

Branchless Banking: Do Branches still matter?

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1 Are Banks going Branchless?

Banks have moved towards the next level by going completely online while minimizing the presence of physical branches for daily transaction and other activities. Technology is fast altering the business services cape. Applicability by going online completely and its role in fostering relationships with customers that are giving them more value is being approached cautiously. This as a sector needs to address and resolve customer complaints quickly and effectively. It's an industry which is lagging behind when it comes to delivering service, according to the Institute of Customer Service.

The increasing provision of self-service portals and automated kiosks, in retail banking means that customers now have a variety of means of carrying out their banking business. In many cases, the functions of these technologies overlap with the functions of the bank branch. A Delphi study was conducted with leading experts from both banks and technology supplying companies, the results indicated that in the short term, the bank branch in its current form will remain very important. In the longer term, while the bank branch will still be very important, one can expect a reduction in numbers of branches.

Branchless banking is a distribution channel strategy used for delivering financial services without relying on bank branches. While the strategy may compliment an existing bank branch network for giving customers a broader range of channels through which they can access financial services. Branchless banking can also be used as a separate channel strategy that entirely forgoes bank branches.

2 Evolution towards branchless banking

Now, banking has gone vastly electronic, offering full-fledged services from online account opening to remittances. With the banking customer base being dominated by younger generations in many parts of the world, branchless banking delivery, via Internet, mobile and other emerging channels, is set to gain further momentum. The benefits of branchless banking are perhaps best illustrated by direct banking, which has evolved from an online payments model into a complete suite of banking services, whereby customers can upload their account opening forms and subsequently be KYC verified and on-boarded without the intervention of bank staff. They can go on to acquire a full range of products online, from simple deposits and mortgages to bundled insurance and complex structured products. The arrival of branchless banking has given birth to a new category of niche financial service providers in the UK that conduct their business purely online, for example (first direct bank UK)

The secured electronic messaging system is designed for sending and receiving secure/short messages between the banks and the customers. Once the customer sends the message, it can be routed to relevant back end department for resolution with agreed SLAs. One of the key benefits is that, it offers customers a quick and easy way to have their questions and issues answered.

On most occasions a query can be answered without calling the phone banking. In circumstances where the request is urgent, the customer has the privilege of calling the phone banking.

3 A few innovative initiatives that would emerge are:

1) Customer-designed bank

An emerging concept is a customer-designed bank. In the recent years a handful of banks have come up with products and services that were uniquely designed and created by employing the concept of "co-creation". Co-creation involves a large group of target customers who were engaged using various social media channels to identify unique themes that can be used to design products and services. This co-creation experience is a first of its kind in the banking sector.

2) Mobile-first strategy

The banking industry is still well short on harnessing the power of mobile, beyond just a channel or technology. The coming years will be rich with activity in leading banks to use well rounded mobile design strategies as core for customer touch points. Mobile notifications could act as a very valuable tool to deliver a differentiated experience. Notifications are driven off data, and deliver insights, but will quickly evolve into a real-time revenue capability. Simplicity, clarity and responsive design will be important to the digital consumer moving forward. Banks which understand the latent need for better mobile experience would be better

4 Conclusion

Banks will look at branchless banking to reduce costs and improve customer experience. Mobile and analytics will play a key role in the transformation towards the branchless banking. Branch seems indispensable in the near future, though the size and number of branches could come down. Banks are likely to experiment in the social and cloud platform while transitioning towards branchless banking. Banks will have to invest on the infrastructure and also concentrate on operational efficiency to facilitate the customers on branchless banking.

positioned to capitalize on its potential for greater value creation.

3) Mobile payment through social network platforms

Emerging markets have great potential for mobile payments which allows customers to send money to each other using social media platforms such as Facebook, Twitter and WhatsApp. Such services will help reach young consumers, as social media websites and smartphones become more widespread and accessible. Emerging markets are perfect for launching such innovations as the demographics are very favourable. The population is predominantly youth, the demand for innovative banking services is very high and consumerism is growing. Having mobile payment services integrated with familiar social media platforms affords customers a great deal of convenience.

4) Financial Gamification

Gamification, carefully considered and applied well, can be a very meaningful part of the customer experience, education and service mix for banks. It's an effort to use the mechanics and metaphors to get people engaged in an activity, keep them motivated by making that activity valuable and relevant, and drive some defined and desired behaviours. Bank leverage gamification as an effective tool to change customer behaviour

About the Author

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About Maveric Systems

Started in 2000, Maveric Systems is a leading provider of IT Lifecycle Assurance with expertise across requirements to release. With a strong focus on the BFSI and Telecom sectors Maveric has built a business on the principles of deep domain expertise and innovation. Maveric's client portfolio includes a wide array of renowned banks, financial institutions, insurance companies, leading software product companies and telecom companies.

Headquartered in Chennai, the company has offices in Mumbai, Bangalore, Dubai, Riyadh, London, New Jersey, Singapore and Kuala Lumpur. Maveric has a dedicated global offshore delivery centre and a Testing R&D lab in Chennai.

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