

A White Paper For Credit Union Leaders And Decision-Makers

## **“Go Virtual”: It’s The Future Of Consumer Banking**

Tony Ward-Smith

Note: This paper is intended to help credit union CEOs, Senior Managers and Directors/Volunteers move to a discussion about the idea of shifting an established credit union operation to one based (eventually) on delivering banking services and fulfilling members’ financial needs primarily through an Internet-based operation.

### **It’s Only A Matter Of Time!**

That’s our position. We say it’s only a matter of time before consumer banking becomes, essentially, a web-based activity. Right now (2010), there aren’t many who would hold to such a claim. But we say it is inevitable! And, we say, it may very well be the salvation for the national credit union community. But we don’t really have to look at it as an either/or matter. The reality is, we’re already part way down this road (credit unions were quick to incorporate websites and online banking into their service programs, and in fact, did so at a rate that exceeded that of other players in the consumer banking arena). And the extended reality is—we will be somewhere in-between the branch-only and web-only postures for quite some time.

But our business is that of developing winning market strategies for credit unions. We’ve been at it long enough to know what’s involved, what the market demands are, what the implications are, what the true trends are. And again we say, it’s only a matter of time before most consumer banking is done in a virtual world. And as we see it, credit unions that move to embrace this inevitability as a prime strategic intention will be the ones that gain advantage and strong market position.

### **The Situation Today**

As we write this, we take note of a number of actual applications of this strategy in play right now. ING Bank is perhaps the most notable. An “Internet Bank” is how they describe themselves. They have a strong web presence, and make intense use of media advertising and direct mail marketing to introduce themselves to the market (attract customers) and promote their particular advantage. Their primary theme emphasizes savings—and worth noting is that fact that this is, or should be, the central thrust of credit unions...and their enticement is dividend rates on savings that are generally several hundred basis points over the rest

of the market. And they are quick to confirm the connection between their low-overhead advantage (no cost-consuming branches) and their ability to pay well above the market.

ING Bank is just one source. There are any number of others. There are only a few credit unions making this strategic commitment, so far, but these and others that follow bear close scrutiny.

### **“So What If We Do Want To ‘Go Virtual’...”**

We’ve talked about it...said it was going to be different... said it will be demanding in that it will make us change much of the way we do business, but so far we haven’t let any of those thoughts trouble us or even stir us to any particular sort of urgent action.

But it is definitely time to start moving on that broad perspective and all of its implications.

The question is— What will such an operation be in its finished form. And what will it actually take to get fully from here (where we are now)...to there what we envision as our future operation?

To do it “right”...is to start thinking that one day you will have no more walk-in branch operation, no more teller counters, no more walk-in traffic, no more open-for-biz office hours, no more physical face-to-face interaction with members.

Can that be? Can you (your people handle that idea? Can you, are you, ready to encourage that?

And what about members...what will their reaction be? What will they stand for, put up with? You are bound to lose some! How many...who knows. But on the same note...you are bound to attract new members who are, themselves, attracted to the idea of such a new, state-of-the-art approach to consumer banking. They will, however, have slightly different expectations. And in the final analysis, there will be a lot of “new”, a lot of “learning curve” for everyone...on both sides of the equation.

What will the internal operation be instead? What will your member-contact employees do when they come into work—different from what they do now? The way our thinking is running at the moment...we will shift from a

“next person in line” operation, to a “Personal Banker” outreach operation. This will involve developing “customer” lists, developing phone & e-mail connections, developing relationships that evolve around members’ individual financial circumstances, doing more CRM analysis, doing more direct outreach to members (finding ways, reasons, benefits to talk to them about). Quite obviously it will require a major shift in thinking on the part of employees... and undoubtedly a considerable amount of re-training.

The organization will want to constantly focus on developing and maintaining a “personality” of eager, friendly, “people-driven” helpfulness. More emphasis on the “personal” factor—pictures/biogs of member-contact personnel, stories/vignettes, etc. More folksy (but adult-like, not corny) approach to copy. Prompt, super-friendly, eager responsiveness on the phone...along with a strong sense of anticipating needs, being proactive on members’ behalf.

Marketing approach will change. Less promotional, more informative style. More immediacy to out-bound efforts—e-mails, post cards, etc. (rather than newsletters)...on an as-needed basis, not monthly/quarterly schedule.

More intense, more comprehensive approach to the new-member-sign-up (“join”) process. Better/stronger packet of new-member materials. Different application form...and different method of holding/up-dating member profile info.

### **What are the implications of becoming a 100% “Virtual” CU operation?**

And exactly how do we get ready for it (apart from the website)—what do we do first?

These are (just some of) the key issues:

- What do we know (can we find out) about who is doing this, how quickly it is evolving and being accepted in the market, and what the specific benefits and drawbacks might be?
- How close to 100% do we want to go? No more branches/lobby activity whatsoever?...branches, but played down...half as many?
- What do we do re shifting from branch to virtual? (Physical walk-in traffic, lobbies, hours, etc.)
- How long will it take? What kind of transition—time-wise—should we plan on?
- What do member-contact employees do-- different from what they do now? Little/no lobby traffic, much more telephone and e-mail interaction w/members.
- What will the Personal Banker program require? No more tellers, loan officers, member service reps...

more total-service performance from member-contact employees.

- What additional kinds of personnel training programs/tools/resources/etc will be required? Life-time banking perspectives, problem-solving techniques, probing skills,
- What can members do now, at a branch, that they might not be able to do over the Internet? What might we lose, what will we not be able to do?
- What is our call-center capability, how will it work?
- What is the best on-going marketing/promo strategy/perspective?
- What is different, from now on, about our new-member (join) process?
- What is different about members applying for new accounts/services?
- When/how do we present all this to our employees?
- When/how do we announce all this to members?
- What else...what’s missing from this list?

What I’d hope to see is each member of the team take the time to write answers/thoughts to each of these questions, then submit them (to you?). We’ll combine them all into a single discussion paper—everyone’s thoughts included... and start the actual group discussion at that point.

I can imagine some strong differences of opinion on some of these things...some good healthy discussion to come.

And...this will, for sure, be a major part of our weekend SP discussion. But I want your guys to work on it first. So, if you’re ok with this idea, will you present it as an assignment to the group.

### **What It Requires**

- A “Dynamic” Website
- A Recommitment to the basic Credit Union Purpose
- The Development of “Value-Added” Services
- A “Personal Banker” Member-Service Strategy
- A “Trigger Factor”
- A Different Slant On Marketing And Promotion