

A young man and woman are shown in profile, facing each other and smiling. The man is on the left, wearing a plaid shirt, and the woman is on the right, wearing a white shirt. The background is a solid yellow color. In the top left corner, there is a blue square with the word "GLORY" in white. In the bottom right, there is a dark brown and purple banner with the text "HOW TO MAINTAIN FACE-TO-FACE BANKING".

GLORY

HOW TO MAINTAIN FACE-TO-FACE BANKING

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A woman with long, dark, curly hair is smiling broadly while shaking hands with another person whose back is to the camera. The scene is set in an office with bookshelves in the background. The entire image has a purple color overlay. A yellow curved graphic element is in the bottom right corner.

THE LOCAL BRANCH CHALLENGE

THE LOCAL BRANCH CHALLENGE



Consumer behaviour has radically changed.

As digital banking apps have evolved to cover an ever-wider set of services, more and more of our financial life has migrated online, reducing the need for most people to actually walk into a physical branch.



In the past, cash transactions also made up a large part of our bank visits, and while cash remains a popular and important payment method, the need for in-branch cash transactions has diminished.

The result is that many branches no longer receive enough footfall to remain economically viable.

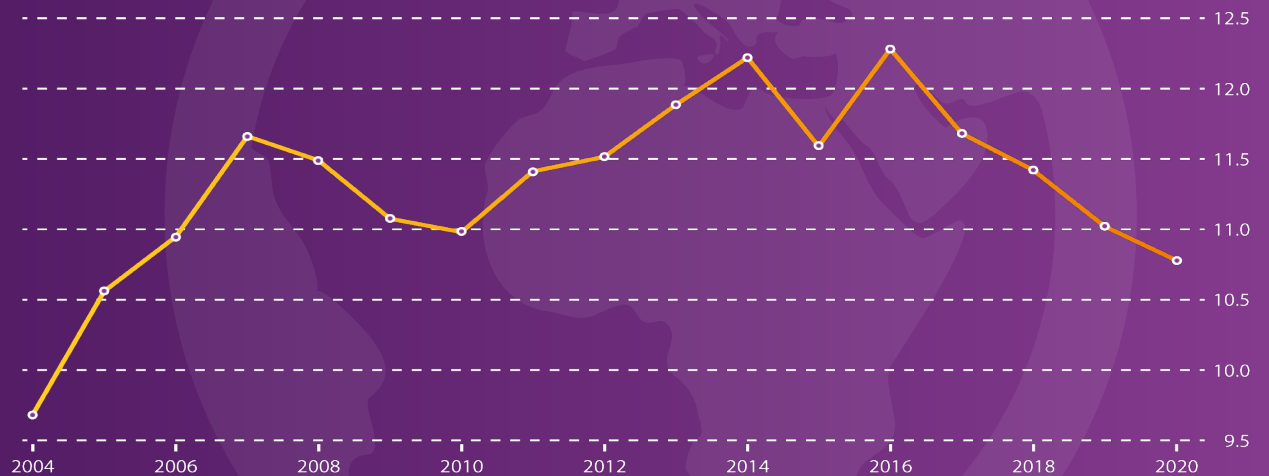
Our banking infrastructure was designed for a pre-digital, high-cash age, and, while we remain a very long way from the much-promised cashless society, we are now in a less-cash era in many countries. As a result, bank branches are closing around the world, particularly in more developed markets.

Banks have no desire to lose the physical connection to their customers, or to leave rural communities without the access they need.

But the economics of the branch have changed, and the way banks reach their customers must evolve too.

The question is, in this new landscape, how can banks find the balance between the service they want to provide for their customers and the cost of maintaining local, face-to-face banking?

Global bank branches per 100,000 adults



Source: *International Monetary Fund, Financial Access Survey*



WHO NEEDS THE
BRANCH ANYWAY?

WHO NEEDS THE BRANCH ANYWAY?



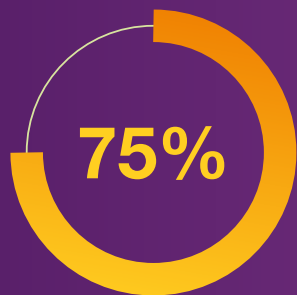
Consumers

While the majority have moved online, some still just prefer to bank in branch, especially older generations.

Others depend on it because they earn in cash, such as many who are self-employed. There is another large group who don't need the branch often, but feel it's important when they do. The fact is, the majority of bank customers still want convenient access to a branch.

For many, it's not just the loss of basic banking services such as deposits, cashing cheques, and account changes – it's the financial advice and customer service that is essential for them. The ability to talk through their problems face-to-face and find a solution. Video calling is helping, but it's not for everyone.

Access to cash is also a huge piece of the puzzle. When the last bank closes, for many communities it can become difficult to even access cash, or they may have to pay fees just to withdraw the money they need.



Consumers opposed to removal of cash transactions in branch
(cash deposit, withdrawal, bill pay, etc)

Source: YouGov for Glory, Oct 2022

Cash usage across 3 major developed markets:



59%
of US adults say they make a purchase in a typical week using cash



£3.45bn
record breaking amount of cash handled by the UK Post Office in August 2022



73%
POS and P2P payments made using cash across the EU

“

*Although branches may pose considerable operational costs, they **remain relevant for customers**. The branch also offers a **tangible brand presence** in communities and acts as an institution of trust.*

*The question remains, how can banks **strike a balance** between branch volume and value?*

”

*World Retail Banking Report 2021
Capgemini & Efma*

WHO NEEDS THE BRANCH ANYWAY?



Small Businesses

While some consumers are certainly struggling as they lose their local branch, it's clear that the greater part of this challenge falls on small businesses.

The average consumer can get by with just an ATM for when they need cash, but most small businesses still need to accept cash, which means they also need somewhere convenient to deposit their takings and order change.

While larger enterprises may use CIT (Cash-In-Transit) services to take care of these needs, small businesses are still very dependent on their local bank branch.

For these “walk-to-branch” business customers, this often means weekly, or multiple times a week, taking time away from serving their customers to visit the local bank branch.

Small business presence across 3 major developed markets:



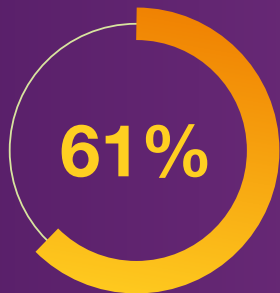
32.5m



5.5m



22.3m



SMEs dissatisfied if cash transactions were no longer supported by business' bank branch

Source: YouGov for Glory, Oct 2022

WHO NEEDS THE BRANCH ANYWAY



“Walk to Branch” Business Customers

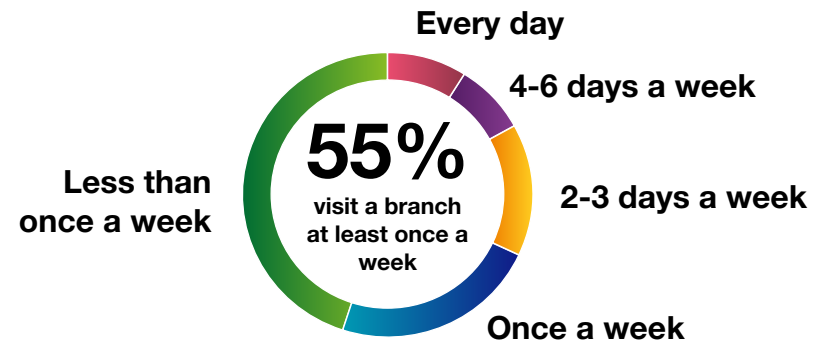
For these businesses, often operating on slim margins, the added costs of having to travel a long distance for these basic services, as well as the added labour time involved, can be significant. For some, it means owners having to actually close their doors during business hours in order to go to the bank themselves, losing out on precious sales and leaving customers unhappy.

If businesses can no longer sustainably accept cash payments, not only will they be bound to paying network fees on even the smallest of sales, but will also exclude many of their customers who still depend on cash.

This is even more of a problem for businesses in rural areas where internet connection can be poor or unreliable, causing frequent problems with electronic payments.

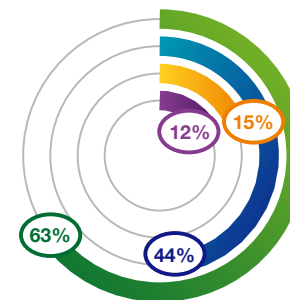
But one of the most important aspects for small business is speed to liquidity. They need that money in their account, working for them. Letting it pile up until they can find the time to drive to a distant branch is not good for business.

Of small businesses who make in-branch cash transactions:



Source: YouGov for Glory, Oct 2022

Reasons small businesses use the local branch:



Deposit (cash/cheques)

Withdraw cash (including change orders)

Apply for financial product

Business advisory services

Source: YouGov for Glory, Oct 2022



THE COST-SERVICE CONTINUUM



THE COST-SERVICE CONTINUUM

It's clear that banks are in a challenging situation, searching for a balance between the level of service that they have historically been able to provide to their customers, and a branch network that no longer receives enough footfall to cover its costs.

There are four primary ways that banks can address the branch problem:



**Branch
Automation**



**Managed
Service**



**Full
Outsourcing**



**Shared
Infrastructure**

THE COST-SERVICE CONTINUUM



Branch Automation

Efficiency gains

The first step banks took was automating many of the services and transactions within the branch, bringing significant gains in efficiency.

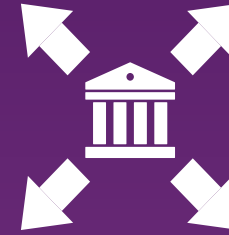
Cash automation solutions and ATMs have kept many branches afloat, while also moving staff from transactional work to more advisory roles – improving the customer experience.



Managed Service

Reduction in direct labour costs

Like many industries, banks next started using third-party organisations to manage some of their services, bringing further efficiency, reductions in direct labour costs, and access to best-in-class tools from specialist providers.



Full Outsourcing

CapEx to OpEx

Over time this trend has expanded to include full outsourcing of some services, allowing banks to fully transfer them from Capital Expenditure into Operational Expenditure. This provides access to the latest technology, delivers greater efficiency, and smooths out their expenditure profile.

These are all proven, effective methods. In recent years, we have seen banks employ all of these tools in their efforts to maintain the branch network. But, the fact is, branches are still closing. These incremental savings are not enough to save many local branches.

What banks need is a new approach.

An approach that delivers *transformative* cost reduction.

THE COST-SERVICE CONTINUUM



Shared Infrastructure

Transformative cost reduction

Sharing infrastructure is not a new idea, but it could play an important role in the future of local, face-to-face banking.

In fact, we all use shared infrastructure everyday when it comes to many of our utilities such as communications networks, electricity, rail networks and so on. It can also be seen all over the internet, such as in cloud storage, content platforms and online marketplaces.

It's a tried and tested strategy across many industries, and banks already depend on it for many of their digital services. But it has yet to penetrate the physical branch model.

So what does shared infrastructure look like for local banking?



SHARED INFRASTRUCTURE SOLUTIONS

SHARED INFRASTRUCTURE SOLUTIONS



Post Offices

Basic banking *transactions* in the heart of the community

- Multi-use environment
- Established real estate network
- Transaction-centric
- Trusted brand



Many countries around the world have already seen the value in using the post office to provide basic banking transactions to communities.

Post offices are trusted brands, with staff who are well versed in financial transactions. They also have an established real estate network which is far reaching, even in rural areas.

Today, post offices are doing an incredible job of providing everyday banking services – such as free access to cash, taking deposits and cashing cheques – for communities that would have lost these services altogether.

But they are often facing the challenge of being the only “branch” left in town. This means they are catering to banking customers alongside their usual postal and retail customers in a single location which is not designed for banking. This can create longer wait times for all of their customers, and doesn’t allow for the private spaces and financial advice that a traditional bank branch can offer.

SHARED INFRASTRUCTURE SOLUTIONS



Banking Hubs

Basic banking services in the heart of the community

- Private spaces dedicated to banking
- Shared or dedicated locations
- Broader banking services beyond transaction



Banking Hubs are a way for multiple banks to share the cost of a single premises, allowing them to maintain a presence for their local customers without shouldering the full operating cost of a branch.

This concept has been implemented in the UK in a couple of different formats:

One format is a dedicated location, managed by the Post Office, but staffed by employees from different banks on different days, and offering a broader range of banking services.



Another format comes from GLORY partner, OneBanx, who set up permanent kiosks that offer banking services for all major banks. These kiosks can be located in convenience stores, supermarkets, libraries or other easily-accessed public spaces, and offer cash deposits and withdrawals, etc., as well as help with accessing digital banking services. They are also not limited to normal banking hours.

The Banking Hub approach is potentially the most comprehensive solution to the branch problem, because it allows for more than just basic transactions. Banking Hubs can provide private spaces and trained staff to help with more complex financial decisions, and can offer both deposit and change withdrawal services for businesses.

SHARED INFRASTRUCTURE SOLUTIONS



Shared Cash Deposit Network

Eliminating the inconvenience of business deposits

- Locations in malls and retailers
- Make deposits to ANY existing bank
- Lower cost than CIT pick up



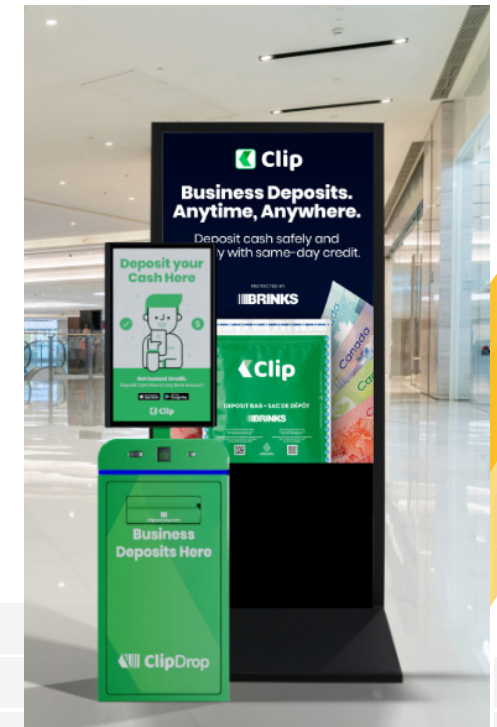
Where face-to-face service just isn't feasible, another form of shared infrastructure can fill the gap.

This comes in the form of technology solutions that can be embedded in the community and integrated with multiple banks.

One example of this is Glory partner, Clip Money, who set up IoT-enabled deposit solutions within malls, shopping centres, large stores, etc. Businesses can then conveniently make their deposits without having to travel – irrespective of who they bank with.

This is a targeted solution that covers the most basic daily need for small businesses, and is highly flexible and easy to implement.

It allows banks to reach their business customers at a fraction of the cost of running a branch. It is also a much cheaper solution for customers than employing a CIT pick up, and is not limited to normal banking hours.





GLORY

Banks continue to evolve their branch networks to meet the new digital economy, employing automation, outsourcing services, and transforming the branch experience in a variety of ways.

But branch closures march on in many countries across the globe. And many customers – especially small business customers – are left in a vulnerable position.

Shared infrastructure is not the only answer. But at Glory we believe it will be an increasingly important part of the solution as banks seek new ways to maintain face-to-face relationships with their customers, whilst navigating the challenges of the Cost-Service Continuum.

That's why we have invested in innovative companies such as Clip Money and OneBanx, while still constantly pushing the boundaries and leading the market in cash automation solutions to help any branch run more efficiently.

If you are interested in exploring shared infrastructure solutions for your bank, or would like to discuss our range of cash automation solutions, get in touch with our team at:

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