teller Machine (ATM) – popularly known as Any Time Money – has been around since 1960. This channel has been helpful in reducing the teller counters efforts. Most banks offer wealth management products through the ATM, which acts more like a Point of Sale counter rather than an advisory channel. Although customers still seek research and advice from their relationship manager, ATM adds convenience and quick solution to the well informed customer. The ATM allows the customer to track and schedule their investments, redeem holdings and purchase additional products at their convenience.

Before offering the wealth management services through the ATM, banks must understand that:

- It is not suitable for first time investors who are also seeking advice.
- It is not timely for certain products because it works in a service request mode.
- It offers no human interaction to help customers understand various transactions.
- More utilized for service requests / inquiries / redemptions and hence the cost involved in setup vis-à-vis a revenue generated would be low compared to other channels.

Technology Point of View

Banks should look for strong back end systems in wealth management, with the capability to honor and respond to service requests without delay. Strong expertise in service oriented architecture would be an added functionality to the bank from the IT vendors.

Call Center / IVR

The call center, also known as IVR (Interactive Voice Response), is another channel that banks use in wealth management. Like the ATM, the call center also provides investors with a mechanism to make enquiries and issue service requests. This channel has helped banks cut branch and employee costs. While most banks first established in-house call centers, the majority of them later outsourced them for economic reasons.

Thanks to progress in call center / IVR technology, banks are able to offer more functionality to investors over these channels. The facility to speak to a call center executive at any time during the transaction adds the all-important human element and enables a branch-like experience, albeit without the face to face meeting. Although wealth management services are still not provided round the clock by most banks, the call center does help to bridge time and distance.

It also allows customers of any area in the world to transact with a single setup of the call center.

Banks must bear the following in mind while offering wealth management services over the call center / IVR:

- It is not convenient for financial planning, which is a primary step in wealth management.
- No manual intervention for understanding the financial decisions if made by IVR, makes it difficult to cross sell or provide alternate solutions.
- The cost benefit equation is directly proportional to the average call time. Wealth management decisions / transactions are more time consuming.

Technology Point of View

Banks should look for strong CRM back end systems with the capability to provide a 360 degree view of every investor portfolio. Also access to the backend should be made in quick and accurate data should be fetched in order to save the integrity and accuracy of the data.

Mobile Banking

Development in mobile technology has turned the mobile device into much more than an instrument of voice communication. Indeed, high end devices can perform tasks similar to a PC and provide users access to an enormous range of applications. This channel provides banks viable access to outreach areas and at the same time enables them to improve customer convenience and profitability by mobilizing wealth management products. Mobile alerts and smartphone applications help investors take informed decisions and perform transactions similar to those on Internet banking. All the tools available online can be provided to smartphone users through mobile applications.

Technology Point of View

Implementing mobile banking technology does not involve the cost and lead time associated with branch or even Internet banking setup. However, as is the case with other channels, mobile banking also needs an efficient and strong back end support system .

Conclusion

Channels play an important role in the ever-changing banking environment. Especially now, when every bank around the world is searching for solutions that can reduce costs without impacting customer service. It is important that banks efficiently manage vendors for different service delivery channels along with the versions of software. Although alternate channels are not the most effective at generating new sales, they improve customer satisfaction and retention. With the help of technology, the banking industry can develop or expand into new channels to survive in the current competitive environment. Any new channel involves cost and in alternate channels, technology plays a vital role in terms of providing a near to branch experience to the well-informed wealth management customer.

Author

Pavan Valluri
Lead Consultant – Finacle
Infosys Limited

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PERSPECTIVE

Universal Banking Solution | System Integration | Consulting | Business Process Outsourcing

Infosys Limited

Plot No. 44, Electronics City, Hosur Road, Bangalore - 560100. India
Tel.: + 91 80 28520261, Fax: + 91 80 28521747, e-mail: finacleweb@infosys.com
www.infosys.com/finacle

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