

AMERICAN BANKER.

Bank Branches Are Still Good for at Least One Thing

By Robert Barba

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Even the kind of consumer who is always connected to the Internet may still crave a human connection when it comes time to open a bank account.

Consider Regions Financial. The Birmingham, Ala., bank recently launched an online tool that helps determine which checking account is best for its customers — or prospective customers — by asking a series of questions: what features they need, how much they receive in direct deposits each month, how many checks they write in a month, and so on.

The interactive tool is meant to recreate the experience someone might have in the branch as they talk to a banker who would go through a similar process in person. At the end of the session, the tool gives the user a recommendation and two options: open the account online or schedule an appointment in the branch. Preliminary results show the branches are still a draw.

"We are less than two months in, but our customers are choosing both options," said Andy Hernandez, head of digital banking for Regions. "For us, it is not about making them choose. It is about simplifying the experience and acknowledging that many customers may want to start the process online but finish it face-to-face."

For the banking industry, consumers' perhaps fickle nature presents a chicken-and-egg problem: Do consumers want a mix of digital and in-person banking, or does the inadequacy of current digital offerings effectively force them to use a second channel?

"Today," opening an account digitally "is a process that is not easy; banks have not made it crystal clear or very easy for consumers to become customers via digital channels," said David Albertazzi, a senior analyst at Aite Group.

His firm published a report last year on checking account trends based on 2014 data. "When we asked consumers why they did not complete an application using a PC, laptop or mobile device, 57% said because they needed to or wanted to talk to someone," Albertazzi said. Not being able to get a question answered was the second-highest reason (39%) for abandonment.

Seventy-three percent of people who opened a checking account in 2013 or 2014 did so in a branch, according to Aite. And don't assume those figures reflect seniors or baby boomers set in their ways; of those who opened a new account, 81% belonged to Generation X or were millennials.

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Reducing abandonment, or improving digital sales, is a hot topic in banking. Several banks have made "omnichannel" banking — essentially building a seamless experience across its various channels — a priority.

"We are looking for ways to connect the [digital world and the physical world] and make it frictionless," said Brent Reston, a digital sales and service executive at Bank of America. "And largely, we are just responding to customer behaviors and where they want to interact with us. For instance, 65-70% of those who start their purchase journey online end up opening a product in person or through a call center."

In the fourth quarter, B of A's digital sales rose 31% year over year. The company recently tripled its digital banking budget. Some of the priorities it has set for the sales process include integrating a feature that extracts information from a photo of an identification card and making it easier to save an incomplete application to continue later, Reston said.

According to Albertazzi, the push to allow customers to open accounts on their terms is part of a movement toward making banking customer-centric rather than product-centric.

KeyBank is another bank that has found customers want at least the option to apply online.

"We want to make it easy for our clients to bank with us in the manner they choose," said Matt Lehman, the head of online and mobile at KeyBank. "We made a concerted effort to make applications available digitally in 2013 through online and then added the ability for mobile in 2014."

In 2015, the number of accounts opened digitally at Key was more than three times what it was in 2013.

While banks are looking at ways to make the digital application process easier, the fintech industry has also squarely identified this area as one ripe for partnerships. Regions Financial has been particularly enthusiastic about teaming up with other companies to improve its process. For instance, its tool to determine the best checking account stemmed from a partnership with Ignite Sales.

Also, in October, Regions partnered with the marketplace lender Fundation to offer small-business loans. The partnership was partly driven by the bank's desire to have an easy way for its customers to apply for a small-business loan online.

"It started a few years ago. Based on focus groups it became apparent that small businesses wanted to apply for credit online," said Joe DiNicolantonio, the head of business banking at Regions. "We explored all our options, including building something in-house, but ultimately decided on a partnership."

Such partnerships are likely attractive because of the speed of integration. Banks have to build around legacy systems and silos.

"Compare that to a business like ours — we are built from the ground up for the digital age," said Sam Graziano, Fundation's chief executive. "Because we are flexible and nimble, we can quickly build the interfaces needed to transmit the data."

Regions is also working with Avoka, a startup focused on the digital sales experience, to evaluate some of its retail products. Hernandez would not disclose additional details about the Avoka partnership.

A recent study commissioned by Avoka suggests there is a tremendous opportunity for banking in offering digital applications to small businesses. The survey found that while 58% of personal banking products could be applied for

digitally, only 27% of business banking products could be.

"Historically, the focus has been on the consumer because that is where the volume is," said Derek Corcoran, Avoka's chief experience officer. "When you consider that small-business owners are among the busiest people, you see it is a real opportunity being missed."



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