

NEXT GEN BRANCH BANKING IS JUST NOT DIGITAL BUT MORE...

Banks today are facing disruptions from multiple fronts – Economy, Competition from peers and non-peers like Fintech players, technology and innovations. Amongst all the banking channels, the impact on the branch channel has definitely been the highest and its viability is being threatened. We are noticing for some time now mixed reactions from Banks to this.

Banks definitely will need physical branches. Customers want to visit branches when they need help or advice. The branch from a Bank's perspective continues to be a very effective sales and engagement channel.

Over the last decade, there are instances of most Banks shutting down branches while very few others have been adding branches as well. Whatever be the case, Banks now have no other option than to take their remaining branches to the next

Wells Fargo branch network is shrinking



Number of bank branches closing by 2018

Source: Wells Fargo

(3000 branches closed between 2009 and 2012 in the US)

level, to cater to the next generation and the changing customer behaviour. Banks have started exploring, defining and adopting

strategies. Next gen branch banking is a definitive and top strategy for most of the Banks today.

Shrinking bank branches since 2012



CLSA research, including planned Chase closures in 2016

Bank closures January 2015 - December 2016

Bank	Closures	% of network
HSBC	321	27
RBS (including Nat West)	191	10
Lloyds	180	14
Barclays	132	8
Co-operative Bank	117	53
Santander	87	8
TSB	18	3
Total Average	1,046	11

(Source: www.which.co.uk)

Background

Digital technologies have been in existence for some time now and have brought a very significant shift in the consumer banking behaviour within the financial world and outside like retailing and other business lines as well. Hence adapting to the changing Customer behaviour, needs and expectations and demanding customer experience is the clear mandate for Banks today. Next Gen branch banking is all about Banks transforming their branches and putting them on an accelerated track of digital technology enablement and adoption towards this goal.

Key Drivers

Let us look at some key drivers responsible for this change. Banks are seeing decline in number of customers visiting branches due to proliferation of other channels and the ease and experience provided there. This is slowly leading to lower branch transaction volumes, decline in branch productivity and hence leading to dips in branch profitability.

The trends impacting the current retail markets are spreading and Banks don't want to see zombie branches like the zombie malls. Time is running out and Banks have to learn from the experiences of the stories of retailers and their experiences, get ahead of the curve and equip to face the reality – an increasingly digital world.

Trend Overview

Let's see some typical branch models evolving out of this churn.

Social Branches have an open and inviting atmosphere, where customers come to hang out, have some free coffee, get great personal service from representatives in the lobby with hand held tablets and fast service from tellers behind teller pods. This helps in capturing more relevant customer information to sell the right product or service and a better, interactive customer experience. This will be a hit in urban markets having a strong brand name and high levels of customer loyalty. While we have all this, these Banks should also have the best of products and services to compete, sell and thrive for such models to be a market hit.

Tech branches will suit Banks having to serve smaller and non-urban markets where the focus will be getting deeper into neighbourhoods to provide basic services and work on a low cost model. Using Remote teller technology at standalone facilities is a good example.

Light branches is a concept adopted by Poland's mBank. It built a network of compact branches with ultra-modern multi-touch screens, motion sensing and facial recognition technologies. These were distributed across shopping malls in the country. These

were positioned for a higher foot fall and the first set of light branches tripled the sales of banking products compared to high street branches.

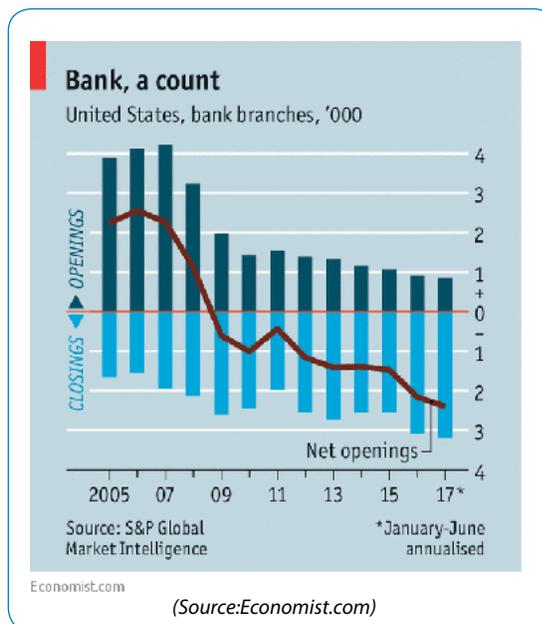
BoT Branches was initiated by Mizohu Bank by deploying robots in branches using IBM Watson cognitive computing platform in its branches to give them an IQ boost. They helped provide basic information on the products and entertained customers with multimedia and games. They have started using them to analyse information from online banking and customer specific information. This is aimed at personalised interactions. They have been able to free up staff to focus on high value work.

Smart Branch was started by Citi Bank using beacon technology at smart banking branches in Manhattan area.

This turns customer smart phones to keys for unlocking the doors. Customers at smart banking centres can use IPADs and enhanced ATM's meant for tellers to conduct their transactions.

Branchless banking model is also an option but there is a need to ensure very strong alternate delivery channels. This will not work for older demographics and to penetrate customer segments in rural areas.

Finally, it is important to assess the location to determine the viability of keeping the branch open and the model that will suit. The final model will have to be decided based on what best suits the bank's business model, client base and cost benefits.





Implications

The solution is not just dumping a branch model ...

'Customers who visited branches in the past year were found to have a better overall satisfaction than among those who did not visit a branch' as per a JD Power Retail Banking Satisfaction study.

(Source: finteknews.com)

Customers using multiple channels including branches have proven to be more loyal, more engaged and more profitable to Banks than customers who used only one or more digital channels as per another study.

Reinvent and Redesign the branch...

Migration to digital channels is on the rise. Most banks are slashing their branch network but some are seeing this as an opportunity. They are enhancing their branch tool kit, reskilling staff, refurbishing and face-lifting branches, moving staff from counters to open banking area for advice and assistance. Re-invention of the banking floor and re-designing the branch space is the key.

Don't end branch banking just in order to compete with others competitors.

Digitizing, differentiating from your competitors and doing it better is more important.

Converge Digital and human touch to make it effective

Banks can today shy away from the digital rush for some time but there is no alternative to adopting a digital strategy at the earliest. All banking decisions and transaction are not always simple. Customers may want to have more information, confidential discussions, make more informed decisions. They would want to interact with persons who have an alternate perspective and who can see the other side of the coin. And who others can they be, other than your personal bankers and bank staff, who have the Customer 360 view from the other side. So remember the digital has to be coupled with a human touch and branch is the only channel that can do it best.

Reinvest in your branches and allow technology and human interaction to meet and converge to drive greater outputs. Having a digital strategy and infrastructure is key but more important for the bank would be to use the digitization to truly engage with the customer, meet and continuously exceed their expectations.

Unify experience for Customer

Brick and mortar branches have to integrate with their digital channel strategy and rethink on their bank branching concept. Gone are the days when just a multi-channel strategy will yield solutions. Closer integration of all the channels and moving to Omni channel to provide a unified experience is the way forward.

Building a seamless experience across all the channels is very important. Never give a feeling to the Customer that one channel is a better experience than the other. The experience should be independent of the channel and the customer has to feel it and should forget the channel he is using. Mobile banking and online banking should not appear like channels plugged in, they have to be very closely integrated with the branch channel. Bank should ask themselves the following questions....

Are my customers getting the same experience across all the channels?

Are my customers able to initiate and continue a process in any channel?

Are my customers able to carry an application or information from one channel to another?

Are most of the common services offered on all the banking channels?



Identify the right Customer segment for Branches

Banks normally tend to cater wide segments of customer needs. There can be value-oriented customers, customers choosy on interest rates and pricing, customer always wanting self-service, customer always wanting advice, great in store experiences, knowledgeable staff so on and so forth. Banks need to identify which customer segments they want to cater in branches. They have to strategize if they want their branches to be just service oriented or sales oriented or a mix of both and the right mix of it that they want to achieve. The digital strategy of the Bank will largely depend on this crucial decision.

Evolve with Channel and digital expansion

A study from IDC concluded that Bank branches will be the key to fend digital challenger banks.

The brick and mortar branches will form the fulcrum of a healthy bank to customer relationship strategy and framework. Branches will provide all the valuable face to face interactions and support its other channels. Across Europe we are seeing more of branch refurbishing on one side with shut downs as well on another side. Rise of technology has threatened Banks but the real gainers are those who have capitalized this to enhance branches and continue their relevance.

UK's Halifax says one in two transactions made at their branches is involving self-service transactions rather than human interaction. So staff will be able to deliver more informed financial advice. A vast majority of customers want the best of both worlds – convenience of banking on the move with the latest technologies and a helping hand in case of need.

Branches will stay on and will offer a major competitive edge to digital financial services. Branches need to evolve constantly with its channel network to continue on delivering its unique value. The future of Banks is still largely rooted in their Branches and how well they are evolving with channel integration, proliferation and the Bank's digital strategy. Banks are moving from a product centric framework to customer centric framework, from physical spread to digital expansion and distribution.

In this journey, Branch will continue to be the hub of this change. The strategy that Banks would need to adopt will differ based on the geography, Bank's vision and strategy, regional competition, business mix, customer profile etc.

BANK

Accounts

Personal Account

\$ 10.000.00

Electricity

111111111

Last payment:

2015-02-12



Cell Phone

22222222

Last payment:

2015-02-01

\$ 75.00

Bank Visa

33333333

Last payment:

2015-01-29



\$ 100.00

Credit Cards

Transfers

Deposites

About the Author



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Venkat is a Principal Consultant with the Infosys - Financial Services – Domain Consulting Group providing consulting services to Banks in strategic transformational journeys. He has over 30 years of experience that include stints as a Senior Retail branch head, lead role in a Bank's information technology division and leading a global Core Banking product group's activities in an IT major. He has strong expertise in Retail banking, Core banking and surround solutions. Some of the key transformational programmes supported in large global banks across US and Europe are across areas in Core Banking , Retail lending, Branch transformation, Dealer lending, Test data management and Ring fencing areas.

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