

# No more bricks and mortar as banks move into the virtual space

By  Peter Alkema

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Mobile devices have simplified routine banking interactions and enabled customers to address their own needs anywhere and anytime, making banking processes almost ubiquitous.



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## Downsizing physical branches

Although not a direct causal relationship, higher mobile usage has been found to correlate with fewer visits to the physical branches. Across the world, banks have been trying to shift their routine transactions and customer interactions into digital self-service channels. Bank of America (BoFA), for example, has been able to downsize its physical branches by scaling up its mobile presence.

BoFA now has more than 17,6m customers actively using the mobile platforms as their preferred means of banking, with a staggering 200,000 cheques estimated to be deposited on a daily basis via mobile devices.

Statistics show that physical branches are on the decline: In the USA, over 4,800 branches closed down between 2009 and 2014. More than 600 bank branches closed across Britain from 2015 to 2016 prior to Brexit, with an estimated 3,000

branches in total closing their doors over the last decade.

In South Africa, FNB announced in March 2016 that it would be closing 40 branches, due to its very successful strategy of digitising customers out of bricks and mortar channels. Capitec is also investing in its e-channels, but increased its branch network during the past year, arguably off the base of a million new, largely low-end and previously unbanked clients.

## **User-focused design**

Most leading banks are addressing their customers' mobile access requirements and demands for frictionless processes through apps with user-focused design. It is the hassle-free, reliable and efficient banking services that create stronger customer loyalty. Mobile apps, especially for routine transactions, are more likely to delight customers than branch or phone experiences.

Beyond mobile apps, banks are also actively using other devices and technologies, an example of this being Caixa Bank of Spain, which has launched the first voice-commanded mobile banking app that can be deployed while driving.

Drivers can check their account balance, transfer funds, locate neighbouring branches and discover nearby ATMs safely - without looking at a screen while operating a vehicle. Geo-location technologies have also been adopted to enhance the customer-centricity, such as sending a customer information about different types of vehicles along with their preapproved motor vehicle loan amount, when the system picks up that a particular customer has been visiting various car dealers.

## **Privacy issues**

One may argue that such use of technology violates the privacy of the customers but conversely, it may also increase their security. When the system picks up a discrepancy between the location of the smart device of a customer and where that customer is withdrawing money from an ATM, it can immediately send out an alert or take other precautionary measures.

## **Innovative biometric systems**

The innovative use of multimodal biometric systems can likewise profoundly improve customers' banking experience. Clever use of biometrics systems could reduce the need for passwords or PIN codes, while permitting a more secure authentication.

For instance, VISA and Mastercard has attempted to embed the fingerprint sensor with a new contactless card and Chinese e-commerce giant Alibaba has been actively experimenting with "Smile to Pay", where a customer's signature smile enables a transaction to be authenticated – happily.

## **Virtual reality**

Leading financial institutions are also actively exploring effective ways of incorporating virtual reality (VR) in their suite of ubiquitous service offerings. A recent report by JP Morgan Securities suggests the market share of VR headsets are estimated to increase from this year's US\$2,54bn to US\$13,5bn by 2020.

With this in mind, the research divisions of various banking institutions are proactively testing VR technology as a tool for wealth managers to better attract clients and help their customers to visualise complex investment portfolios. In fact, an augmented reality (AR) app for mobile devices was already released by Australian bank Westpac in 2014, with a powerful 3D graphical interface that allows customers to visualise their transaction history and balances while overlaying details of nearby Westpac branches.

Video banking is also gaining popularity: Wells Fargo has been testing the use of Oculus Rift virtual reality headsets that offer customers the ability to "virtually" enter a branch and speak to a teller face-to-face from the comfort of home or office.

*This article is an excerpt of an article co-authored by Peter Alkema and Dr Jeff Yu-Chen from Gibbs University.*

## ABOUT PETER ALKEMA

Peter is the CIO of FNB Business and has spent 15 years in IT. He is a key driver behind developing and implementing innovative IT solutions in CRM, procurement, finance and HR. His professional career spans various IT leadership roles across consulting and lines of business mainly in financial services. Peter is currently busy with his PhD at Wits University researching the impact of senior leadership on agile software development teams.

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