SWEET CHANNEL MANAGEMENT

by Steve Brown

Orange juice is a perfect balance of sweet and sour. If you brush your teeth and then drink orange juice, you find one of the best flavors in the world is turned into one of the worst. The reason - toothpaste's foaming agent, sodium lauryl sulfate, temporarily blocks the sweet taste receptors on the tongue so that only the sour gets through.

In similar fashion, banking has evolved into a perfectly balanced delivery platform with many channels. Take away one, such as the branch or internet, and what we find that not only satisfaction suffers, but revenue as well. Banking has evolved into a multi-channel industry - branch, call center, mail, internet and mobile. How your bank delivers products, we would argue, is just as important as what products you deliver and who you deliver to. When you talk strategy, channel delivery is one of the three dimensions your team should be devoting resources to, along with customer targeting and product development.

One consideration when it comes to channel delivery is the alignment of your organization's structure. While most banks have a head of commercial lending, a head of retail and a head of products; most don't have a head of product delivery. If they do, it is most likely a position representing the branch network. While the branch is an important part of delivery (it is your premium channel), it only represents one customer path and usually not the most dominate, when it comes to frequency of transaction or profitability. In comparison, the manager responsible for the Internet or mobile often sits under IT or the marketing department. This is the area of largest growth, highest risk and most profitable transactions, yet it rarely has senior management representation except as an afterthought.

When it comes to managing different channels, smart banks realize that the customer rarely chooses a singular channel to interact. A customer may get a product pitch through a self-service channel like an ATM, check a bank's website to do research, utilize social media for validation, sign up for the product via an email pitch and hit the call center when they have a problem. Banks that set up their organization with silos, having someone that heads the branch network and someone that heads internet channels may be destined for failure, as the organizational structure will create competing internal interest, most of which will not be supportive of sales and service.

For a bank to thrive, it must intelligently design a channel delivery philosophy that best supports the customer and the product. The branch for example, is usually really poor at selling CDs to existing customers (because of costs), but excellent at selling a business loan. The problem is that most banks set their organization up to support the opposite, where they are not making enough of an effort to get customers into the branch to discuss business loans and instead have set the branch up to sell CDs. Worse yet, banks that aren't trying to actively move check handling out of the branch and onto an online or self-service channel, will find that their branches are an ever-increasing money loser in the future.

When it comes to food, chefs will serve artichokes with a meal because artichokes contain cynarin (a chemical that binds with sour taste receptors, making the rest of the food taste sweeter). In banking, to sweeten things up, a bank that enhances its mobile channel will find their branches are more productive. Banking is rapidly changing and delivery has come to the forefront. At our upcoming EMC Conference, we will be talking more about how to optimize resources between channels, what products work best through which channels and how the structure of your bank can determine your bank's success or failure in channel delivery.

BANK NEWS

Federal Funds

A recent Fed research paper took a look at the drivers of the Fed funds market. That paper found the inability of FNMA and FHLMC to leave deposits with the Fed, combined with the huge amount of liquidity they sell each day and the low buying need of larger historical players (that are awash with liquidity), have been the key drivers keeping the Fed Funds rate trading below the EBA rate for nearly 2Ys.

Still Slipping

Home prices fell 1.6% in Feb, after falling 1% in Jan, according to the FHFA. Home prices are down 5.7% from 1Y ago and 18.6% below the peak of April 2007.

Anti-Cancer Banking

In a novel twist in bank marketing, First Tennessee Bank has applied and received a "Gold Accreditation" from the National Cancer Institute. The bank laid out a plan that includes employee and community education around prevention, early detection and care.

Blind $ App

The Bureau of Engraving and Printing released an iPhone app that helps the visually impaired denominate U.S. currency. "EyeNote" takes a picture of the bill and provides an audible or vibrating response.