



# Developing a Realistic Approach to Omnichannel Banking

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### Introduction

Financial services customers continue to expect more from all the channels they use to conduct banking transactions. Their experiences with retailers who offer seamless online and in-store transactions raise the bar for financial services providers. To meet these growing expectations, bank executives need to develop a focused, comprehensive strategy for all their delivery channels. They need to understand the channel preferences of their customers and targeted market segments, the bank's current technology and developing technological capabilities and, most importantly, how to bridge the gap into a multichannel or even an omnichannel world.

Now more than ever, executives must consider their customers' expectations and offer innovation and channel integration, albeit on practical terms. Savvy bankers will offer the correct channel with the appropriate banking functions to the right customers. While achieving that goal they rationalize both legacy branches and delivery channels while seamlessly leveraging new technologies such as mobile banking and remote deposit capture. This paper presents a logical series of tactics that combine to form the basis of an omnichannel strategy for financial institutions.

### What Is Omnichannel Banking?

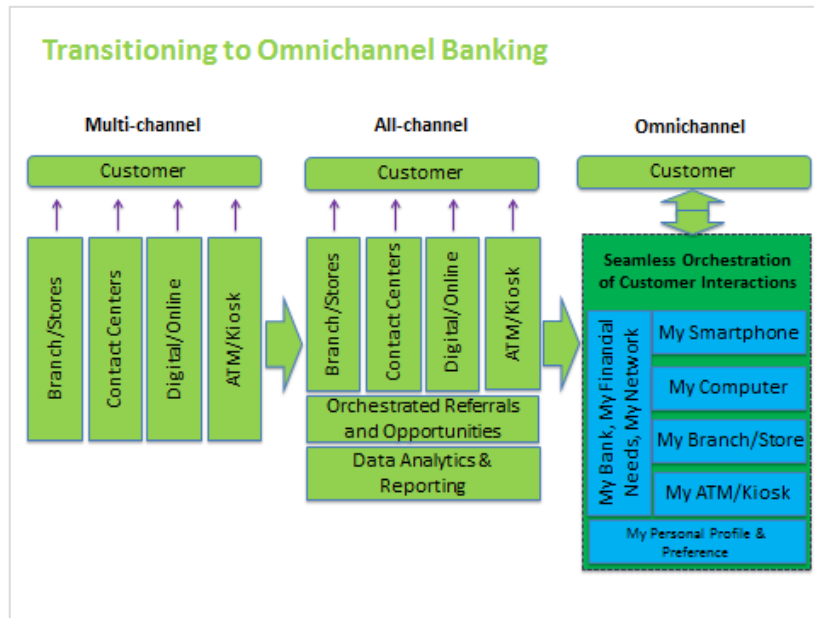
Banks are diversifying their product offerings in order to meet customers on their terms. Mobile banking, remote deposit capture, online account opening and online loan applications provide just a few examples of offerings and channels beyond traditional core banking services. Customers expect that all bank offerings will be part of a connected whole. In other words, they expect that whenever any platform captures data, it shares it throughout the organization. Customers don't want to be asked for the same information more than once and conversely don't want to have to make the same request more than once.

Omnichannel banking captures the essence of this new set of customer expectations. Omnichannel banking can be defined as customers utilizing all banking channels simultaneously, with bankers utilizing an omnichannel approach to track customers across all channels, not just one or two. In the brick-and-mortar channel, digitally-savvy consumers can enter branches already well-informed about a product's features and prices and still expect bank employees to know about their unique relationship with the bank – plus know more than they do about the bank's offerings.

Using the omnichannel approach, all banking channels work from the same database of products, prices, promotions, etc., instead of from a variety of touch points. The following graphic represents the migration from a multiple-channel approach to an all-channel approach and then ultimately to an omnichannel environment.

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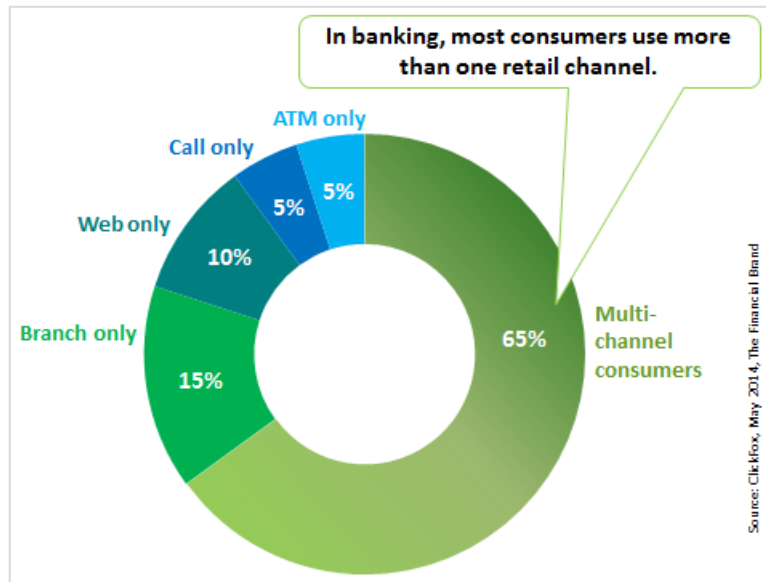


### How Do You Make Sense from the Hype?

Research indicates the number of bank branches will continue to shrink, while digital channels will continue to grow. However, the bank branch will not fade entirely into the sunset. Branch personnel will supplement and complement other channels with their personal expertise, which is so vital in a relationship business like banking. The number of bank branches in the U.S. dropped to 94,725 as of June 30, 2014, down 1,614, or 1.7 percent, from a year earlier and down 4,825 from the peak in 2009, according to the FDIC data. The number of branches is declining, but they are still a significant distribution channel. The importance of the branch as an advisory resource continues with the majority of a bank's customers using multiple channels and relying on a personal touch when needed.

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How can banks continue to move forward, meet short-term profit objectives and reasonable returns for shareholders, while at the same time migrate toward holistic environments such as omnichannel banking? We suggest a logical, phased approach wherein the incremental savings from earlier efforts fund the larger transformational effort. In other words, adopt a pay-as-you-go approach.

For existing banks, the transition to an omnichannel environment should be more of an evolutionary approach. They should move toward an omnichannel state in a logical progression that optimizes their existing channels, while paving the way for new technology that's integrated throughout the enterprise.

### Where Do You Start?

The starting point for developing a meaningful omnichannel approach should focus on the bank's customers. A thorough assessment of the markets the bank serves, customer demographics and future demographic trends helps executives make intelligent investments across all their channels. Today, accurate marketing information is crucial to reach the increasingly connected consumer effectively. In order to optimize customer-facing channels, bank executives must know the answers to key questions such as:

- Who are my best customers and prospects?
- What are my prioritized target market segments?
- What is the potential demand for new products?
- What are the growth rates of my various customer and targeted segments and markets my bank serves?
- Which markets offer the best opportunity?
- How do I reach customer segments most effectively?

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Demographic data provides the foundation to understand market competition, to gain knowledge of potential in the marketplace and to develop more complete customer profiles to pursue targeted opportunities. The current state of the bank’s technology should be assessed at the same time. Besides knowing your customer base, it becomes critical to understand the capabilities a bank has (or doesn’t have) to deliver new solutions the market demands.

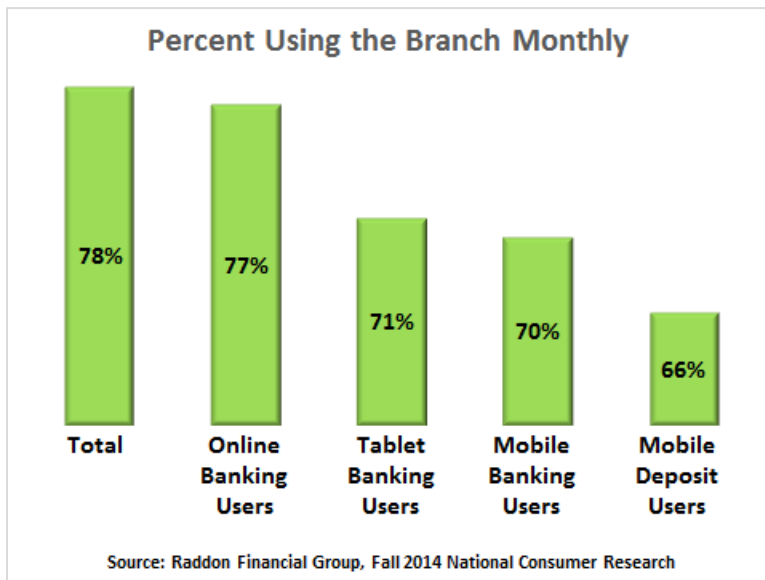
### How Do You Take a Tactical Approach to Reap Short-term Benefits?

The assessment findings serve as the foundation for developing long-term plans as well as tactical approaches to realizing more immediate financial benefits. These tactical approaches include:

- Branch rationalization
- Branch sales effectiveness
- Paperless banking

Branches can be analyzed for performance and savings gained from closing poor performers. The savings from marginally profitable branches can become substantial. The overall banking industry efficiency ratio continues to rise, and salary expense contributes significantly to that metric.

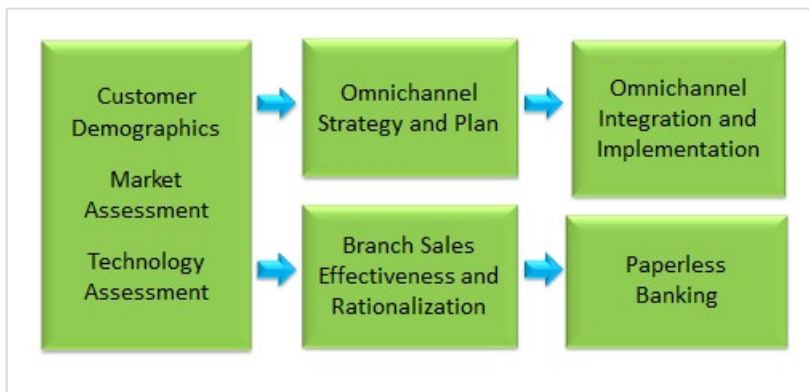
At the same time branches are being evaluated for efficiency, the sales effectiveness of the remaining branches can be optimized for revenue performance. By placing the most effective sales staff where the market opportunity is, banks can reap the best return from fewer branch sales staff. In other words, don’t structure branch sales goals on past performance; structure them to address the market opportunity found in a current market assessment. Bank branches will not disappear entirely but will supplement emerging channels, as a majority of digital channel users still utilize the knowledge and expertise of branch personnel. This branch dependence is highlighted in the following graphic.



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Another area of significant and more immediate financial benefit to explore is paperless banking. Removing paper from branches and the entire lending process has immediate impact on courier and business processing costs. One regional bank in the Midwest realized net savings of \$3 million annually by removing paper while realigning their lending business processes. Paperless banking also better positions your bank to leverage digital channels that rely on seamless electronic transactions. The following graphic shows how the customer assessment can feed these tactical approaches to savings, and it also shows the fit with the formation of a visionary omnichannel plan.



### What Is a Reasonable Omnichannel Strategy and Plan?

The customer and technology assessment creates the foundation for the short-term financial benefit achievement, and it also provides the background for a more thorough omnichannel strategy and plan. The assessment feeds the development of a current state analysis. In this analysis, participants within the bank are asked relevant questions with the answers then documented and quantified. Digital product functionality shortcomings are identified.

In the next step during plan development, a future state analysis is conducted as participants identify the functionality needed by customers for omnichannel banking. Facilitated sessions can be used to fully vet and rank desired new capabilities. Outside subject matter experts can contribute product and market expertise to fill any critical needs for knowledge. The differences between the current state and the desired future state then create the gaps to be filled with the omnichannel plan.

Bankers need to completely understand the current state of their customer-facing technology in order to identify the required integration for an omnichannel environment. A well-defined plan should guide them to this future state environment, while factoring in the required budget, new product plans, business plans and the bank's overall strategy. The required people, processes and technology should also be accounted for in the transformational plan.

The focus of the new plan is the customer since the starting point in the process was customer demographics and a market assessment. The bank should seek product innovation that improves the customer experience by adding new capability and integrating existing technology to achieve an omnichannel experience. The omnichannel plan also serves as an implementation guideline, timing the launch of new capabilities to be funded by the financial benefits derived from branch rationalization, branch sales effectiveness and paperless banking.

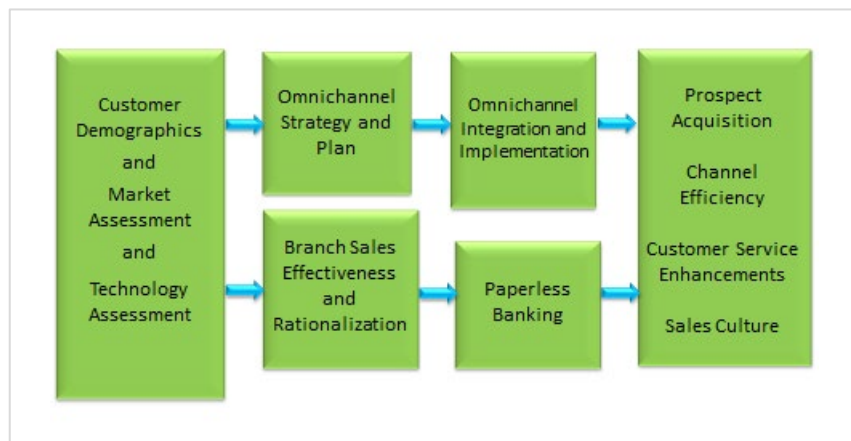
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### What Are the Benefits of This Approach?

Besides the obvious benefit of funding new product development with tactical savings and financial improvement, this approach maintains a focus on the bank’s customers. Omnichannel integration should be guided by where customer growth will occur and not be tied to existing demographics. The plan should base new product selection on a process that gains buy-in from all customer-facing stakeholders within the bank.

This customer focus also lays the foundation for promoting a sales culture within the branch staff (who are now directed at areas of highest growth potential). The entire process should become sustainable and repeatable. The ultimate benefits include better prospect acquisition, increased channel efficiency and improved customer services by moving toward an omnichannel environment.



### Summary

Financial institutions must move to omnichannel environments in order to compete with nontraditional banking providers. By starting with a plan that achieves early financial benefit and creates a thorough customer assessment, long-term success becomes more realistic.

### Contact Us

For more information about an omnichannel banking strategy, contact FIS™ Consulting Services at 800.822.6758 or visit [www.fisglobal.com](http://www.fisglobal.com).