Web’s Real Value Is as Part of Multichannel Environment

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Though the bubble has burst, the Internet has become a fact of life. It represents an area of opportunity for banks and other financial services companies to create a differentiating customer experience.

According to GartnerG2, all of the nation’s 50 largest banks offer online banking. But as of the end of 2002 only 17% of customers banked online — a figure that is expected to increase to no more than 30% by 2007.

Does this mean that investments in Internet offerings and capabilities are wasted? Not by any stretch of the imagination.

All customers are equal, but the ones most likely to use online banking are more equal — younger and more upscale. According to Gartner, nearly half of the population 35 to 44 and more than half of the 18-to-34 crowd will use online banking by 2007.

What’s more, the availability and perceived quality of an online presence matters even to customers who won’t be taking advantage of it. Banks who stay behind the curve risk losing not only credibility but also business from customers who have never used online banking and never will.

During the Internet boom many marketers fell into a “channel to end all channels” trap, assuming that the Internet would replace existing channels. And it wasn’t the first time this happened. As David Schehr, a GartnerG2 research director covering financial services puts it:

“There has been a myth in the industry that consumers substitute new channels for older ones. But it never works out that way. During the 1970s and 80s, ATMs were considered a silver bullet. Soon enough, tellers and branches would be history. In the decade that followed, call centers and phone banking were widely believed to have the same effect. But in fact, the total number of branch locations has slowly crept up over the past 10 to 15 years.”

In actuality, people supplement channels, taking advantage of the strengths of a new channel while still relying on established channels for their particular strengths.

The Internet's particular strengths are interactions with set parameters, such as online payments, or a search for a precise term. But the channel also has definite limitations, particularly when it comes to interactions with fuzzy parameters — for example, problem resolution.

The limitations clarify the real opportunity the Internet presents to banks and other financial services companies: as a vital part of a customer relationship that is conducted across multiple channels. In other words, an environment where the strengths of each channel are leveraged, and where all channels are integrated with one another seamlessly and in real time.

A multichannel environment is not a substitute for differentiation; after all, channels are means to an end, not ends in themselves. And contrary to the promises of some technologists, a multichannel environment is also not a form of differentiation; in a few years channel integration will be cost-of-entry.

But when coupled with a truly differentiated offering — one that gives people a reason to choose the bank over its competitors — a multichannel environment can become a bank's central means of demonstrating differentiation — at any time, in any interaction.

For example, a bank can bring its commitment to customer relationships to life by integrating access to its customer service databases across channels. That would enable customers to track even nonroutine or complex interactions — from stopped checks to loans — regardless whether they were initiated over the Internet, by phone, or at a branch.

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