

Revamping bank and credit union branches for better in-person experiences

Article

The trend: Now that banks and credit unions are getting by with fewer branches, it's increasingly important for them to rethink their existing networks.

- Many are looking at branch transformation efforts to align their footprint, staff, products and services, and technology with when, how, and why a customer uses a branch.

Creating a conversational setting: A branch experience in which customers can walk in and have a casual conversation with an employee gives banks the opportunity to understand the customer's financial goals and act as a trusted financial advisor—not just a provider.

- Alarming, just 30% of consumers rated their primary bank's customer service as excellent, while 36% had problems getting human support when they needed it, per Accenture.
- There's a heightened need for banks to address these concerns as consumers increasingly seek "revenge" through public pestering or online shaming for poor service across all industries.

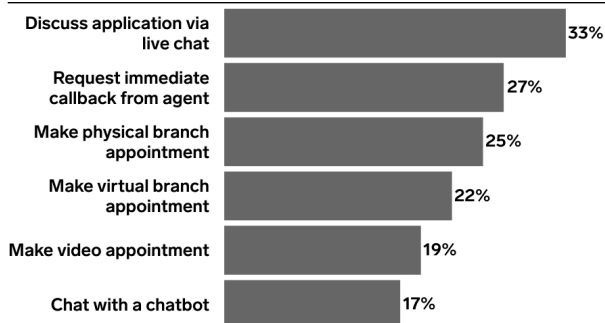
Consumers crave listeners: Bankers must hear out customers first. Rather than pushing them down pre-built experience paths, staff should start with more personal conversations to identify their customers' true intent and deliver on that instead with more relevant products and services.

- Consumers want to be listened to and acknowledged as individuals.
- Beyond that, they want continuity in their conversations carrying over between digital and physical channels. No one likes repeating themselves and explaining over and over again.

Think of what a branch manager always did: Listen first, remember who a customer is, continue the conversation over time, and provide relevant advice.

Most Valuable Customer Support Features According to New US Checking Account Users, April 2023

% of respondents calling the feature “extremely valuable”



Note: respondents were asked to rate a feature's importance on a Likert scale of 1–5, where 1="not valuable" and 5="extremely valuable"

Source: Insider Intelligence, "US Account Opening Feature Demand Report 2023," July 2023

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InsiderIntelligence.com

Reworking the traditional branch: Long-term bank branch evolution plans must be rooted in a financially sound business model. Banks will need to weigh the business potential of the reoriented services at their branches against the capital investment required to remodel and rework the physical space.

Banks should adopt a three-step process to determine the optimal branch network, [per Capgemini](#).

- Carry out a detailed customer demographics analysis to understand their target customer profile, their banking behaviors, and the profitability of each customer.
- Use findings from the demographics analysis to determine the optimal ratio between the different types of branches the bank needs to achieve a differentiated branch network.
- Rationalize the number of branches based on business parameters, such as branch performance, customer profitability, and strategic intent.

Redesigning the physical space: The goal, then, is for banks to transform the branch network from a “transaction-type” model to one that’s smaller, less costly, and more closely oriented toward high-value sales and advice.

- Banks’ current view of branches is often overly focused on location and accessibility. They’re looking at how to make a bigger footprint when instead, they should think about optimizing the space they’ve got.

McKinsey estimates that under the traditional model, 70% of floor space is devoted to tellers and 30% is dedicated to self-service. In the smart or digital branch model, this is flipped.

- Successful branches divide their physical spaces into distinct zones that guide the customer experience, and include elements for self-service, education, advice, partnering, and finally, transactions.
- Banks should base their in-branch servicing and support plans on who's likely to be interested in visiting the bank branch, and why they're going there—what they want to accomplish in person.
- These “smart branch” transformations have resulted in 60% to 70% improvement in branch effectiveness, per McKinsey. This is based on increased sales as well as cost savings from smaller, more streamlined layouts.

Behavioral science insights: An Ipsos report [recommends](#) that banks let principles of behavioral science guide them in influencing and directing consumer behaviors.

Determine what consumers want and design the space accordingly: Two factors influence how consumers use physical spaces: 1) What are they seeking to accomplish? 2) What does the space enable them to do?

- For example, a consumer who wants a cup of coffee may visit a Dunkin Donuts or a Starbucks. But if they really want to meet a friend, they're more likely to go to Starbucks—not because its coffee's better, but because the space has welcoming décor and additional seating.

Reward desired behavior (operant conditioning): Provide incentives to consumers for using the branch as it's targeted to be used.

- They're most likely to prefer financial incentives (like cash back rewards or rate reductions), but other perks may also sway them, such as access to additional education materials, staff, or contests and sweepstakes.
- It's critical to know your customer and what rewards will have the greatest impact. Each customer segment may prefer different rewards.

Refocus visitors (framing): When a customer walks into a branch, they'll use the spaces and staff they see. Reorient the branch to ensure the high-value services that need a human touch are front and center.

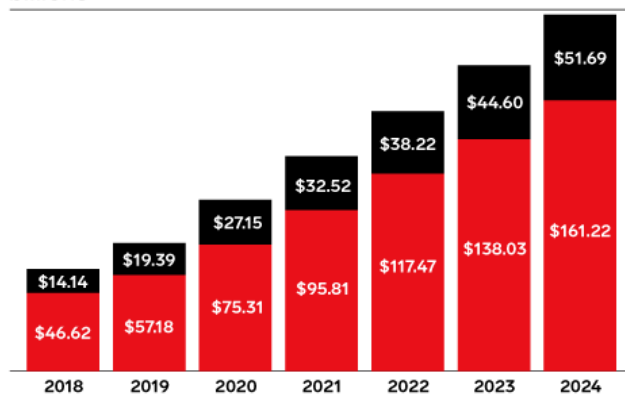
- If the teller is front and center, they'll believe transactions are the primary focus of the branch.
- If they enter the branch and are greeted by an investment or loan advisor, they'll think other services are the primary use.

Banks are more like other verticals than not: Financial institutions are highly retail in nature. That means consumers hold them to much the same standards to which they hold their favorite stores—they want a memorable experience in the physical space.

- Inspiration from other industry verticals—including hospitality and retail—could offer lead indicators of what to expect from the bank branch of the future.
- So could the physical evolution of professional office space and the role the office plays in a hybrid workplace.

US D2C Ecommerce Sales for Established Brands vs. Digitally Native Brands, 2018-2024

billions



■ Established brand D2C ecommerce sales
 ■ Digitally native brand D2C ecommerce sales

Note: includes products sold by consumer brand manufacturers that sell their products directly to consumers online via their owned and operated sites, bypassing standard distribution channels through a retailer, wholesaler, or third-party platform such as a marketplace; includes digitally native brands and established brands; excludes traditional retailers' private-label brands; excludes travel and event tickets and food or drink services
 Source: eMarketer, March 2022

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Workplace: The same principles of hybrid working apply to bank branches. Their redesign will turn them into regional hub offices and collaborative meeting spaces.

- Just as offices are no longer solidly rooted rooms full of “cube farms,” bank branches can deliver far more than tellers behind tall counters.

- For some activities, like applying for a loan or certain retail banking services, consumers will switch between digital and in-person as they conduct research and gather information. So the brand and available tools will need to be consistent offline and online, as they are for office workers holding physical and video meetings.

Retail: Banks can learn from the direct-to-consumer (DTC) brands that were originally solely digital, like Warby Parker, Allbirds, and Bonobos, but are now [blending physical store operations with online operations](#). Their goal is to enhance customer service and to create unique in-person experiences and communal spaces for customers.

- In the next five years, we expect to see a neobank open up a pop-up branch to experiment with marketing its services in a physical location.
- So-called experiential retail offers engaging, immersive experiences in the physical stores and makes creative use of the various channels—such as buy online, pick up in store. How can banks use their channels to do the same?

Hospitality: Banks can learn from the way this industry uses a highly segmented, hyper-targeted strategy to create distinct branch designs and layouts—all while maintaining a single brand.

- For example, Ipsos calls out Marriott’s midtier Moxy hotels, which position themselves as a “stylish and playful” brand for millennials and younger travelers. [Marriott views them](#) as “distinctive” rather than “classic,” a category leans more toward the traditional.
- Moxy contrasts with the Ritz-Carlton, which Marriott classifies not only as classic, but also as part of its Luxury tier.

Healthcare: Healthcare providers take what’s in effect an omnichannel approach, balancing in-person and virtual care with continued in-person care for emergencies, combined with increasing virtual care for preventive healthcare and even virtual urgent care.

- There’s a servicing cost hierarchy that banks can learn from: Emergency care is the most expensive, then urgent care, then primary care, and finally the last expensive option—virtual care or telehealth.

Our take: Surviving branches need a refresh, not only to help banks and credit unions zero in on their revamped customer relationship strategies, but also so that they avoid risking

unnecessary operational and maintenance costs. The response of retail stores and other verticals to the “brick and mortar renaissance” and consumers’ desire to return to in-person experiences can help inspire redesigns.

***This is the third article in a series** looking at where bank and credit union branches fit into an ever-more-digitized banking experience. Previously, we explored [why branches aren't yet obsolete](#), and [how consumers view them](#).*

***Next in our series:** What branch formats are currently in play, and what technology and people skills best complement them*