Point of View

Transforming Retail Banking with Cisco TelePresence

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Allowing customers to access expert advisers over an ultra-high-definition video link could improve cash flow by more than US$100 million across a typical 1,000-branch retail banking network.[1]

Growing numbers of consumers now enjoy the benefits of online banking, including detailed product information and more personalized services and advice. It is now time for retail banks to transform their in-store customer experience by bringing the best of the online world into the branch—and by taking advantage of the unique attributes the physical environment offers to provide a superior experience.

Providing branch-based advisers to customers is one approach brick-and-mortar retail banks can take to differentiate themselves. The economic challenges of offering timely and tailored advice regarding complex, uncommon, or custom products (such as mortgages, investments, or small-business loans), however, are significant. Common obstacles include:

- Insufficient skills and qualifications to provide expert advice, leading to lost business or long wait times for customer appointments
- High staff turnover, constraining the benefits of training
- Insufficient space within branches for meetings
- Inconsistent customer service and staff downtime. The timing pattern of customer inquiries at any one branch is irregular and difficult to predict. Because of this, customers may get turned away or asked to come back another day, or advisers may experience slow periods with nothing to do. These issues pose major problems for banks that have hundreds or thousands of locations.

According to a recent report on video banking from Forrester Research, U.S. banks estimate that 30 percent of sales leads generated by the banks' branches were lost due to a lack of available, qualified staff to handle customer inquiries.

While the banks with whom the Cisco® Internet Business Solutions Group (IBSG) has worked indicate that such losses are closer to 15 to 20 percent, they say that these losses are still significant.

1. This example is based on actual numbers provided by a British bank.

Placing bank advisers in video-enabled contact centers is another approach banks can take to differentiate themselves and add value. Bridging the physical distance between customer and bank through virtual meetings also helps banks improve performance. Underperformance of bank associates relative to customer expectations was emphasized in a recent study on retail banking, "Striving for Growth," by Booz Allen Hamilton. The report highlights that the need for expert advisers—specialists who may be based in one branch but also spend time traveling between branches or to customer locations—is growing in importance as customers seek specialized advice.

High-Definition Video Technology Catches On

Attempts more than a decade ago to use video kiosks in bank branches failed: quality was poor, file sharing was nonexistent, screens were too small, and consumers had no experience or interest in video communications.

Today, the context is quite different: video technology is far better, is part of the same IP infrastructure as other channels, and is popular due to YouTube and other social networking Websites. New, ultra-high-definition video technology, such as Cisco TelePresence, delivers the benefits of "being there" for interactions with customers, colleagues, and others, regardless of geographical location. Cisco TelePresence is an innovative technology that combines rich audio, high-definition video, and interactive elements to deliver a unique, "in-person" experience over the network. Cisco uses TelePresence systems to interact with customers worldwide. The company projects a substantial increase in sales relative to customer interactions enabled by the TelePresence solution.

Because of improvements in video technology, banks are more open to using relevant solutions. Two examples are Denmark's Danske Bank, which uses video technology at its branches, and Bankinter in Spain, which has video-enabled contact centers. The full potential of these applications, however, has not been realized.

Other industries also see the value in video technology. A leading grocery and merchandise chain based in the United Kingdom plans to place video systems throughout the chain so that shoppers can direct product questions to experts located at a virtual contact center.

By using video-enabled contact centers to connect customers with specialists, banks can transform retail banking in the following ways:

- **Improve customer service.** The customer can enjoy high-quality interaction with a product adviser—with the benefits of eye contact and body language—at the push of a button. The adviser can also share product-related documentation on-screen to complement the experience.

- **Create consistency.** By improving customer service, banks create consistency across all branches, large and small.
- **Improve productivity.** Since advisers typically are paid more than regular branch staff, maximizing their productivity on high-value-added services is essential. Linking advisers from a virtual contact center to the branches allows them to respond to aggregate demand across many branches.
- **Differentiate the video experience from online alternatives.** Cisco TelePresence technology provides consistent interaction over other devices customers use currently—such as a PC with a video camera attached. (Consumer research shows that for people to admit that they had a "rich" experience, the size of the video/computer screen must be at least a big as a television screen.)
- **Strengthen customer relations.** TelePresence technology creates personal relationships at the branch level.
- **Reduce customer wait times.** Consider a network of 1,000 branches, with 1,300 specialists operating out of the 500 largest locations. At present, customers must wait an average of three minutes in line, or longer, during peak times to receive a brief consultation with a nonspecialist and, perhaps, schedule another appointment.[2] Similar delays occur at call centers as well.

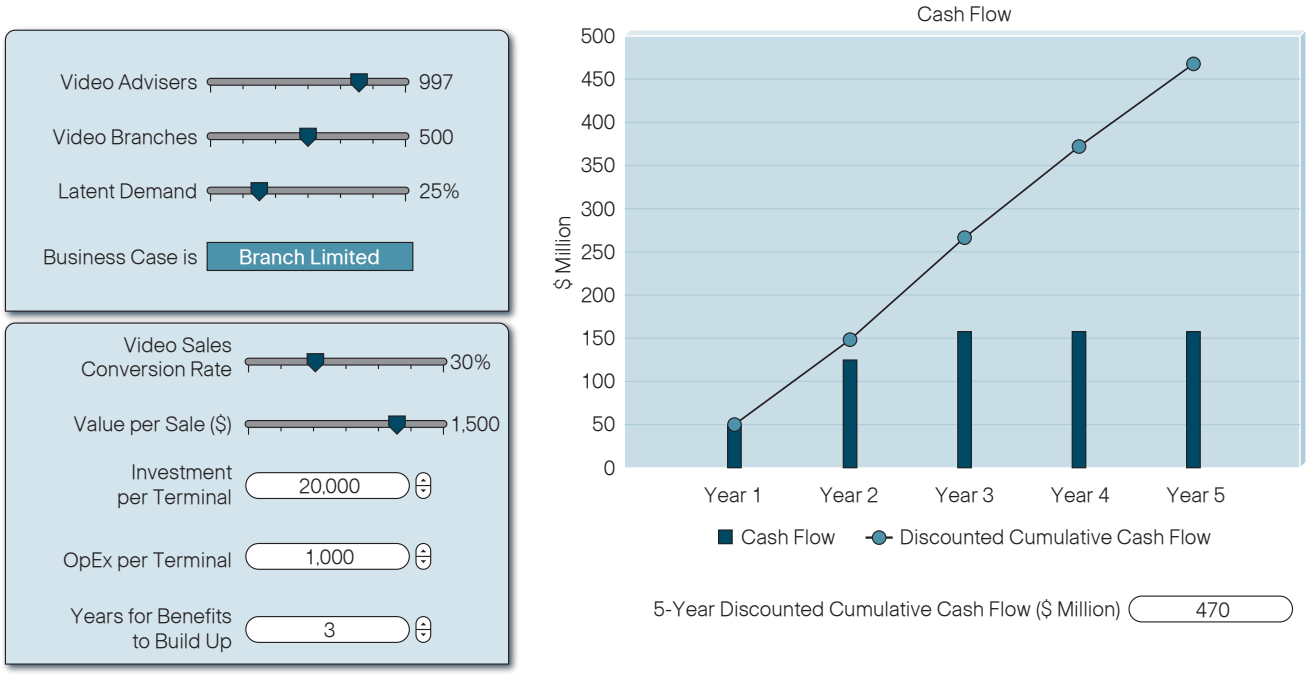
Using video technology to gain quick access to bank experts not only reduces customer wait times—it also increases revenue resulting from timely and appropriate "face-to-face" appointments, and lowers costs by reducing the number of branch-based advisers. The size of the benefits depends on several factors: how well the advisers are utilized, their sales efficiency, the amount of latent or unsatisfied customer demand, and the difference in sales-conversion ratios between physical and virtual face-to-face meetings.

IBSG developed an interactive model to analyze these ratios using assumptions of key variables from eBenchmarkers, an independent survey company, and from client banks. For example, in the United Kingdom, the average sale of financial products per week, per adviser is 8.2 out of 21 face-to-face appointments lasting 60–75 minutes, including preparing mortgages.

With this model, IBSG can test the financial impact caused by varying the number of TelePresence systems in branches, the number of advisers, the proportion of unsatisfied demand, and the different sales-conversion ratios (each bank, however, would need to estimate its own variables), leading to an improvement in cash flow of $100 million a year.[3] (This figure is based on the assumption that the sales-conversion ratio of TelePresence appointments is halfway between that of in-bound telephone calls and face-to-face meetings, and that the average revenue per sale is $1,500 for specialist products.)

2. This example is based on actual numbers provided by a British bank.
3. Ibid.

Figure 1. Impact of Cash Flow on Enabling Specialist Advisers with High-Definition Video



Source: Cisco IBSG Economics Practice, 2008

The interactive model in Figure 1 illustrates the impact that a range of inputs has on incremental cash flow derived from TelePresence banking.

The chart on the right in Figure 1 shows the cash flow, or incremental operating income, derived by applying a set of key inputs, which appear in the two left-hand boxes. Each input can be adjusted within a given range; as the range changes, the impact on cash flow adjusts accordingly.

Lessons IBSG learned from early pilots indicate that a video-enabled business model requires several changes in traditional processes to be effective. In particular, advisers must be trained not just on how to use the technology, but on how to respond appropriately to appointments on short notice. Meanwhile, customers must be coached and encouraged or, perhaps, provided incentives early on to use video contact centers.

Banks could also extend high-end video solutions to other customer environments, such as the home. In this case, bandwidth available at branches should be at least equal to that in the home. Residential bandwidth of up to 8 MB or, in practice, 4 MB, is more than sufficient for single-screen TelePresence applications and is now offered to U.K. households at only $20 per month. In other European countries, such as Greece, the same price provides up to 24 MB. Banks will need to negotiate with their telecommunications providers to ensure higher bandwidths and guarantee quality of service at most branches.

Finally, banks need support from senior-level executives who understand the business benefits of a Cisco TelePresence concept. These benefits are substantial in helping reduce or, in some cases, eliminate costs and increase revenue.

This business model offers several other advantages. First, TelePresence interactions can be recorded easily, thus facilitating both adviser training and compliance with financial industry regulatory requirements.

Second, customer satisfaction levels increase; IBSG experience indicates that a two-point rise in relative satisfaction index[4] leads to nearly a 1 percent increase in revenue. Banks, therefore, could offer TelePresence facilities to their business customers, who could use them for meetings outside peak times as part of an enhanced service offering. The facilities could also be used internally for staff training and meetings with executives.

Finally, retail banking based on a TelePresence model has a positive impact on the bank's carbon footprint resulting from reduced travel by the salesforce. Cisco estimates that its TelePresence solution will help offset travel and meet the company's goal to reduce its travel budget by 20 percent between fiscal year 2007 and 2008. The positive environmental impacts are a key ingredient in any business case.

Conclusion

By providing customers with timely access to the expertise required to make decisions regarding complex financial products, video communications—specifically Cisco TelePresence—will play a major role in improving customer relationships and service in retail banking. TelePresence solutions will help build consumer loyalty by enabling rich and regular communication between customer and relationship manager.

Pilot projects using high-definition video are a first step banks must take to enable TelePresence banking. One pilot could test a group of advisers using TelePresence to communicate among one another across several branches.

Another TelePresence pilot could place advisers in a contact center where they could discuss different product configurations with customers. This option would test a different way of operating in a new environment and a different way of doing business for both advisers and customers.

Such pilots represent major changes in the way advisers work, and their support would be fundamental to the success of video banking.

Incentives also may be needed, early on, to encourage advisers and customers to use the contact center, as well as create critical mass for TelePresence interactions needed to support its benefits and justify wider deployment.

4. Relative satisfaction index means that if an organization's customer satisfaction index is, for example, two points better than the industry average and increases to four points, then sales increase by 1 percent.

More Information

The Cisco Internet Business Solutions Group (IBSG), the global strategic consulting arm of Cisco, helps Global Fortune 500 companies and public organizations transform the way they do business—first by designing innovative business processes, and then by integrating advanced technologies into visionary roadmaps that improve customer experience and revenue growth.

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