



TEMENOS



The future of bank branches

As banks struggle to justify the cost of large branch networks, and customers demand seamless experiences where financial services are instant and embedded at the point of need, the question is: "what is the future of in-person banking?"

Traditional branches are a thing of the past – so, what’s the future of in-person banking?

Traditional branches with tellers and long lines of people patiently waiting have been on the decline around the world for years. This has been particularly evident in the US. As early as 2018, WSJ reported that over 3,000 branches had been closed since 2010¹. Multiple factors have accelerated this trend, including the COVID-19 pandemic, the rise of fintechs, new payment service providers, superapps, tech giants, and other non-traditional players. Consumers have discovered that they can accomplish almost all their financial needs, remotely, digitally and in real-time.

But while traditional branches may be a thing of the past, branches can continue to play an important role in the customer journey – if they can harness the power of digital technology and workflow to improve the physical banking experience. Deloitte cites that one-third of customers say they would be more open to using branches if they offered digital capabilities to enhance convenience². As banks struggle to justify the cost of large branch networks, and customers demand seamless experiences where financial services are instant and embedded at the point of need, the question is: “what is the future of in-person banking?”

Growth and Innovation

Despite the decline in branch density and appetite for traditional branches resulting from long lines and limited operating hours, there remains a group of “traditionalists” that continue to visit the branch because they prefer that human touch².

Between 30% and 60% of customers still prefer doing at least some of their banking in branch³. To meet the need of the hybrid consumer, Regions Bank developed a new layout combining digital video tellers for simpler transactions with human interaction provided by trained staff to greet customers and provide a variety of services, including Personal Finance Management to help customers reach their goals. To address the issue of limited brick and mortar hours, video tellers have been introduced to help bank branches offer extended hours⁴.

Today’s modern consumers want banks to go beyond transferring money and paying bills—they want their bank to care about them as a person. Merging digital and real-life experiences is a key component in achieving an excellent overall customer experience². Banks will need to embrace digital banking with a human touch⁵ to transition from transactional relationships to digital experiences that create meaningful connections and drive deeper loyalty and more profitable customers.

Innovation in branch design can help retain and attract new hybrid consumers. McKinsey estimates that under the traditional model, 70% of floor space is devoted to tellers and 30% is dedicated to self-service, while this is flipped in the smart or digital branch model. Smaller, more streamlined layouts mean less infrastructure costs. Smart branch layouts have resulted in 60% to 70% improvement in branch effectiveness as measured by cost savings and increased sales³.

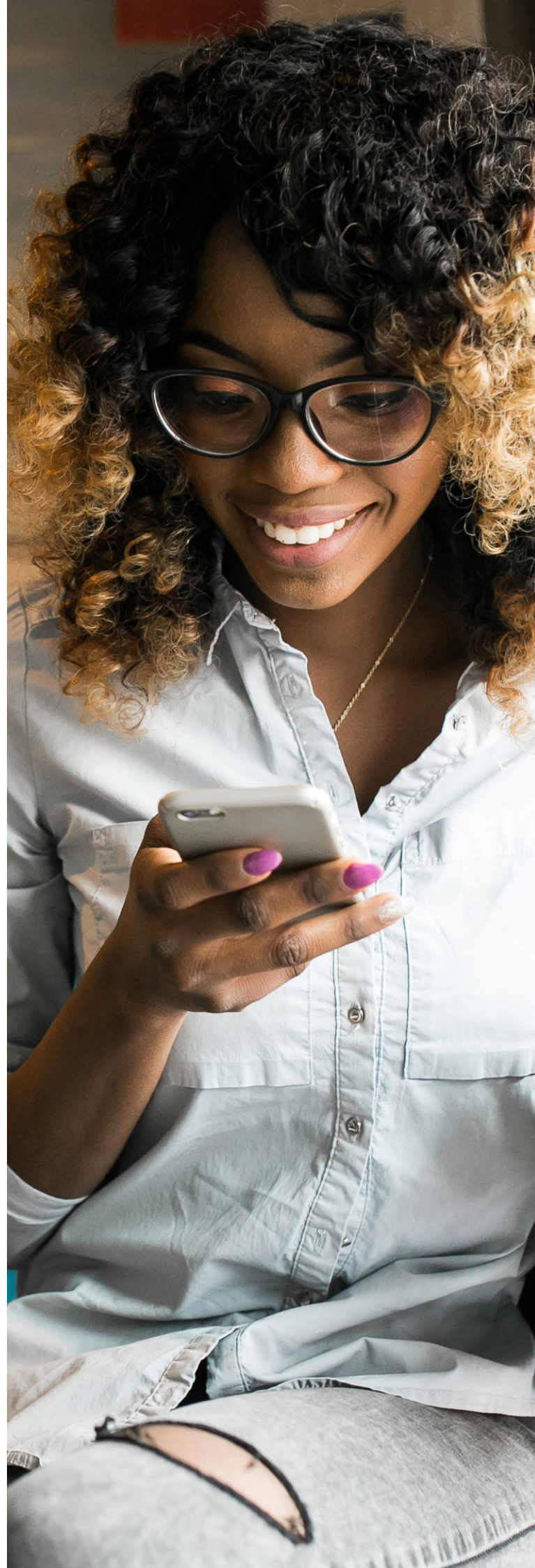
The new layouts free up space replacing long teller lines with lounging areas such as at Regions, or in the case of Capital One, providing full-service coffee bars and workplaces⁶. Smaller layouts also open up the chance for wider access to customers in multiple locations.

■ Customer Centricity

Branch banking in the digital age means embracing the power of front-to-back digital transformation to augment, personalize and accelerate the in-person experience. Instead of waiting for the customer to explain their transaction needs to a teller or personal banker, smart branches direct customers to the best points of interaction (ATMs for withdrawals and deposits or Personal Bankers for lending etc.). In teller systems, integrated Customer Relationship Management (CRM) platforms can now embed and integrate with digital banking and back-office systems to provide instant customer insights to personalize customer interactions, for example, providing a view of the customer to indicate appropriate lending products. Also, this integration speeds up account opening, and the origination and servicing of new products. Using this kind of approach, a bank increased its service-to-sales conversion to more than 4%, from 1%³.

This front-to-back digital transformation, and the introduction of AI capabilities has already started to pave the way for more personalized offers and advice across customers' handhelds or via notifications and chatbots. The opportunity today is to extend this seamless service across digital and assisted channels. As early as 2014, HSBC launched Pepper, a maître d'-style humanoid working to improve customer engagement by educating customers on product information and making self-service available. The bot uses AI to ask relevant questions to determine customers' needs⁷.

Today, AI embedded into bank's physical and digital applications is a growing reality. With a modern and integrated approach, AI can now be employed to leverage a single view of the customer based on CRM, digital and core banking platform integration and APIs, to augment both self-service and assisted experiences.



Not every customer is the same

Not every transaction is digital and not every customer wants digital transactions. Fully digital banks such as branchless Varo and Green Dot in the US allow the origination of all their products online attracting a digitally savvy customer base. Many banks target customer segments that remain more comfortable knowing they can perform transactions in-branch.

Servicing this segment efficiently is an opportunity for differentiation. Banks are leveraging their digital workflows in-branch by providing the same look and feel that customers enjoy on their tablet or mobile and providing human hosts to guide them through the process. The advantage is that once they do this in the branch, they no longer have to return. Other approaches have seen banks, such as BMO, offer video tellers remotely to guide customers through their onboarding or transaction process, integrating smart technology with the human touch⁴.

Finding the right balance

There are still many challenges that banks face to strike the right balance between digital and a more human experience in the branch. Traditionalist customers may remain a significant segment of a bank's chosen target market and more digitally enabled branches promise to enhance the customer journey.

To maximize branch potential and justify the costs banks need to marry advances in digital transformation, with the physical experience. By doing so, branches can remain an important value-add and touch point in the relationship with customers, providing relevant services, at the right time.

The secret is to capture the opportunities provided by human engagement by effectively leveraging customer insights and digital workflow to ensure that interactions provide an enriched experience, convenience, and a more personal service. With this approach, conversion opportunities can be maximized in branch and in other assisted channels, breathing new life and purpose into the branch network.

References:

- 1: Allison Prang, "Thousands of bank branches are closing, just not at these banks," Wall Street Journal, June 15, 2018
- 2: <https://www2.deloitte.com/us/en/insights/industry/financial-services/bank-branch-transformation-digital-banking.html>
- 3: <https://www.mckinsey.com/industries/financial-services/our-insights/a-bank-branch-for-the-digital-age>
- 4: <https://thefinancialbrand.com/52315/future-banking-concept-branch-design-showcase/2/>
- 5: <https://www.temenos.foleon.com/six-touchpoints-to-create-emotional-sme-connections/ebook/welcome/>
- 6: <https://www.capitalone.com/learn-grow/money-management/explore-capital-one-cafes/>
- 7: <https://fintechmagazine.com/banking/hsbc-rolls-out-softbanks-robot-pepper-achieve-branch-future>



Author

VINCENT CHAMASROUR

Sales Consultant, Strategic
Business Development

temenos.com

Geneva-based Temenos AG (SIX: TEMN) is the world's leading banking software, partnering with banks and financial institutions to transform their businesses and stay ahead of an evolving market. More than 3,000 banks around the world, including 41 of the top 50 banks in the world, trust Temenos to process both daily transactions and interactions for more than 500 million customers. Temenos offers a cloud-native and cloud-agnostic banking core and front-office, payment solutions, fund administration and wealth management software products enabling banks the ability to deliver customer experiences that are consistent and without friction, acquiring operational excellence.

Temenos software has been shown to enable its best performing clients to achieve a 26.8% cost-to-revenue ratio and a return on equity of 29.0%; 3 times higher than the industry average. These customers also spend more than 51% of their IT budget on growth and innovation vs. maintenance, which is 2 times higher than the industry average; demonstrating that the banks' IT investment is adding tangible value to their business. For more information, visit www.temenos.com.



TEMENOS
THE BANKING SOFTWARE COMPANY