DIEBOLD PERSPECTIVE

The next 'big thing' in technology

A successful branch transformation is greater than the sum of its parts

Raja Bose
Diebold

By Raja Bose, Vice President, Branch Transformation & Advisory Services

Banks have been contemplating the 'Branch of the Future' for more than a decade. However, dramatic changes in consumer behaviour, a challenging interest rate environment, increased regulatory pressure and the rapid adoption of mobile technology over the past several years have significantly accelerated the need for banks to take action and re-fashion their most expensive distribution channel.

The need for a change

It is a well-known fact that retail banks have been under tremendous pressure to deliver improved and sustainable profitability. As traditional revenue streams have eroded, many banks have turned to aggressive cost rationalisation to improve profitability. A key area of this focus has been the branch. However, this remains a challenging proposition as the majority of new accounts are still opened in branches and, in most cases, the branch represents the primary and most effective way to communicate a bank's brand to its customers. Lastly, the reality is that many customers still prefer to visit the branch for certain transactions and consider branch location when selecting a new bank.

For years banks referred to their digital channels as the 'alternate' channels. But, as current transaction volumes suggest, online and mobile are increasingly becoming customers' primary channels for routine transactions. And the branch, where we have seen a steady decrease in transaction volumes, is now the alternate channel. And while the branch will continue to be the channel of choice for opening new accounts, seeking financial advice and resolving complex problems, today's branches do not necessarily reflect this new reality. Specifically, the size of the branches, the number of outlets and their roles are not aligned with typical consumer behaviour. If the branch is central to complex, relationship-based interactions, it should be reconsidered from a staffing, design, operations and technology perspective.

Today's branches do not necessarily reflect the new reality

While digital channels have offered greater convenience to customers and have reduced the cost to serve for some banks, their broad proliferation has, in some ways, diminished any differentiation that early adopters of these channels once enjoyed. Although somewhat counterintuitive, the branch has become the primary way for banks to differentiate themselves from competitors. To that end, banks should look for opportunities to transform their branches in a manner that drives operational efficiency and enables their staff to focus on what really matters – delivering the high-value service and advice customers need.

As many top retailers have realised, physical location still matters to most consumers. It is why Apple revolutionised the retail experience, and now even Google and Microsoft are contemplating retail stores. However, leading retailers have also realised that a physical store not tightly integrated with its online and mobile presence quickly loses relevance with today's consumers. Examples of some retailers that have successfully bridged the online/offline gap include Next, The Orange Shop and Supercuts. As a whole the retail financial services industry has not kept pace with top retailers in this regard. Today, most branches are still digital 'islands' – essentially disconnected from the bank's online and mobile channels. To make branches relevant for the next generation of customers, banks must look for ways to better integrate the experience across their digital and physical channels.

The transformation opportunity

Many banks are looking for the next 'big thing' in technology to help them solve their branch challenges. However, the most successful branch transformations have followed a balanced approach to upgrading branch staff skills and goals: rethinking processes, making changes to the branch layout and design, and the thoughtful deployment of technology that enables many of these changes to occur. The reality is that most branch transformations can be completed with today's technology. They can be done using traditional ATMs, teller cash dispensiers and recycler, and two-way video conferencing. Banks can leverage the investments they have already made in facilities and technology to create a more effective branch presence.

Staff will likely assume more 'universal' roles within the branch and focus more on sales, complex problem resolution and improving the customer experience rather than tending to routine transactions. While these roles will require better qualified and more expensive staff, the incremental cost will be more than outweighed by lower attrition rates, improved customer satisfaction and higher sales.

In conjunction with new staffing models, processes must be modified to enhance the customer experience that banks wish to deliver. Everything from how a customer is greeted upon entering, to how they are directed to the appropriate area to be served, to how cash is handled (or not handled) by staff needs to be rethought. These changes should not only consider the end-customer experience but also the branch's efficiency, allowing staff to focus on engaging customers.

While there have been attempts at revamping branches, generally, these have amounted to adding a few sofas, serving coffee and putting aside some space for a children's play area. Although these elements are potentially attractive, changing the look and feel of your branch should not only reinforce your brand (such as sofas and coffee may do), but also facilitate ease of interaction with your customers and make your staff's jobs easier to perform. For example, one institution that wanted its staff to greet customers at the door installed two walls of floor-to-ceiling windows, enabling its staff to see customers as they arrived in the car park. Staff were thus able to be at the front door ready and waiting for the customer rather than rushing to the front when someone walked in.

Lastly, consider the technology your branch needs to enable these changes to occur. Much of this will depend on your overall strategy. For example, one bank may be highly focused on efficiency. In that case, the bank may opt for more self-service devices and modify its branch and staffing model to encourage consumers to use these devices in order to reduce costs. Another bank may have a high-touch consumer experience strategy in which tellers continue to complete the transaction on behalf of consumers. This bank may benefit from cash recycling technology that streamlines teller-based transactions. The reality is that most banks fall somewhere in between and would benefit from deploying a combination of these models.

Making technology personal

On the surface, interfacing with ATMs and online and mobile banking platforms appears to be highly impersonal. There is no familiar face greeting the customer. There is no conversation. No rapport. Yet the self-service banking experience can still be personal. It is more than an ATM or online interface simply knowing a customer's name or remembering his or her transaction preferences. It's about enabling customers to complete efficient, reliable transactions that emulate a human interaction.

For example, ATM deposit automation technology allows a customer to complete cash and cheque deposits in much the same way a teller does. And when it comes to resolving issues, such as temporarily increasing an ATM withdrawal limit, two-way video at the ATM can connect customers directly with live bank representatives. Customised ATMs can even offer the ability to print cheques at the terminal. Essentially, the experience you offer your customers is the 'face' of your bank. In each of the above cases, customers are interacting with a machine, yet they are able to perform tasks that were once relegated to the teller. Similar experiences extend to online and mobile channels, where customers can easily make remote deposits, check account balances and transfer funds.

Beyond the technical capabilities of new technology, banks should also consider how they deploy new solutions. There have been numerous instances of banks simply installing new technology and expecting that customers will simply adopt a new way of transacting. A more successful approach entails truly understanding your customers, including demographics, transaction profiles and propensity to use new technology, among other factors. Once you understand your customers, you can develop a comprehensive plan that includes elements such as employee education, consumer marketing, changes to pricing and incentives, and live support.

The industry is rapidly moving to automate more functions that are performed within bank branches. However, given the relatively low adoption rate among customers of the capabilities already available and deployed today, there is ample room for improvement. However, if banks look at branch transformation more holistically and begin to make changes in staffing models, processes and branch design, they will be well-prepared as technology improves – as it inevitably will. ■

Banks can leverage the investments they have already made in facilities and technology to create a more effective branch presence

The self-service banking experience can still be personal

DIEBOLD
INNOVATION DELIVERED®