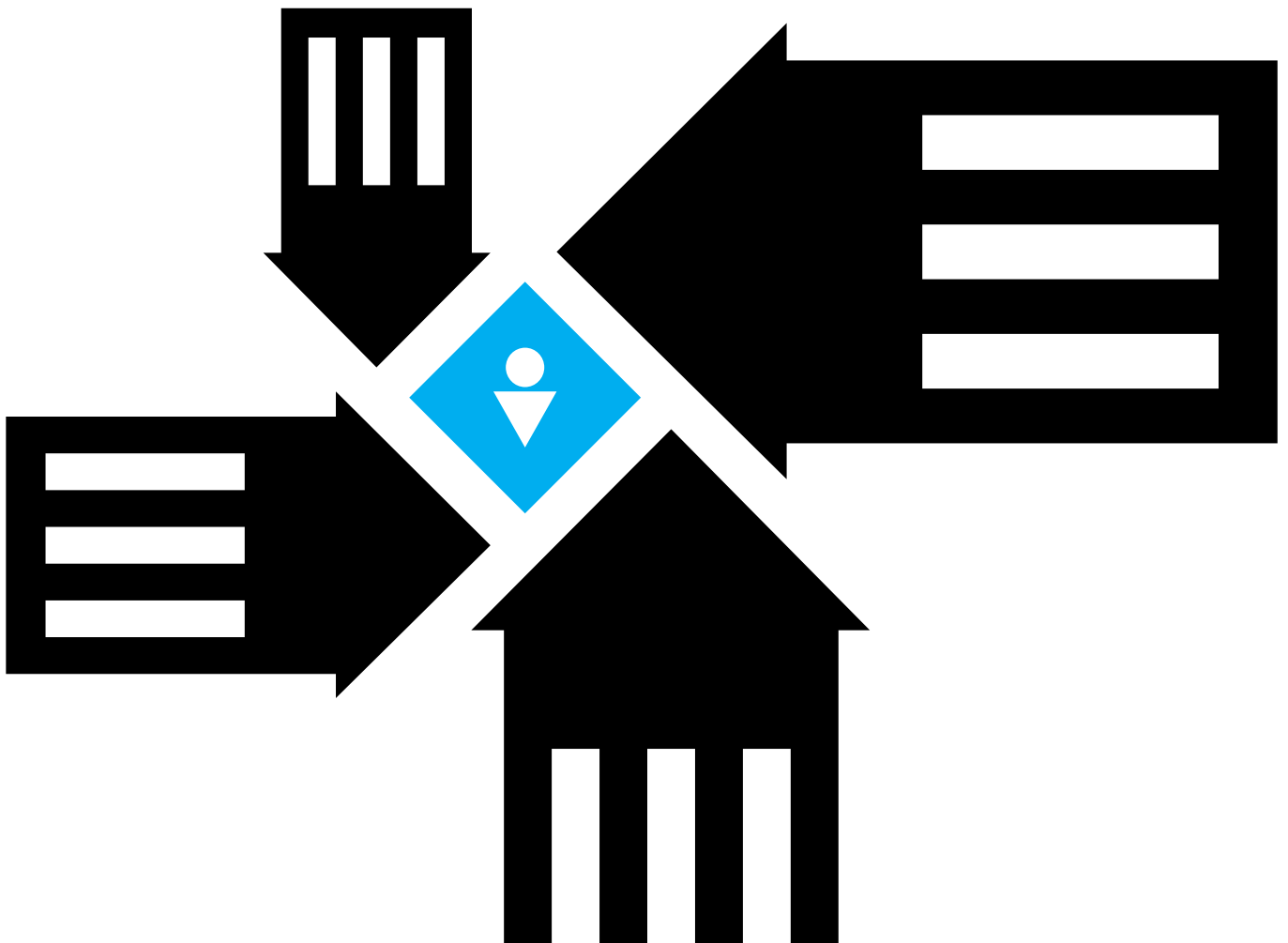


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BRANCHES OF CHOICE: THE FUTURE OF THE RETAIL BANK BRANCH

DAVID POOLE



Since nearly the inception of banking, the branch (or its early-days equivalent) was at the center of the banking experience. But today, new technology and consumer expectations mean that the branch is just one touchpoint among many within a customer-centric brand ecosystem.

Customer behavior is changing and the latest research reveals new patterns: In 2015, mobile surpassed branches for the first time in terms of which platform U.S. customers use to perform their weekly banking.¹ In fact, just 14% of bank transactions occur in a branch, with a majority (53%) being completed online.² And when customers do visit a branch, their goals are quite different. Most often, they are looking for personalized support and more in-depth conversations related to sophisticated products.³ This requires branch employees – of whom there are fewer than ever – to step out from behind their teller windows (increasingly with tablets in hand) and engage their customers.⁴

In response, banks are launching a new range of bank branches and redefining how, when, and where customers can interact. This new range of bank branches has major implications for the future of the industry, and requires a nuanced understanding of customers' lives and journeys.

The future of the bank branch is really about customer choice, with new

branch formats and more complex customer journeys differentiating leading banks from also-rans.

The changing branch landscape

Our financial lives are increasingly complex, which means that we want to feel confident in our financial decisions. In the past, we confidently looked at banks as guardians of our money, safely stored in a fortress-like building. Nowadays, that confidence stems from the empathy and understanding of a financial coach. This, in turn, makes certain in-person interactions (with the trust and reassurance of face-to-face relationships) crucial.

Research shows a majority of customers prefer branches for complex services such as sales and advice.⁵ In fact, a portion of younger customers (23% of Millennials to be exact) still bank primarily at a branch.⁶ And branches have other benefits, such as the value of relationship-building.

Nor is shifting to mobile channels a panacea. While mobile transactions cost less for the bank – just \$0.19 compared to \$4.00 in the branch – they cannot entirely replace the experience of branches – that is, the physical connection to people.⁷ The solution is to rethink the role of the branch, and to design a range of branches that use digital tools and physical architecture to deliver desired experiences.



This is not a challenge of digitizing the bank branch. This is a challenge of banking in a digital world.



¹Quartz. "There are officially more people doing their weekly banking via mobile phones than branches." <http://qz.com/583100/there-are-officially-more-people-doing-their-weekly-banking-via-mobile-phones-than-branches/>.

²AlixPartners. "After years of growth, banks are pruning their branches." <http://www.alixpartners.com/en/MediaCenter/IntheNews/tabid/820/articleType/ArticleView/articleId/576/The-Wall-Street-Journal-After-Years-of-Growth-Banks-Are-Pruning-Their-Branches.aspx#sthash.SqUOxai.d3sKFHdV.dpbs>.

³Ernst & Young. "Winning through customer experience EY global consumer banking survey, 2014." [http://www.ey.com/Publication/vwLUAssets/EY_-_Global_Consumer_Banking_Survey_2014/\\$FILE/EY-Global-Consumer-Banking-Survey-2014.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Global_Consumer_Banking_Survey_2014/$FILE/EY-Global-Consumer-Banking-Survey-2014.pdf).

⁴The average branch staff has dropped from 13 to 6. PwC. "Rebooting the bank branch: Reinventing branch banking in a multi-channel, global environment." <http://www.pwc.com/us/en/financial-services/publications/viewpoints/assets/pwc-reinventing-banking-branch-network.pdf>.

⁵Ernst & Young. "Winning through customer experience EY global consumer banking survey, 2014." [http://www.ey.com/Publication/vwLUAssets/EY_-_Global_Consumer_Banking_Survey_2014/\\$FILE/EY-Global-Consumer-Banking-Survey-2014.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Global_Consumer_Banking_Survey_2014/$FILE/EY-Global-Consumer-Banking-Survey-2014.pdf).

⁶Bank Innovation. "Millennials are better with money than you think." <http://bankinnovation.net/2013/12/millennials-are-better-with-money-than-you-think/>.

⁷PwC. "Retail Banking 2020: Evolution or Revolution?" <http://www.pwc.com/us/en/financial-services/publications/viewpoints/assets/pwc-reinventing-banking-branch-network.pdf>.

Branches of Choice

This changing landscape presents banks with an opportunity to design branches in entirely new ways, and interact with their consumers through more contextual and unique experiences. In an effort to optimize the bank branch, banks are seen embracing a new strategy, which we call Branches of Choice.

Bank branches still matter, but there are distinct classes with specific roles. And these discrete classes must ultimately support omnichannel customers and their desires for a seamless blend of digital and physical spaces.

Banks are developing four types of branches (see Figure 1), each with separate objectives. The distinct types are (1) destination or flagship branches (typically in urban centers, like the Umpqua branch in San Francisco); (2) smaller, nano branches (where there is less foot traffic like in BMO's studio or neighborhood branch); (3) pop-up branches (where there's seasonal demand, as with PNC in Atlanta and Citi Lounge in airports, or mobile banks-on-wheels); and (4) a network of self-service tools and ATMs (like Bank of America's Teller Assist).⁸

Through combinations of these four formats, banks can ensure that they have addressed the full range of customer needs.

FIGURE 01

Decision guide for Branches of Choice

Determine the right blend of branch formats with proximity to your customers.

BRANCH TYPE	CHARACTERISTICS	DECISION GUIDE
Destination/ Flagship branch <i>Umpqua Branch, San Francisco, United States</i>	A large footprint hub in a high-traffic, high-visibility urban location that provides the most immersive, advisory, full-service experience.	When the customer need is less defined, typically around a life event, and high-touch consultation is required.
Nano branch <i>BMO Studio Branch, Toronto, Canada</i>	Small footprint (under 1,000 square feet), neighborhood branch with minimal staff and maximized digital self-service functions.	When the need is routine, time-sensitive, and well-defined.
Pop-up branch <i>PNC's Seasonal Bank, Atlanta, United States</i>	Small footprint branch either on wheels or easily moved to service a seasonal need or event. Minimal staff and maximized self-service.	When service is needed outside the branch footprint or in rural locations, the need being urgent and well-defined.
Self-service branch <i>Bank of America's Teller Assist ATM, multiple locations, United States</i>	Tiny footprint kiosk or next-generation ATM with no staff on site, yet full service available through video conferencing.	When service is needed outside typical banking hours and the need is urgent and well-defined.

⁸That still leaves a gap in under-banked, rural communities where consumers have to travel a long way to bank in person. One scenario working in Japan and the UK, and being discussed in the United States, is banking at the post office.

A few leaders have already seen promising financial outcomes by changing their branch portfolios. The right location and site within that location can lift branch performance by roughly four times.⁹ And, in developing Asian markets, a Branches of Choice approach caused Capex investment returns to be two times higher – with a six to twelve months faster payback.¹⁰

FIGURE02

Evolution toward Branches of Choice

Branch experiences will be personalized around customer needs.

BRANCHES OF CHOICE REQUIRES CHANGE

FROM	TO
One-size-fits-all	A range of options
Specialized roles: teller, manager, customer service, advisor	Flexible roles: the Universal Banker
Customers experiencing the branch channel within the brand	Customers experiencing the brand
Inconsistent personality, options, and services	Consistent experience
Customer, location, and need not recognized	Contextual relevance, unique to the branch
Static	Real-time
Branch dependence	Branch convenience
Expected banking services	Unexpected, delightful, value-added services

FIGURE03

Value of the branch network

Consider how Branches of Choice can offer value to customers and banks alike.

VALUE TO CUSTOMER	VALUE TO BANK
One-stop shops and access to expertise	More efficient customer management
Personalized attention	Greater revenue through increased cross- and upselling
Options based on interaction type	Increased customer retention
Alignment with needs and preferences	Reduced serving costs (up to 30% per Capgemini) ¹¹

⁹ Bain & Company. "Future of the bank branch in Asia: Redesigning footprint and format." <http://www.bain.com/publications/articles/future-of-the-bank-branch-in-asia-redesigning-foot-print-and-format.aspx>

¹⁰ Ibid.

¹¹ Capgemini. "The Future of Bank Branches: Coordinating Physical with Digital." http://www.capgemini.com/resource-file-access/resource/pdf/digital_banking_pov_25thapril_4_0.pdf.

The in-branch customer journey

To plan the right digital experience at the right time and place within the branch, along with considering how it reinforces the brand's strength, marketers and their bank clients should focus on breaking down the customer journey through the branch into multiple steps (see Figure 4).

In this example, that customer journey is broken down into eight steps. Although often neglected, the first three

establish crucial first impressions, from the branch's street view (initiate) to its façade (attract) and entry (engage).

This is followed by considering the question that each step of the branch experience must address in order to engage the customer successfully (see Figure 5). For example, with the initiate step, what motivates the customer to visit the branch?

FIGURE 04

Eight steps of the in-branch customer journey

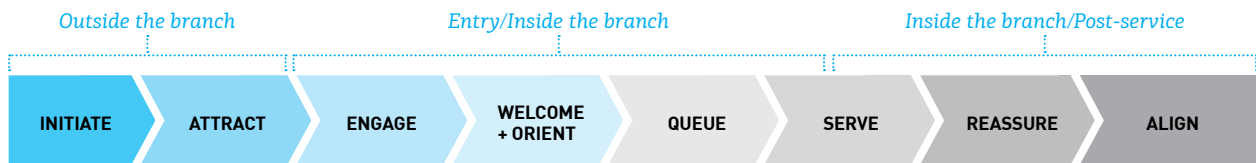
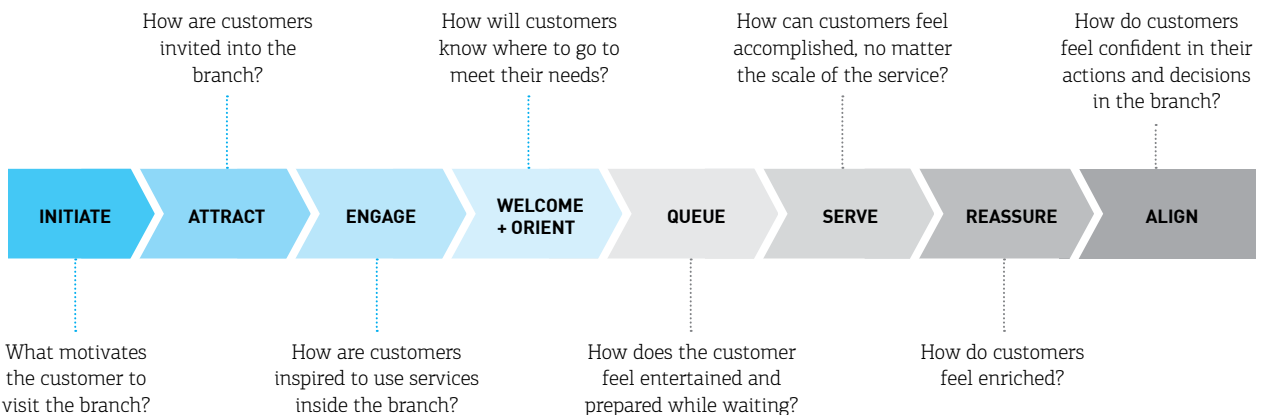


FIGURE 05

Questions for the branch experience to address at each step of the customer journey



DESIGNING THE BRANCH OF THE FUTURE IN FOUR PHASES

With these questions building on a deeper understanding of the customer (see Figures 4 and 5), we can then consider the customer's emotional needs and how they shift throughout each journey. For example, while a journey could take only minutes, the consumer might shift from motivated to optimistic, followed by intrigued and compelled.

Once those needs are established, however, the service blueprint begins to take shape. The branch format can then be considered by looking at how each format uniquely meets customers on their journeys. The takeaway from the

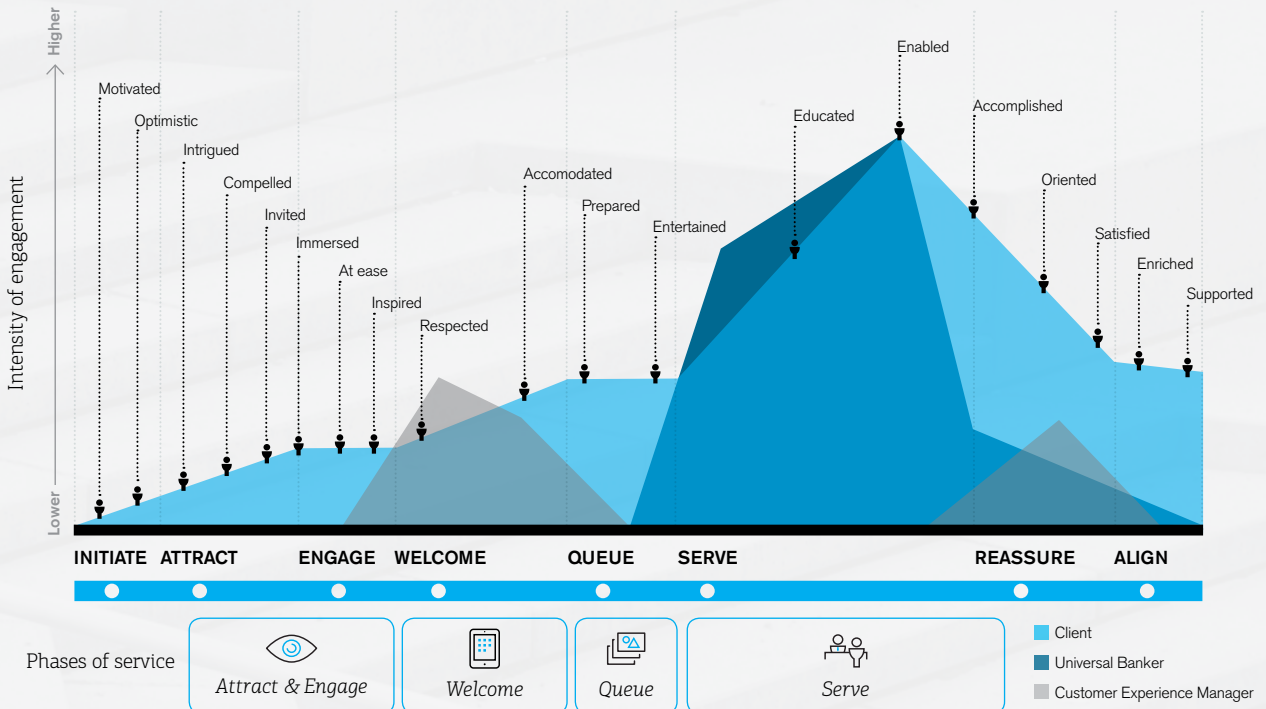
range in intensity of engagement (see Figure 7) is not just that destination branches have greater engagement, but that the context and service for each of these branches provide unique opportunities (see Figure 6).

Why do people go to a branch? The drivers can be as diverse as the individuals. They just want to interact with a person. The service legally requires an in-person visit. They are not comfortable handling their needs remotely. They have reached life events that require education, advice, and reassurance. They just happen to be passing by a branch and it is convenient.

Each stage of the journey has the ability to change the way that the customer feels.

FIGURE 6

Building a service blueprint: Emotional needs

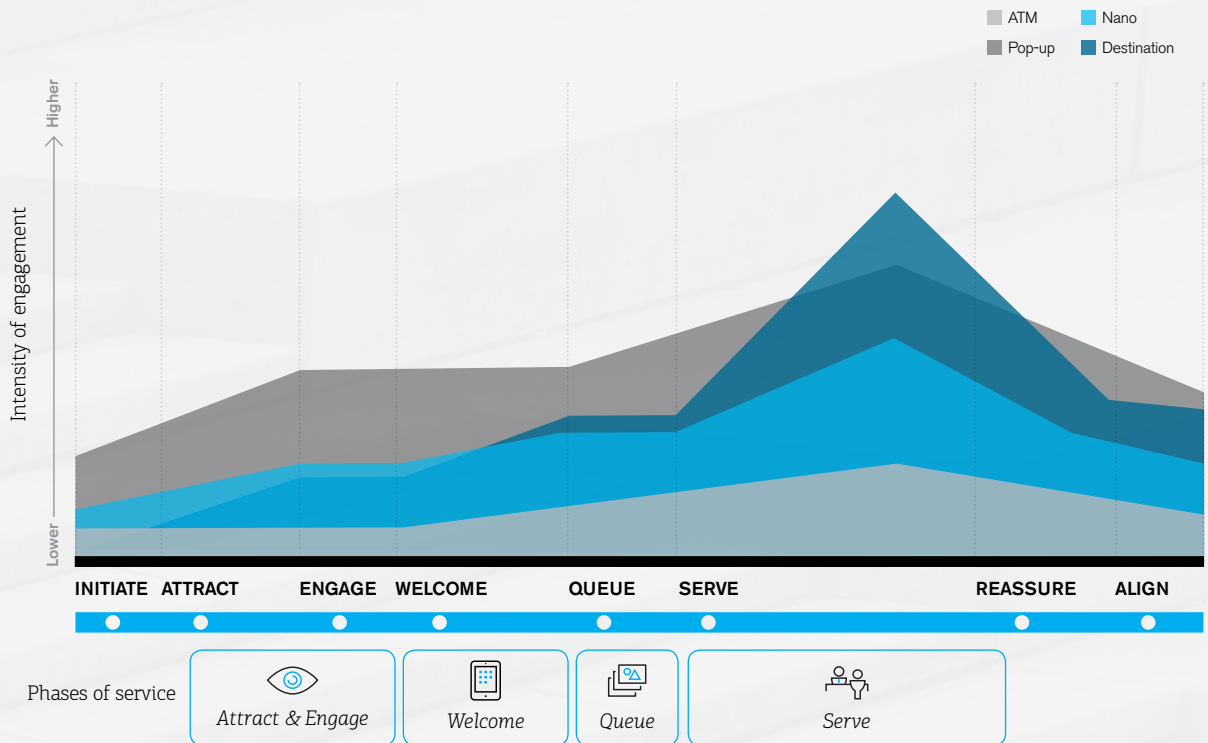


For example, as seen in Figure 7, visitors to a pop-up branch are likely to have higher engagement in the *initiate* and *attract* stages of the journey because the visit may be more spontaneous and unexpected. A nano branch has a lower service engagement because the service may be less complex than that of a destination branch. And the ATM will have the lowest engagement overall because the expectations of the visitor are pretty straightforward.

Another example stems from the queue, where customers need to feel prepared before being greeted by a banker. In a destination branch, the engagement is highly intense and an opportunity for digital experiences encompassing “edutainment” and cross-sell. In the other branch formats, the queue poses less time and more compact spaces, allowing for that same opportunity to be realized at a lower intensity.

FIGURE 07

Building a service blueprint: Intensity of engagement



Finally, banks can apply their service blueprints to plan the blending of spaces – digital, physical, and emotional. The extension of a mobile banking app experience into the branch – through geo-fencing or integration with in-branch, digital screens – is a great example. It can also prepare the bank’s Customer Service Manager and Universal Banker for their roles, highlighting the choices that they can offer to delight branch visitors at each phase of the journey.



PHASE A
Attract & Engage



PHASE B
Welcome



PHASE C
Queue



PHASE D
Serve

EXPERIENCE PHASES



PHASE A ATTRACT & ENGAGE

The Attract & Engage phase invites clients to approach a digital façade, leading them into the space through a physical installation that concludes at a digitally-enhanced customer service area.

EXPERIENCE COMPONENTS

Digital Façade

A projected digital façade is a flexible system that displays brand, community, and product messages through text and images.

Physical Installation

Physical elements that are integrated with the digital façade continue throughout the branch, defining spaces and integrating with the reception area.

Visitor Reception Area

This area frames the Service Team and aesthetically aligns with the content on the digital façade, creating a cohesive experience inside and out.





PHASE B WELCOME

The Welcome phase provides support for self-service as well as digitally-assisted servicing – outside the confines of a traditional bank layout. It includes two main components: clienteling tools and education panels.

EXPERIENCE COMPONENTS

Clienteling Tool

The Service Team clienteling tool is a handheld device that can be used to accomplish administrative tasks, answer questions, and educate clients.

Education Panel

This digital panel allows clients to access self-service tools and have opportunities to educate themselves on different products and services offered within that specific branch.



PHASE C QUEUE

While clients wait for service (the Queue phase), they use a range of their senses, deepening their comfort and engagement with the branch environment and the bank's brand.

EXPERIENCE COMPONENTS

Sight

Visual Exhibition

Artwork can feature local artists or initiatives commissioned by the bank that reflect their community impact.

Sight

Responsive Lighting

Lighting can react to client presence or activity in the space.

Sight

Interactive Screens

Interactive elements can be stand-alone pieces or integrated into service/seating areas.

Sound

Ambient Music & Focused Audio

Local or curated music can be played in the space. In addition, focused audio in areas around the branch can feature narrative content, audioscapes, or audio-entertainment (podcasts, etc.).





PHASE D SERVE

The heart of the new banking experience, the Enhanced Banker Workstation and Client Tool, will support the variety of service scenarios whilst maximizing reuse of the space. They represent the Serve phase and integrate with secure wireless technology to allow the banker to work from any workstation. The Client Tool will operate as a secondary screen to the banker workstation, displaying information back to the client as tasks are completed. The Client Tool is networked to the workstation, allowing the client to provide information and selections through the device.

EXPERIENCE COMPONENTS

Enhanced Banker Workstation





The workstation is a flexible space that integrates with wireless banker technology. This space can be adapted to suit the tasks of the banker and the focus of the conversation with the client.

Client Tool

The client tool is a window into the Enhanced Banker's process, providing input to the banker, as well as visualizing financial information, allowing multiple clients to collaborate at once, and provide tools to educate clients on making thoughtful and considered decisions.



MEASURING A NEW BRANCH EXPERIENCE: IMPLEMENTATION

	 PHASE A			 PHASE B		 PHASE C			 PHASE D		
CUSTOMER JOURNEY	Attract + Engage			Welcome		Queue			Serve		
TIME TO LAUNCH	Short			Medium		Short - Medium			Long		
COMPONENTS	Digital Façade	Physical Installation	Visitor Reception Area	Clienteling Tool	Educational Panel	Visual Exhibition	Responsive Lighting	Interactive Screens	Ambient Music & Focused Audio	Enhanced Banker Workstation	Client Tool
EASE OF IMPLEMENTATION <i>1 is easiest, 5 is most difficult</i>	2	4	2	4	2	3	4	3	2	5	5
BUSINESS VALUE	+++	++	++	+++	++	+++	+	++	+	+++	+++

How do you know if your branch ecosystem is right?

Branch customers should feel as if every product, service, and interaction is personal to them. The bank is a space oriented around service. Customers want banking to be accessible, allowing them to feel confident and empowered by their financial choices from every interaction on every channel.

While established banks feel weighed down by their portfolios of branches, looking at branches as part of larger ecosystems of consumer interactions can help to relieve that burden (see Figure 8).

Frank & Oak is a great retail example. The Canadian-born menswear brand (which provides a unique product collection each month) saw its physical presence as a complement to its digital shopping platform. After starting online only, the brand ultimately saw the need to launch flagship stores where consumers could set up appointments with curating Style Advisors, drink coffee, and even benefit from barbershop services. Another example is Bonobos,

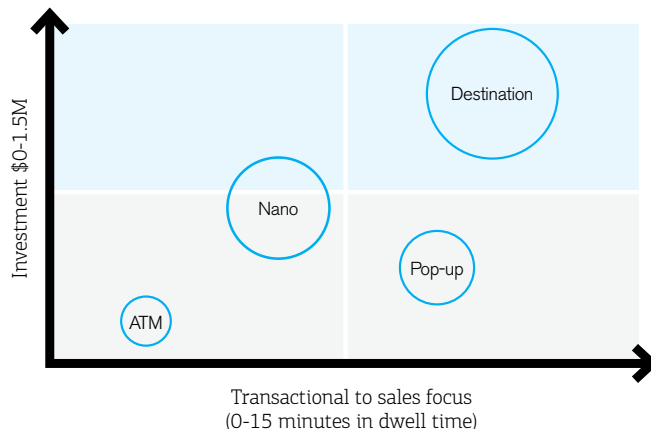
a retailer that embraced showrooming with a clothing store that does not allow consumers to buy physical products – they must order online.

Now, imagine that you are a direct bank. Why would you open a physical branch? And what would that branch be like? The branch is not one-size-fits-all. Customers demand choice.

FIGURE 08

The Branches of Choice ecosystem

Offer choices in branch format to meet customer needs – ranging from transactional needs to more consultative experiences at larger, destination branches.



LEADING EXPERIENCES IN BANK BRANCHES

Who is doing it right today? Best-in-breed branches are focusing on consumer needs, existing because the consumer wants them to and not because the bank requires customer visits. These banks innovate beyond the table stakes of dispensing cash, cashing checks, transfers, and account balance management. An exemplary player is the direct bank

Capitol One 360 Café with its Apple Genius Bar approach. Other innovators include Poland's mBank and its integration of digital in a small footprint, Umpqua with its interactive touch wall, and Virgin with the perks and delights of its Virgin Money Lounge. And, for sheer sci-fi, look to Bradesco Brazil with its robo-greeter.

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Conclusion

Digital did not kill the branch. It drove the evolution up the value chain to help customers solve for longer-term financial security. Consumers see banks in a different light today – less as austere gatekeepers and more as lifestyle-enablers. Consumers do not expect long waits, they expect to be waited on. The tables are turning.

What does the bank of the future look like? Branch portfolios will include different blends of formats depending on the populations and geographies served. The majority of transactions will be self-service, with an easy way to check in and validate any decisions with an informed banker. Branches will be more open plan, with fewer tellers and glass divides, oriented around customers' emotional journeys (described in the Service Blueprint section on pages 6 and 7).

The retail bank of the future will be hip – a place you are proud to post

from, a third place to escape to, a members-only lounge where you are a regular. The banker of the future, on the other hand, will be a telepath, using predictive analytics to serve your needs before you voice them. When you say you are meeting with your guru or guide, it could very well be at a bank. And, from the bank's perspective, the branch will be a research epicenter for the brand, a lab to understand customers and prototype solutions, the Khan Lab School of banking.

In designing for Branches of Choice, you must first determine what choices matter to your customers and their emotional needs within the branch journey. This is not a challenge of digitizing the bank branch. This is a challenge of banking in a digital world. Your branch is no longer recognizable as your bank, but instantly recognizable as an expression of your bank's brand – an expression of a brand consumers want to affiliate with.



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David leads strategy for the Financial Services Center of Excellence, which is responsible for supporting our global network of clients in thought leadership, innovation, transformation, and consumer insight.

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