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## Tomorrow's Branch: *Still a Vital Hub*

What's the branch's future? As technology continues to advance, routine transactions will become more automated and many will be conducted outside the branch. While the branch will still be important, its focus eventually will shift more to customer service and consultative functions.

BY JOHN DEIGNAN

**M**ORE THAN 40 YEARS AGO, the introduction of the ATM represented the banking public's first step away from the branch. The inception of this game-changing banking channel gave rise to an evolution that continues today: An evolution in which consumers seek multiple channel options that align with their needs for on-demand, convenient ways to conduct business with their financial institutions.

Today, banks offer consumers more control of their banking experience than ever before. Online banking, mobile banking and new ATM capabilities offer secure, around-the-clock access to banking activities that once could be performed only within the branch. Consumers have unprecedented access to their account information, and financial institutions have the opportunity to enrich their interaction with customers through e-mail alerts, text messages and more. The continued evolution of the out-of-branch interaction between the bank and the banking public will continue to move routine transactions away from the branch environment.

But even as technology has provided consumers with diverse alternatives, the branch remains the hub of banking activity. Regardless of the various channels consumers have at their disposal, they continue to rely on the branch when they need the familiarity, flexibility and security of the face-to-face, interpersonal banking options it provides.

In this evolving environment, financial institutions must find a way to balance high-touch and high-tech interaction with their customers. They can make progress toward achieving this balance by shifting the role of the branch, integrating channel touchpoints and evolving the branch environment.

**Editor's Note:** The following article examines the future of the branch bank. This article focuses on how technology is changing the branch.

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### Shifting the branch's role

It's clear that 21<sup>st</sup> century banking will require financial institutions to re-evaluate the role the branch plays in the comprehensive banking experience. That role will vary from branch to branch, and it will be driven by how consumers want and need to interact with their financial institutions.

The financial industry has long been examining the transformation of the branch to fit the new banking mix. And as technology converges with the continued need for interpersonal banking options, the time to shift the role of the branch is now. That's why banks must gain a better understanding of consumer behavior to ensure their customers are able to use their preferred channels to access information and services. There isn't a one-size-fits-all approach. Each branch must develop a plan that meets the current and emerging needs of its specific customers and its specific market.

For example, a branch that's situated in the middle of a major metropolitan area may be predisposed to more ATM-based deposit traffic and mobile banking customers than a branch in a suburban or rural location. The investments and priorities for branches in each location will—and should—vary to ensure customers are being offered services and technologies they will utilize. Positioning the branch in the optimal role should be just as much about being competitive in the marketplace as it is about ensuring the branch is truly relevant to customers.

Future branch strategy must reflect not only consumer behavior, but also the financial institution's overarching goals. Today, most financial institutions are considering branch strategies that can help them address two of their most significant business priorities: The need for operational efficiency, and retention and growth of the customer base. How can the branch help address those business priorities within the new channel mix? How can it complement emerging channels, such as mobile?

The answers to these questions lead to additional questions. What should be the primary function of

your branches? How can you maximize branch space, increase operational efficiencies and maximize profitability? How can you leverage new technology to better serve and grow your customer base? Addressing these questions requires a deep understanding of customers: what drives them today and what will influence their relationships with their financial institutions in the future.

### Integrating channel options

While financial institutions consider their branch strategies, one thing is certain: The branch environment will continue to be integral to the development of relationships with customers. As banks continue to migrate routine transactions to the ATM, online and mobile channels, branches are well-positioned to focus more intently on customer service and consultative functions.

Tellers will play an increasingly sales-oriented role, facilitating the more complex transactions—opening new accounts, selling banking products and resolving account issues—and reinforcing the branch's position as a trusted financial partner.

In its partnership with customers, the branch can also be critical in the adoption and integration of evolving banking channels.

Take, for example, deposit automation. While this technology is indigenous to the ATM, branch staff can play an integral role to facilitate its adoption. By serving in a concierge function for deposit automation, branch staff can help customers become familiar with the technology and can enable understanding of its benefits—right at the ATM. Customers who understand the technology's utility and value will be more likely to leverage it for their deposit needs. And having a personal assistant to enable that understanding will help prevent user error and overcome any inherent fears consumers have about utilizing new technologies.

A conceptual image of a portion of a future branch bank. The large multitouch/interactive screen on the left functions as both a "marketing wall" and ATM for the branch. A roving teller would welcome customers as they walk in, guiding them to a self-service terminal to conduct their transactions. Notice near the top of the screen, it says "Terminal 5" and "Terminal 6." At any appropriate point in time, a section of this wall (the section marked "Terminal 5", for example) can become an interactive terminal capable of performing self-service transactions. If you look closely, you will see a "slot" about waist high near the left and right ends where cash and checks can be deposited or withdrawn. After the checks and cash were exchanged through the slot and the transaction has ended, the "terminal" would go back to being part of the marketing wall.



The branch can also play a key role in the integration of a financial institution's various delivery channels. Such integration is usually regarded as a function of electronic channels. But the recognition of the branch as part of this integration is critical to truly achieving an integrated model.

Multichannel integration allows for one cohesive, consistent, personal, customized experience for the banking consumer, regardless of the channel. This holistic approach to the banking experience enables consumers to manage their finances seamlessly across channels. And it delivers a consistent look and feel across channels. The result is empowered, engaged, more satisfied customers.

The benefits of channel integration don't stop with the consumer experience. The financial institution wins as well. The approach enables all of a financial institution's channels and systems to effectively communicate. At the same time, they are also consistently tracking, reporting and orchestrating multiple functions. Operational efficiencies result.

Integration means orchestrated channels. Orchestrating channels provides banks the ability to cross-sell products and services to customers through appropriate, personalized messages—without concern for repeating the message when not intending to. When channels are being orchestrated, banks elevate their level of sophistication, and they keep pace with the expectations of today's sophisticated consumer, who may use multiple channels at different times to access and interact with services. To the consumer, every experience feels completely cohesive and unified.

### Transforming the branch environment

As the ways in which consumers leverage the branch advance, so too must the branch environment. Chances are that the branch of the future will more resemble a retail organization than it does a traditional financial institution. Consumer preferences and trends may simply make such an environment more attractive—more inviting—to the banking public.

New approaches to branch design can produce not only a new face for the financial institution, but also an atmosphere that is more conducive to the shifting orientation of the branch and its personnel. Design may reflect more of a focus on service, with designated areas for consultation and sales-related interaction with customers. This new approach will provide an environment that best optimizes human resources, enabling branch personnel to focus on their core capabilities while leveraging technology to facilitate routine transactions.

That technology—both self-service and assisted-service—is and will continue to be integral to meeting consumers' expectations for convenience. For example, as banks continue to migrate routine transactions away from the teller, they may also need to increase the quantity and availability of ATMs that can handle the volume and variety of transactions being executed through the self-service channel. They may assign certain ATMs specific functions, such as accepting deposits, to increase the speed and efficiency of the self-service experience. Or they may even choose to introduce additional

assisted-service technologies, such as electronic vault entry, that will provide consumers with even more control over their in-branch activities.

The transformed branch may also include more solutions that enable branch personnel to improve work flow. Cash automation, check imaging and other technologies can reduce administrative burdens of branch personnel, while increasing efficiencies and enhancing security.

There is one expected transformation to the branch that experts widely believe will have more impact on branch change than design, self-service technology or work-flow improvement. That transformation is expected to come in the form of infra-structural technologies. What are these technologies? Here are four examples:

- **Unified Communications (UC):** The real-time integration of multiple communications channels. UC coordinates various modes of communications such as cellular calls, live chat session, telephony, voice mail, e-mail, text messaging and so forth.  
For example, a UC system can receive a live call, determine the recipient's phone is busy but see they are logged onto the network and forward the caller to a speech recognition engine to have them speak a message and forward the spoken words to the recipient's e-mail address as text in an e-mail.
- **Enterprise Provisioning:** The establishment of a single, trusted identity and correlating credential that enables access to multiple systems and databases across an organization.
- **Cloud Computing:** Internet-based computing that enables the availability of computing resources, information and software on demand to computers and other devices.
- **Enterprise Document Management:** A comprehensive, formalized process for storing information including digital versions of paper documents such as forms, applications and checks.

These technologies are likely to change the way financial institutions deliver services and manage systems across the financial enterprise. Such changes will undoubtedly impact the branch model—in a positive way.

For example, enterprise document management will change the way banks process, document and archive data. We may soon see the day when the majority of a bank's documentation is completed electronically. The elimination of paper can have

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countless benefits for financial institutions and consumers alike. It makes accessing and tracking data more efficient. It enables a higher level of security for data, such as consumers' personal information. It helps make financial institutions more sustainable. We're already seeing this conversion come to life through online banking, deposit automation and mobile banking capabilities, as well as through the use of tablets and surface computing in pilot branch environments.

### **Laying the groundwork**

Technology. Empowered consumers. The competitive environment. These factors will continue to impact the branch environment long into the future. The financial institutions that achieve success will be those that understand the changes in the landscape and lay the groundwork for the evolution necessary to anticipate and respond to those changes.

As financial leaders, we should embrace this time in our

history as one of evolution, not revolution. The changes to the branch will be incremental. And carefully planned, they will create a new role for the hub of the financial institution. One that enables the branch to remain relevant as consumers modify the way they bank. One that enables the financial institution to manage relationships with its customers securely, holistically and consistently across every channel. And one that provides the consumer with a richer, more meaningful banking experience. ■

### **ABOUT THE AUTHOR**

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