

EXTINCTION OR EVOLUTION FOR THE BANK BRANCH?

The UK has seen wave upon wave of branch closures (RBS' latest announcement serving as a prime example), and this is likely to continue into 2018. But are we really witnessing the imminent extinction of the bank branch? While it is understandable that banks don't need as many branches as they used to, branches are still crucial in helping customers and maintaining a strong and meaningful relationship with them.

Branch networks may be getting smaller, but the branches themselves are getting smarter and this is where investment in branches is set to grow, not decline.

Do we even need branches?

Physical branches are still important for acquiring and retaining customers and upselling products to them. If the established banks think they can defend themselves against challenger banks and fintechs based on digital channels alone and without exploiting their branches, especially in the coming era of Open API banking, then they should expect a turbulent ride. Traditional banks need to reinvent the branch around their historic strengths, using technology, like the ATM, to serve customers. The challenge here is that banks have neglected how their ATMs could be a more integrated element within an omnichannel revolution that links them with mobile and Internet, as well as branch banking services.

mistake to think of the branch as just a cost. Clever branches in strategic locations are revenue drivers. They're the best place for cross-selling products or services to your customers, and technology is the trick to making this a reality.

Consider your typical branch. It's 10 am on a Saturday morning, and the queue is out the door. Your customers stand in line, waiting to see a cashier. Not all members of the team can deal with complex transactions, so some customers have to wait even longer. Many of the staff who are working are distracted by administrative tasks, preventing them from helping customers. This is frustrating for everyone involved, staff and customers alike. At best, customers manage to do the transaction they came in to do, and maybe pick up a leaflet for something else at the same time. Worst case scenario, they don't manage to do even basic transactions and leave with a negative opinion of your brand.

Clever banks are rewriting these rules.

MillenniumBCP, the first private owned bank in Portugal is one example, having rewritten their business model, placing the focus entirely on customers – and cutting operational costs in the process (by over 40% since 2011). Instead of being left to wait around in a branch, customers are welcomed in by dedicated staff and invited to sit down and enjoy free Wi-Fi while waiting to be served. Each transaction is seen as an opportunity for the bank to learn more about their customers and better meet their financial needs. Importantly, all staff are on hand to help – the



Rewriting the branch rulebook

Branches cost money. Buildings, staff and technology all add up. However, it's a



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team is solely focussed on customers during opening hours.

The branches also look different. There's a central welcome point, where staff prepped with technology can immediately start helping customers. Tellers aren't hidden behind glass panels, but in specialised, private desks where they can have real conversations with customers.

The results have been clear. The team is more oriented to customer needs and sales, the teams are now multidisciplinary with an extended skills base. Customers get a personalised service which has a positive impact on their experience, and the staff are happier. Employees are empowered to help customers, positively impacting both productivity and sales.

Finding a way forward

With branches closing at a high rate and challenger banks beginning to eat away at customer bases, there's a possibility of an overreaction to the problem. As MillenniumBCP says, this isn't about "turning things upside down", it's about "putting the right things together".

All industries are today facing the challenges of how to bridge the physical and the digital. Customers want to be able to bank however they want, whenever they want and banks need to be there at each touchpoint and on every channel that customers might use. The branch has an important role to play in making this a reality.

MillenniumBCP put this into practice, by rethinking and launching a new 'branch of the future' format. This is focused on intensive training of staff to use technology to empower them when they help customers. Using tablet computers, they can pull up customer records, help set up and conduct face to face consultations. There is free Wi-Fi and a digital experience zone for customers where they can carry out a wider variety of banking transactions using self-service assisted machines. Depending on the branch location, different parts of the puzzle can be put together to offer the best branch experience. MillenniumBCP have tailored branches specifically for traditional high streets or even within shopping malls.

Migrating cash operations to self-service devices has not had a negative impact on the number of personal interactions, and has helped to drive higher quality of customer experience – as shown by the high Net Promoter Scores demonstrated by

both the bank itself (85%) and individual branches (average NPS score of 77%). As the roll-out of these branches has taken place, MillenniumBCP has become Portugal's top bank for proximity to customers and won a string of awards: The most innovative Bank in Portugal, Winner of Celent Model Bank 2017 Award for Branch Transformation, "Best Branch Experience" at the 2017 Bank Customer Experience Summit, 2017 Portugal Digital Awards "Best Digital Product & Customer Experience 2017".

Technology first

Critical to transforming the bank branch is technology. As already discussed, customers want and need to be able to bank in the way most convenient to them.

Many countries still rely on cash, with the average person in Portugal carrying out 58 ATM withdrawals per year, compared to 52 and 41 in the UK and Switzerland respectively, and technology can help bridge the gap between digital banking and physical currency. It can enable quicker transactions, and immediate crediting of customer accounts. With branches in locations such as shopping centres, technology such as video links can keep the branch operational for more hours a day, allowing customers to quickly get in contact with a person if they need assistance.

Multi-vendor software is key to enabling this. It means that banks can choose the correct hardware for the solution, meaning they have more flexibility in the service they offer to customers, for example small hardware can be put into shopping centres with more functional equipment in full branches.

A simple formula

Essentially, banking is simple. Stay close to the customer, and give them the services they need to do what they want to do. The reality is more complex, especially as digital first challenger banks begin to mature.

Banks need to be increasingly clever about how they manage and integrate technology into their services. The bank branch of the future doesn't have to be some far-off dream. Banks around the world are starting to revolutionise the services they offer customers and they are reaping the rewards.

As banks start to ponder their strategies for their branch network, it is more important than ever that they consider the holistic value of branches, not just the upfront costs.