BECOMING THE BANK OF THE FUTURE

by Steve Brown

According to a recent Pew Research study, the percentage of people who read e-books increased from 16% of all Americans ages 16 and older to 23%. At the same time, the number who read printed books in the previous 12 months fell. Reading between the lines, this is yet another example of why banks must find new ways to adapt to changing customer demands. Today's bank customers want many things and you have to be able to give them what they want to maintain customer relationships. At the top of the list is one-stop shopping, which is right up there with personalized service, access to expertise, quick and competent service, on-the-spot problem resolution, and being made to feel appreciated. The trick is to figure out how to give customers what they want, without a sharp jump in costs. To do this, bankers need to think outside the box. As we mentioned in a recent column, kiosks are an up-and-coming trend with banks. While some might consider them expensive to install, according to NCR Global Research, kiosk transactions cost about 75% less than teller transactions, so net-net over time you could come out ahead and give customers what they want. Choosing convenient locations like grocery stores, shopping malls and office buildings can also help effectively expand your bank's footprint. You can also put them in your branches, since NCR also reports that 43% of customers still prefer the branch over other channels. To create a bank of the future, you need to take a multi-channel approach. Let's face it, branches are expensive, but scrapping them entirely is not likely to deliver success either. It's more a matter of finding the right mix between clicks and bricks, an issue all banks have been struggling with for many years. To succeed, continually ask whether the branch network is being used effectively, monitor foot traffic and properly integrate branches with digital channels. Another way to improve here is to check to see whether your branches are focused on the right activities. Research from PWC finds 50% of customers prefer applying for a loan in a local branch, while only 21% prefer to research a credit card there. Understanding who is coming into your branch, why they are there, what their biases are likely to be and having trained staff to assist are important. If you want to push credit cards, know the research shows you are better off using your website (where 63% of customers prefer to search for card info) than a branch. Stories abound about how banks are notoriously slow to adapt to change. Regulation is often blamed, as both policies and procedures also weigh heavy. To help your bank break free, consider a study by Accenture. It found fast-growing companies (grew revenues by 6%+ last year) differ from slow growers in their attitudes toward customer behavior change. Fast growers are more likely to see more opportunity in behavior change than slow growers (88% versus 74%) and are more likely to invest in an effort to capture those opportunities. To move your bank to the fast track, use technology to your advantage and continuously observe and respond to changes in customer behavior to stay ahead. Analyze your own customer information and over time you might better understand them, so you can offer even more personalized service. Finally, be in position to mobilize quickly when trends become apparent. It is easy to wait for large competitors to test the waters, but that might not be advisable in all cases, so be open to change. To truly stay ahead of the curve, be a voracious reader, remain engaged with clients and periodically attend industry conferences to find out what is new and talk to peers. As you just read here today, the future right around the corner.

Related Links:

PCBB 2013 Executive Management Conference

BANK NEWS

M&A

Western Alliance ($7.2B, AZ) will acquire Centennial Bank ($546mm, CA) after receiving a judge's permission to do so. Under the deal, Western will reportedly pay between $57.5mm and $71mm.

Hit Hard

Money transfer company Western Union announced a 47% decline in 4Q net income vs. the prior year and announced $45mm in cost cutting initiatives.

Also Hit Hard

Bankrate shares dropped 20% yesterday, after the company reported weaker than expected net income of $300,000 in 4Q, down from $14mm for the same quarter one year ago. Bankrate is projecting revenue will be weak in 2013.

Reform

All 12 regional Federal Reserve Bank presidents have sent a joint letter to the Financial Stability Oversight Council in an effort to overhaul the mutual fund industry. The presidents said they were concerned about the risks money market mutual funds could cause to banks and the broader financial sector if a run were to occur.

Job Cuts

ING said it will cut another 2,400 jobs, taking its layoffs announced in the past 15 months to 9% of its workforce.

Most Patents

The IFI Claims Patent Services finds IBM had the most patents at 6,478 in 2012, marking its 20th straight year on top. It was followed by Samsung, Cannon, Sony, Panasonic, Microsoft and Toshiba.

Automatic Trading

Analysis by Aite finds the percentage of NYSE equity trades automated and handled by computers has risen from about 25% in 2004 to about 60% as of 2012.

Online

Analysis from comScore finds total e-commerce spending last year was $186B, up 15% vs. 2011. Overall, 10% of all retail sales in the US went through electronic channels.

Copyright 2018 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.