

GLORY

Branch Transformation: Getting It Right PART 1 of 3

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BRANCH TRANSFORMATION: GETTING IT RIGHT

It seems that scores of bankers and industry players are talking non-stop about Branch Transformation. Webinars about how it's done and conferences that thematically advance the discussion are in ample supply. Each of the technology suppliers has their own 'take' on this, complete with charts about "how to get there," colorful infographics or whitepapers conveying the essentials of the 'journey' itself.

How Is Branch Transformation Working?

So what has all of this meant in terms of measurable advancements? In a recent Wall Street Journal article, Bob Meara of Celent was quoted as follows, **"Most banks don't have a clear vision of where to take the branch."**ⁱ This quote was among various manifestations of

the branch transformation concept by spokespeople for most of the nation's largest, most prominent banks - each deeply immersed in their own version of branch transformation. Perhaps the first line of the article says it all, **"Banks Just can't figure out what to do with their branches."**ⁱⁱ

If the proof of the pudding is in the tasting, then have the array of changes to the bank's physical branches, staffing scenarios and technology enhancements made a difference in helping banks actually achieve their objectives?

Most financial institutions agree that branch transformation is about delivering a differentiated and excellent experience when customers visit branches as a critical element in today's omnichannel delivery model. Branch transformation is also about attracting and building relationships with targeted customers and building a new, higher level of trust and engagement with them. It includes greater efficiency throughout the branch footprint. All this, of course, leads to greater

growth and profitability for the banking organization.

Accenture recently released its 2015 North American Consumer Digital Banking Survey that reveals some significant shifts in consumer perceptions and perspectives that seem to indicate that Branch Transformation efforts to date may not be working as planned. This annual Accenture study showed a surprising increase in the percentage of those who view their banking relationships as simply **"transactional."** In the 2015 study, 79% of consumers surveyed characterized their banking relationship as transactional as opposed to relationship/advice driven. This is a whopping 8% increase over the consumer response in 2014 to the same question!ⁱⁱⁱ Such data does not exactly support the idea that the branches are being transformed successfully from transaction hubs to sales and service hubs.

Branches Need To Be Different, But How?

The Accenture Study also shows movement in the significance of the 'local' branch to consumers. In its 2013 research, 36% of individuals cited a convenient branch location as the top reason for staying with their bank. In fact in 2013, 48% of bank customers said they would likely switch banks if the local branch was closed. In the 2015 study, an overwhelming majority of 81% said they would not switch banks if their local branch closed.^{vi} This 31% change in customer views over a two year period is significant.

Yet in the recent ORC International Future of the Bank study, the ability to go to a physical branch was cited as important to 88% of consumers and will continue to be important looking forward five years. However, also important and increasing in importance are the online and mobile banking services that allow today's consumers the ability to bank where they want and when they want. So branches

in the future remain very much a part of a financial institution's omnichannel picture, but they must support the other remote and mobile channels.

Given these factors, we can safely say that branches will remain an important delivery channel, but they will need to morph to something quite different in the future. However, if the branch network is to be transformed, it seems reasonable that executives have some concept of what it is being transformed into. This is where things remain quite unclear.

In June 2015, Celent released Part 1 of a multi-year study tracking Branch Transformation progress entitled **"These Early Days of Branch Channel Transformation"**. According to the survey, **"81% of responding institutions agreed that branch channel transformation was 'imperative,' but there was no consensus on what branch transformation implies."** Only 1 in 10 of the panelists indicated having a clear vision of that transformed future branch while 57% described branch transformation as requiring **"radical**

changes to the branch operating model."^{vi}

With all these confusing signals about the transformed branch 'future state,' one thing that does seem clear is that branch staffing needs to be an integral part. If branches are to truly become a 'sales and service hub' rather than simply a transaction center, then staffing needs to take center stage! Branch staff must perform a wider variety of services efficiently while effectively executing selling and relationship-building strategies. The position that can accomplish these tasks is often called the **"Universal Banker"**.

Universal Bankers trained to provide financial advice and counsel are key to winning business with tech-savvy millennials targeted by most financial institutions as well as with other consumers seeking financial advice. Perhaps surprising, millennials prefer face-to-face financial guidance from a trusted advisor rather than researching and performing complex transactions online according to a TD Bank 2014

study on banking habits. Yet the Universal Banker concept needs some attention as well if performance expectations are to be met. According to Bancography's research, the average salary of a Universal Banker is \$31,900 annually, which is \$5,500 more than the average teller position. The problem is that Customer Service Reps earn \$37,900 per year on average, and Universal Bankers theoretically combine the teller and CSR functions to some extent.^{vii}

Quoting the Bancology April 2015 newsletter, **“The relatively low salary point for universal bankers (sic) raises concerns for a job role that combines the demands of the teller and CSR functions, and bankers hoping to obtain such multi-tasking skills should likely target a salary at least at CSR levels.”**

Key Questions Remain

The role of the branch is changing as are the expectations of those who use branches. It is important to understand who will go to branches and why. What are the consumers' expectations about the in-branch experience? What are the most appealing in-branch services that will resonate with targeted customers?

Nothing else, including new physical designs, snappy brand messaging, enabled and empowered staff and state-of-the-art technology really matters if they do not support the desired outcomes in light of these all important questions

Continuing the Conversation

Glory has been in the business of transforming branches for many years. Through our legacy companies, Glory invented the dialog banking and open plan concept with Dialog Towers®. All along the way, Glory pioneered the introduction of enabling technologies for the financial industry. Glory is happy for the opportunity to discuss our proven four-step process, which includes: discovering your branch transformation needs, designing a complete solution tailored to those needs, deploying the solution efficiently and effectively alongside your team, and delivering the results you anticipate over time.

In Glory's process, the term deliver is not an event that happens soon after something is shipped. Our deliver step is our commitment to your long-term success. This simply means that the ROI and outcomes anticipated will be delivered along with outstanding service and support for the long-haul.

i “Is This a Coffee Shop or a Bank?” The Wall Street Journal, C. Rexrode and R. Sidel, July 6, 2015.

ii IBID

iii Banking Shaped by the Customer, 2015 North American Consumer Digital Banking Survey, Accenture, Page 6, May 2015.

iv IBID, Page 4.

v CARAVAN Omnibus Survey, ORC International, The Future of Banking, June 2015.

vi Abstract - These Early Days of Branch Channel Transformation, Celent Branch Transformation Panel Part 1, June 26, 2015 Jean-Marie Ubigau and Bob Meara.

vii Bancology Newsletter, April 2015, Bancography.

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