1234 5678 9000 0000 987
CREDIT CARD
1234 5678 9000 0000
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CARD HOLDER
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DEBIT CARD
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May the best branch win

The traditional bank branch vies with its virtual counterpart

As the Internet and related social media continue to prove themselves a powerful, if unavoidable, tool to help businesses in keeping their employees and customers connected, banks are facing fundamental issues with the rise of electronic banking transaction channels, namely about the role of the traditional bank branch and its future.

Many banks consider the branch to be their primary customer relationship channel – they focus and rely on branches to promote their products and new services. But do their customers still want to make the trek to the bank? Bank customers have needs that can be mainly summarized in three points: they want to have control over their finances (more than the bank does), they want options for their finances instead of focusing on one bank and they want a better experience – they want to have the ability to access banking services at any time, from any location; they want transparency in fees and access to quality.

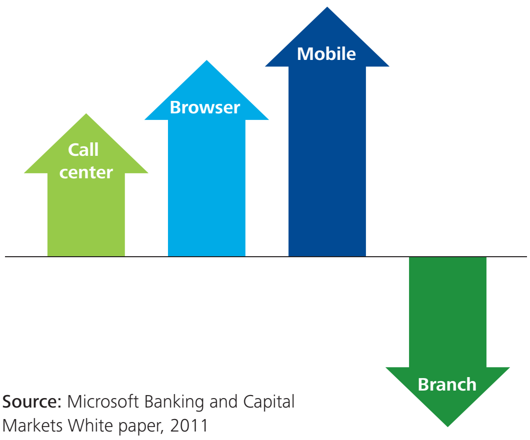
These needs can be summarized in one main service: Internet banking. Internet banking allows customers to monitor their finances and check their balances and fees at any time.

Accordingly, the role of the bank branch is changing dramatically. Today, the majority of daily banking transactions are done electronically and very few customers still visit the branch to perform their banking operations. In addition, new technologies, such as social networking, are forcing banks to develop new ways to create the right customer experience and ceding them more control.

By 2006, Internet banking had overtaken day-to-day branch operations and by 2010, 75 to 90 percent of retail banking transactions were being processed through the call centers, the Internet and mobile devices. Multi-channel banking had become a reality.

Banks are using several channels to deliver their services, such as call centers, Internet and mobile banking. The majority of these bank channels were independent (as shown in figure1). In the 1980s a customer would visit a bank 20 to 25 times a week to withdraw cash and enquire about their balances. Then the call centers were developed and the need for a bank visit lessened. By 2006, Internet banking had overtaken day-to day branch operations and by 2010, 75 to 90 percent of retail banking transactions were being processed through the call centers, the Internet and mobile devices. Multi-channel banking had become a reality. Customers have a 360° view of their activity on every channel and at any point of time.

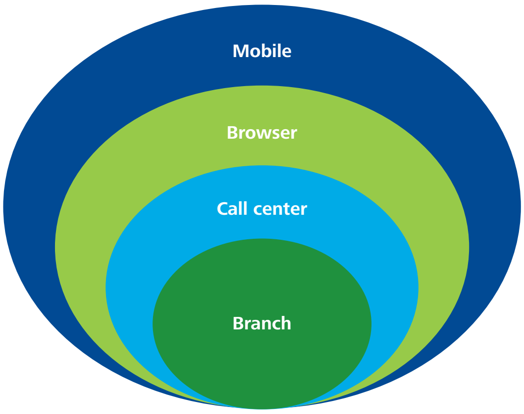
Figure 1 - Independent channels with fragmented impact



Source: Microsoft Banking and Capital Markets White paper, 2011

Statistics in early 2011 reported that the average number of in-branch transactions in the United States dropped from 11,400 per month in 2006 to 8,440 in 2010, leading to expectations of a 56 percent reduction in teller staff by 2015. Customers sometime like to research online and get advice from a customer service at the same time. These channels should complete each other and should be integrated all together. They need to be reinforcing (as shown in figure 2).

Figure 2 - Integrated channels and growing influence



Source: Microsoft Banking and Capital Markets White paper, 2011

The challenge of the banks is to decide when and where to start. Each bank should seek to define its own vision and set strategies to replicate the competition. Understanding what customers want is key to success.

Banks stand to gain substantial benefits by investing in integrated multi-channels. First it helps in optimizing operating cost and resources. Branch staff could be deployed in other functions and investment in branches would be smaller as the number of customers visiting would be fewer. Second, banks with advanced banking services can attract customers from other banks, especially with mobile banking, which is considered the most advanced service requested by customers. Thirdly, by decreasing costs and improving sales, investment in multi-channels can affect the ranking and positioning of individual banks.

A study performed by Accenture entitled *Banking in the Gulf Cooperation Council in 2015* and performed on the banking industry in the Gulf countries reveals that higher customer expectations will mold the industry by 2015. This expectation can be mainly addressed through strengthening and enhancing the distribution channels. For example, mobile banking will be particularly useful in improving customer engagement and could encompass innovative services delivered over mobile devices.

However, banks in the GCC will need to prepare for the next phase and become high performers, through interacting with customers and telecommunication service providers to deliver through the channels quicker.

Because today mobile banking is taking off as the fastest growing channel for retail banking services, GCC banks recognize the importance of IT in their business operations and are increasing their IT spending over the last years.

To conclude, the challenge of the banks is to decide when and where to start. Each bank should seek to define its own vision and set strategies to replicate the competition. Understanding what customers want is key to success. Bank branches exist nowadays in a world of constant change, as do the customers. Strengthening the relationship between them is the primary role of the bank in the future.

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