Branch Transformation: Getting Returns PART 3 of 3

Financial Industry Perspective | October 2016

BRANCH TRANSFORMATION: GETTING RETURNS

Banks are skilled in measuring returns. Whether it is return on assets, return on equity or return on investment, senior bank executives are fully engaged 24/7. In today's world, there seems to be that same focus and intensity on something called "Branch Transformation" as part of an omnichannel retail banking delivery model. While this has been over-hyped as something all new, revolutionary and imperative, it really can be considered as nothing more than focusing on yet another measurable return… Return on Interaction.

So What is Return on Interaction?

With the advancement of technology, there is no doubt that consumers have multiple ways to interact with their financial institution. Online and mobile banking are clearly now becoming a larger part of the new normal but not as full replacement of branches. This is simply because branches are where the clients you serve, or hope to serve, go to interact with branch staff on their most important financial interests. Financial institutions can and should expect a reasonable return on these in-branch client interactions.

What is clear is that the branch network needs to adapt to new imperatives that demand more than just transaction processing. For sure, transactions need to be efficiently processed and modern technologies do a great job of supporting that. However, more is required and expected by today's consumer. Here are some thoughts to consider…

It Really Starts with the Customer

According to Deloitte's 2015 Report entitled Getting Real About Branch Transformation, "An important factor in reinvigorating branch strategy is a clear understanding of customer needs and expectations. This allows banks to articulate the customer journey – essentially a depiction of the targeted customer experience – and further help drive decisions to invest in technology, processes, and talent." [i]

FINANCIAL INSTITUTIONS CAN AND SHOULD EXPECT A REASONABLE RETURN ON THESE IN-BRANCH CLIENT INTERACTIONS.

Markets should be segmented. A number of potential segments have expressed needs for branch visits and face-to-face interactions for purposes beyond simple transaction processing. These are real growth opportunities for any financial institution.

One such segment is the Millenials. Millennials are perhaps the most appealing target market due to their growing requirement for financial products along with their documented openness to receiving financial counsel from their bank or credit union.

According to FMSI's Whitepaper, Top Five Practices Holding Your Branch Back, "A significant portion of consumers, including millennials, are not completely satisfied interacting only with their mobile device or computer when seeking more complex financial advice – leading them to the branch to seek out council (sic) face-to-face."[ii]

Other target market segments might include high net worth consumers, small business clients or the underbanked, all of whom also have potential that can be enhanced through positive interactions in any transformed branch network.

Supporting Customer Interactions

Regardless of which market segments are being targeted, there should be an interaction strategy for each. Branch staff must be more than transaction processors. Universal Bankers can deliver information and sell a wider array of products to meet the varied needs of targeted clientele.

Again quoting the FMSI Whitepaper, "One of the greatest values of the branch comes from the aforementioned financial advice given during "higher quality" exchanges between account holders and branch employees. The institutions that have the right employees in place to better handle these in-person conversations will likely see significant increases in product sales."[iii]

BRANCH DESIGNS IN THE FUTURE WILL VARY IN SIZE AND CAPABILITY TO SUPPORT SERVICE DELIVERY, SALES EXPECTATIONS AND RELATIONSHIP-BUILDING INITIATIVES.

It is also critical that branch staff be empowered. In consulting firm McKinsey's view, "Front-line skills, capabilities, systems and processes are wasted investments if the front line is not empowered and motivated to use them."[iv]

Branch designs in the future will vary in size and capability to support service delivery, sales expectations and relationship-building initiatives. Scalability and flexibility are important and the branch technology implemented must also support these requirements. Some financial institutions are looking beyond today's "banking" formats into the retail and hospitality industries for new ideas.

Technology should be deployed that creates efficiencies while also enabling improved customer interactions. When implementing projects intended to reduce the cost to serve, care must be taken to also avoid any degradation of the quality of service delivered.

Too much is at stake to not use branches (a/k/a your most expensive asset) to optimize critical face-to-face interactions with the customers who visit the branch. In the end, the success of any branch transformation will be measured by how well this 'newly-defined' ROI, Return On Interaction, is improved.

Wishing you Many Happy Returns!

SOME FINANCIAL INSTITUTIONS ARE LOOKING BEYOND TODAY'S "BANKING" FORMATS INTO THE RETAIL AND HOSPITALITY INDUSTRIES FOR NEW IDEAS.

Continuing the Conversation

Glory has been helping financial institutions of all sizes improve their customer interactions and transform their branches for decades. Our depth of experience and broad range of cash and transaction automation solutions can help you realize your vision for a transformed branch network while also increasing your "return on interaction". For more information, please contact your Glory Account Manager.

i Getting Real About Branch Transformation, How to Reinvigorate Branch Strategy, Deloitte, 2015, Page 3.

ii Top Five Practices Holding Your Branch Back, FMSI Whitepaper, July 2015, Page 1.

iii Ibid, Page 3.

iv Retail Banking Insights: The Future of U.S. Retail Banking Distribution, McKinsey & Company, February 2014, Page 5.

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