

You're more like Blockbuster than you think

Channel change is not channel strategy

Delivery channels are probably the most misunderstood element of 21st Century business that exists today.

There are plenty of examples where technology and innovation have trumped existing channels, forcing the incumbents to scramble. Magazines, newspapers, movie tickets, boarding passes for transportation are just a few. But perhaps the most obvious is the movie rental market—Blockbuster being the poster child for missing the shift. At first it was Netflix, then Red Box, then on-demand video services that are either internet enabled through game consoles, satellite services, or cable. Now movies can be downloaded to smart phones. But these channel changes all have one important aspect in common. The time and distance component of the product delivery has shifted dramatically as a result of technology and what customers find convenient.

Banking's delivery channel clearly is changing, too. The mistake we make as an industry is limiting our thinking regarding our delivery channels. We assume that our new channels are our website or online loan applications. Satisfied with our efforts, we stop there! But there is more to this change than just a website or electronic application.

Does your organization print out and file all of the electronic applications you receive as part of the underwriting process? This is my point... The channel change that is overtaking the financial industry is being driven by cultural change more than a technological change, but banking infrastructure, or at least how we use it is two-sided—electronic on the front-end (giving the appearance of being fully electronic)—but on the back end, it's same-o same-o! It's like printing out your emails before you read them.

The real message here is that your whole way of thinking needs to adapt to the current channel development and the cultural implications. You need to think, plan, and distribute banking products based on the customer's cultural lifestyle, and abandon a de-facto approach to channel changes.

This is not an easy task, but it is critical to your survival. Oftentimes, technology decisions are made one at a time and are the result of another factor such as the introduction of a new product by a competitor, a system reaching the end of its life, or a regulatory change. All of these may bring about channel change, but not a channel strategy. A channel strategy takes time to develop and design and it goes beyond installing the latest widget or app.

To develop a successful channel strategy you need to take a page from the video rental business and learn what worked and what didn't. At one point Blockbuster had a terrific retail storefront channel, but they let the customer slip away. They stood still and did not take the time to understand the cultural changes that were occurring in the market place. They did not evolve and adapt.

Banking today is in a similar circumstance as Blockbuster. Are you becoming efficient, but not responsive? Do you have relevant channel strategy that addresses the evolving and changing culture of the market place?

The best way to find out is to ask your customers. Spend some time understanding their lifestyles and needs. Developing a channel strategy is not going to a vendor user conference and coming back with some great ideas. The opposite is true. Talk with your customers first, then attend the user conference and ask the vendor how are they going to help you implement your channel strategy?

Starting with the customer and working back to your technology decision is going in the right direction!

The Wombat!

About the Author

Dan Fisher is president and CEO of The Copper River Group, a consulting firm headquartered in Fargo, N. D., that focuses on technology and payment systems research and consulting for community financial institutions. For nearly 30 years, Fisher has worked in the financial industry using technology to improve the bottom line. He was CIO of Community First Bankshares (now part of BancWest), has served as a director of the Federal Reserve Board of Minneapolis, the chairman of the American Bankers Association Payment Systems Committee, and was a member of the Independent Community Bankers of America Payments Committee. Fisher has written numerous articles on banking technology and the payments system. He has authored or co-authored six books and recently published a book titled, "Capturing Your Customer! The New Technology of Remote Deposit." You can contact Fisher at dan@copperwombat.com.

P.S. To understand Dan's nickname, check out "About the Wombat" on his website, www.copperwombat.com