

P E R S P E C T I V E

Self-service or Fully Assisted –
A Middle Path Holds the Answer



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Banks have traditionally reached their customers through branches. Thanks to improvement in communication technology and innovation, they now have several ways to contact their customers. Communication and servicing models have evolved to a great extent, and will continue to do so in the future. Customers now have the option of accessing their bank accounts through Internet, mobile, telephone, ATM and of course, the time-tested branch. Channel diversity is no longer a differentiator, but rather a hygiene factor, expected by every customer and provided by most banks.

Self-Service v/s Fully Assisted – The Debate Continues

Self-service channels have enjoyed widespread adoption by customers. The usage of Internet banking in U.S. households is expected to grow 22 percent between 2009 and 2014, while the uptake in U.K. is expected to increase 37 percent from its 2007 levels by 2012^{1,2,3}. Similarly, mobile banking is expected to have 108 million users in the U.S. in 2012, up more than tenfold from the current 10 million⁴. It has also been found that 1 in 7 adult Britons banked using mobile phones⁵. The innovation in banking self-service channels is being driven by Generation Y, which is characterized by its affinity for new technologies. But in the past, banks were not able to effectively use these channels to cross sell or acquire new customers, since they lacked the personal touch which the branches provided.

It was believed that branch infrastructure would become outmoded with the evolution of self-service channels. It was also expected that banks would cut costs by extending several low cost self-service channels and going slow on building expensive branch infrastructure. But the evidence is to the contrary. In the U.S. for example, the number of branches increased by 58 percent between 1991 and 2008, while the total number of institutions fell by 41 percent during the same period⁶. It is obvious that banks still consider this to be a significant channel.

Branches play an important role in cross selling, right selling, loan origination and the provision of wealth management/investment advisory services, to name just a few. This channel continues to be the main revenue driver for banks and hence, remains a key area of focus. A recent research

shows that although customers use self-service channels to conduct repetitive and simple tasks like paying bills and making transfers, they prefer the security and immediacy of a face to face branch interaction when depositing funds⁷.

The challenge faced by banks today is to maximize the benefits of both self-service and fully assisted channels, while minimizing costs. Although branches are more effective in revenue generation activities, they are cost intensive. Contrary to this, self-service channels are cost effective but not very effective in generating revenue.

Video Banking – The Answer

Video banking combines the benefits of both self-service and fully assisted channels. It presents a middle path which provides banks with avenues to improve customer service and conduct advised selling. It also offers customers the convenience of banking at their own pace and place.

Imagine that while shopping for a car, one particular model takes your fancy. The dealer has a tie-up with a bank and makes an offer on a loan. But, you would like to check with your bank on your eligibility and the interest rates they are offering. All you need to do is to contact an advisor through Internet banking and obtain all the necessary details in a face to face discussion. Thanks to technology, it is indeed possible to do so.

Banks are slowly waking up to the third option - media conferencing between an impersonal self-service channel and a personalized branch banking experience. Currently, there are several banks which use video banking as an advisory channel - New England Credit Union in Australia, Rabobank in Netherlands, Barclays in U.K. and Banc Sabadell in Spain to name a few. These banks use video banking on a variety of channels to reach their customers.

Video banking need not be restricted to non-financial transactions and customer service and can open up a whole new world of opportunities when provided via a kiosk. This channel provides numerous advantages both to the customer and the bank.

Bank at your own pace, without compromising on personal touch

Video banking provides the true 'Anytime Anywhere Anyplace' banking experience, whereby a customer can reach a bank's representative at his convenience. Video banking can be made available through the bank's website, Internet banking site, mobile banking service or kiosk network.

Better utilization of experts

Typically, when a customer walks in with a request which requires expert advice (for example, mortgage loans, wealth management services), he or she is asked to come back in the future with a prior appointment. Alternatively, an expert visits the customer. This model has two drawbacks - it is not convenient for the customer and is not efficient for the expert, who is forced to waste time travelling. Research indicates that only 30 percent of customers who are requested to come back actually do. This means that banks stand to lose 70 percent of such customers if the expert is not available^{1,2,3}. The only other option is to staff each branch with experts, available full time.

Video banking ensures that both these issues are mitigated. Banks can have a central pool of advisors catering to all branches, at a fraction of the cost of manning each separately. Also, since it ensures that the request is met immediately, there's a lower risk of losing the customer.

A medium to cross sell and right sell

Though self-service channels provide ample opportunity to cross and right sell, they lack the personal touch of a branch. A manager at a branch has the ability to assess a customer's requirement, anticipate future needs as well as gauge the customer's willingness to listen. All this is possible only in a face to face interaction. Video banking enables the service representative to do all of the above over various self-service channels, an option till date closed for banks.

Help target new customers, new generations

The video banking channel caters to the requirements of Generation Y. A survey conducted shows that while this generation likes to receive advice, it would rather get it by way of video

conference (40 percent of Gen Y respondents were interested in receiving advice by way of a video conference). This generation constitutes the future customer base for banks and hence, their requirements cannot be ignored. Video banking could also be an effective medium to attract and retain new customers. Say, for example, that someone who is not a customer wishes to withdraw cash from a bank's ATM. While doing so, a new deposit product catches his attention. If there is a video banking option, the prospect can speak to a bank representative, obtain all the necessary details and even initiate the origination process right away!

Competitive advantage through differentiated service offering

The banking industry is highly competitive and differentiation holds the key to survival. Video banking could provide such differentiation by extending personalized service to existing customers and increasing customer satisfaction. Also, this can be used as an effective tool to cater to the needs of high net worth and overseas clients.

Inclusion tool

This solution can help banks reach the unbanked/under-banked communities in far flung regions. This model is being used successfully by New England Credit Union in Australia. Setting up a full-fledged branch in a far flung region may not be a viable option for a bank. Instead, a branch with skeletal staff and video banking capability providing access to experts situated elsewhere would be an ideal solution.

Bridging the communication barrier

This channel could be utilized as a tool to bridge the language barrier. For example, a bank in China could centralize its English-speaking tellers and extend their linguistic skills to all branches through video banking. This could help the English-speaking expatriate customers of the bank access their accounts with minimum difficulty from any branch.

A training/communication tool

Video can be used to conduct internal training or communication sessions for employees, thereby saving their cost of travel.

Conclusion

We foresee that video banking will grow to become 'just another channel' like all the other 'innovative' ones. This channel will co-exist, rather than replace, existing channels. Hence, a bank must decide when to adopt video banking - should it be an early adopter and introduce the new channel to its customers or take the wait and watch approach? The decision will be primarily based on the bank's readiness and its customers' profile.

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