



Reinventing U.S. Retail Banking

Keys to Creating the Omnichannel
Bank Branch Experience

Kurt Salmon ✨

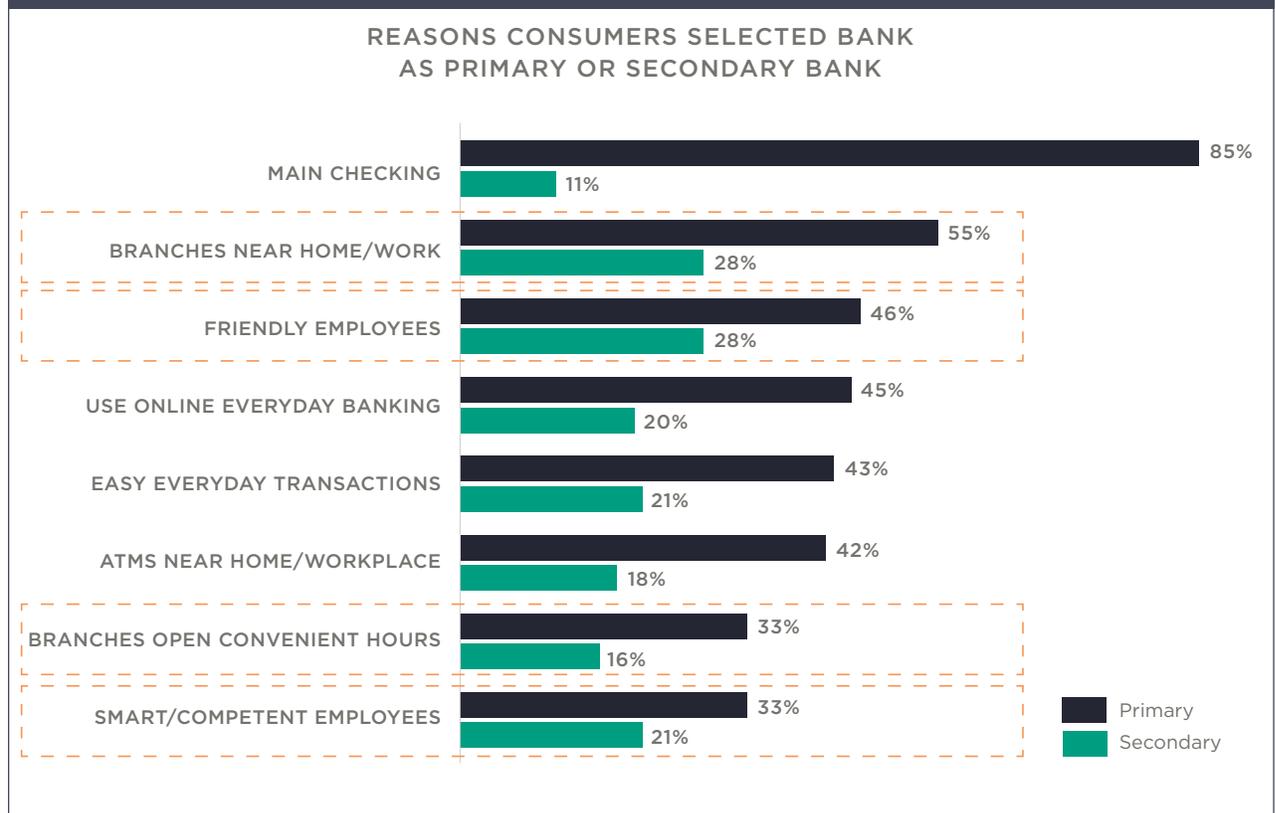
The need for U.S. retail banks to engage in meaningful efforts to transform into the retail bank of the future—the omnichannel bank—has never been more pressing.

The U.S. banking industry continues to adapt to uncertain economic conditions and a complex regulatory environment. Simultaneously, bank customer behavior is changing as technology opens new channels for customer interaction. Online and mobile banking continue to build momentum among bank customers, as bank branch foot traffic declines and the trend toward self-service banking grows. These trends have given rise to the movement toward omnichannel retail banking, with the

goal of providing a seamless, unified customer experience to bank patrons, regardless of whether they choose to access their accounts online, via a smartphone or in person at a branch. So what does this shift mean for local bank branches and the traditional consumer–bank teller interaction?

While banking technologies have taken center stage, new data from a joint Kurt Salmon/Phoenix Marketing International study shows that consumers continue to rely on traditional bank branches and tellers to conduct their financial business. Rather than supplanting traditional methods, digital paths are providing an alternative for many consumers' basic banking needs, while in-person

Exhibit 1: Characteristics of branch banking helped sway consumers to indicate a preference for banks as either their primary or secondary banking institution.



interactions at the branch remain critical for more sensitive issues. The truly omnichannel retail bank of the future retains the bank branch as a central hub of activity, blending physical presence with digital technology to create a “phygital” environment where consumers can design their own customer experience, utilizing the channels with which they are most comfortable.

Of course, the devil is in the details when it comes to effecting this change at the individual bank level. But the time-honored mantra, “the customer is always right,” prevails—the institutions that best understand what their customers want will be best equipped to provide the solution. Kurt Salmon’s consumer survey delved deeply into the sentiment of top bank consumers, shedding light on their expectations for the future of branch banking. This report will build upon that insight to offer actionable steps banks can take to harness the power of omnichannel.

BRANCHES REMAIN KEY CONSIDERATIONS IN CONSUMERS’ CHOICE OF BANK

The Kurt Salmon/Phoenix International survey polled consumer sentiment and the retail banking behaviors of more than 4,000 households across the United States with accounts at some of the largest retail banks in the country.

The data revealed that consumer demand for traditional branch banking services remains high. Access to nearby bank branches was a critical factor in consumers’ selection of primary and secondary financial institutions. Including branch locations, four of the top eight reasons for selecting a financial institution related to branch banking criteria, also factoring in friendly tellers, competent employees and convenient branch hours. (See Exhibit 1.)

Though about a third of consumers surveyed indicated they have cut back on how often they visit bank branches over the past two years, this does not necessarily indicate a decline in the importance consumers place on the branch. For example, 82% of our survey respondents said they plan to visit

BANKS WHOSE CUSTOMERS WERE SURVEYED FOR THIS REPORT

Bank of America	HSBC
Barclays	PNC
BB&T	SunTrust
BBVA Compass	TD Bank
Capital One	USAA
Chase	U.S. Bank
Citibank	Wells Fargo
Fifth Third Bank	

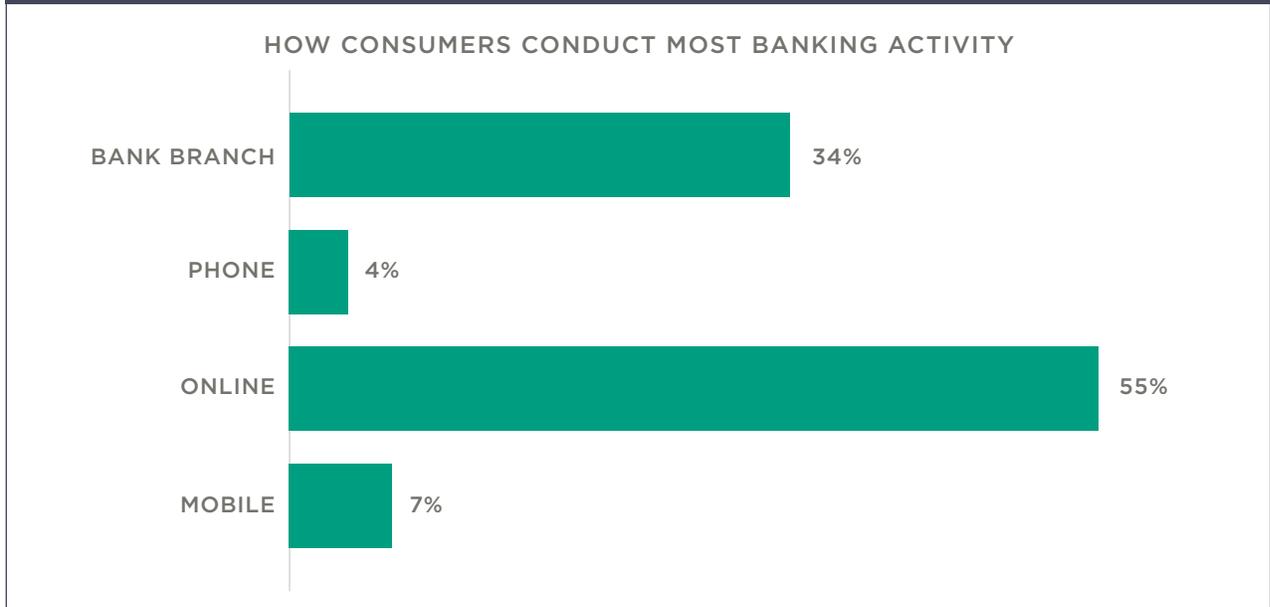
bank branches as often or more often over the next two years. So while consumers may stop by less often these days than in the past, the emphasis they place on the interaction and experience they have in-branch remains extremely important.

FUTURE OF BANKING: “CLICKS AND BRICKS,” NOT “CLICKS VS. BRICKS”

When it comes to conducting transactions, customers are increasingly comfortable in the omnichannel world. Our survey shows that the investment many banks have made in building out digital and self-service channels has paid off, with the majority of consumers conducting their banking activity online. But the data, highlighted in Exhibit 2, also reveals that 34% of consumers continue to prefer conducting most banking activity in a bank branch. Despite substantial investment in telephone banking technology and infrastructure in past years, the rise of online and mobile banking, as well as the continued relevance of branch banking, has diminished the importance of telephone banking as a primary channel for all but a handful of consumers.

The study further revealed that consumers are using different channels for different banking transactions, rather than viewing channels as

Exhibit 2: More than a third of consumers conduct most of their banking activity in the bank branch.



interchangeable for the same banking activities. For example, digital and self-service channels have risen in popularity for consumers looking to conduct routine financial transactions, such as checking their account balances, paying bills or withdrawing cash. For these transaction activities, speed, convenience and ease of use are the primary consumer considerations.

However, consumers still indicate a clear preference for working with a teller in-branch to conduct sensitive or complex financial transactions, where security and trustworthiness were key factors. (See Exhibit 3.) To deposit cash, open or close an account, apply for a loan, or solve a problem, consumers primarily turn to bank branch personnel for assistance and advice. As a result, bank branches with on-site ATMs cover the best of all possible worlds for consumers, providing the convenience and speed of a self-service option with the security

and confidence that come from having access to tellers to assist with complex transactions.

The data in Exhibit 4 makes clear that the retail bank of the future will not be able to replace the physical bank branch with digital channels, as this would be counterproductive. Rather than competing, physical branches, self-service ATMs and digital channels are complementary, each helping to serve a different group of consumer needs and preferences.

CUSTOMERS RATE PEOPLE AS JUST AS IMPORTANT AS TECHNOLOGY

Bank branch personnel are a key reason consumers continue to rely on branches to conduct their banking transactions even in today's digital age. In fact, five of the top seven attributes consumers consider when selecting a primary bank relate to bank branch personnel, while only about one-third of consumers consider technological improve-

Exhibit 3: Consumers prefer to conduct more sensitive financial transactions, such as opening and closing accounts or depositing cash, in person within the bank branch.

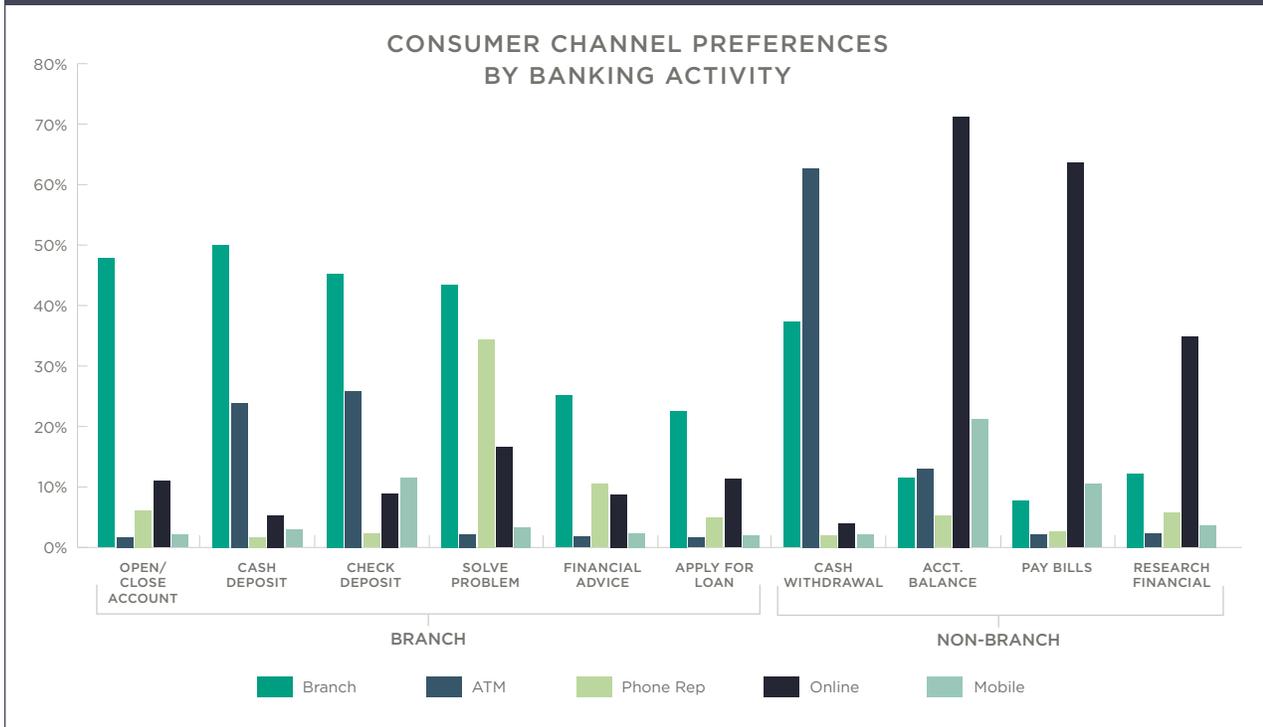


Exhibit 4: While online banking leads in convenience, for peace of mind in more complex transactions, the bank branch still wins in the eyes of bank customers.

	FAST	CONVENIENT	EASY TO USE	MEETS EVERYDAY NEEDS	SECURE	TRUST-WORTHY	CONFIDENT WILL COMPLETE TRANSACTION	PRIVATE
BRANCH	21%	23%	35%	31%	45%	43%	44%	27%
ATM	37%	41%	40%	31%	19%	24%	28%	21%
PHONE REP	14%	21%	23%	19%	25%	26%	25%	26%
ONLINE	43%	50%	45%	45%	22%	29%	36%	31%
MOBILE	20%	24%	19%	18%	10%	12%	14%	13%

ments, such as mobile banking or video access to a banker, as top reasons to select a financial institution. (See Exhibit 5.)

Of course, customer selection is just the start. Banks need to continue to build the relationship with the customer to build loyalty and to remain consumers' preferred financial institution. Our survey shows that consumers see in-person interactions with bank tellers as some of the most important methods for conducting their banking activity and therefore this is a primary channel for banks to leverage in building closer ties with customers. (See Exhibit 6.)

Yet, despite the importance of these in-person channels, our survey revealed that the human capital aspect of the omnichannel banking transformation is lagging. As seen in Exhibit 7, customer satisfaction is falling behind on key attributes related to branch personnel. Closing the gap on these attributes will need to be a top priority for banks in the future.

As banks look to develop strategies for attracting and retaining clientele in the current shifting financial environment, the Kurt Salmon/Phoenix International data makes clear that personnel in the bank branch are critical ambassadors for the financial

Exhibit 5: Branch personnel are critical when it comes to customer preference in selecting a primary banking institution.

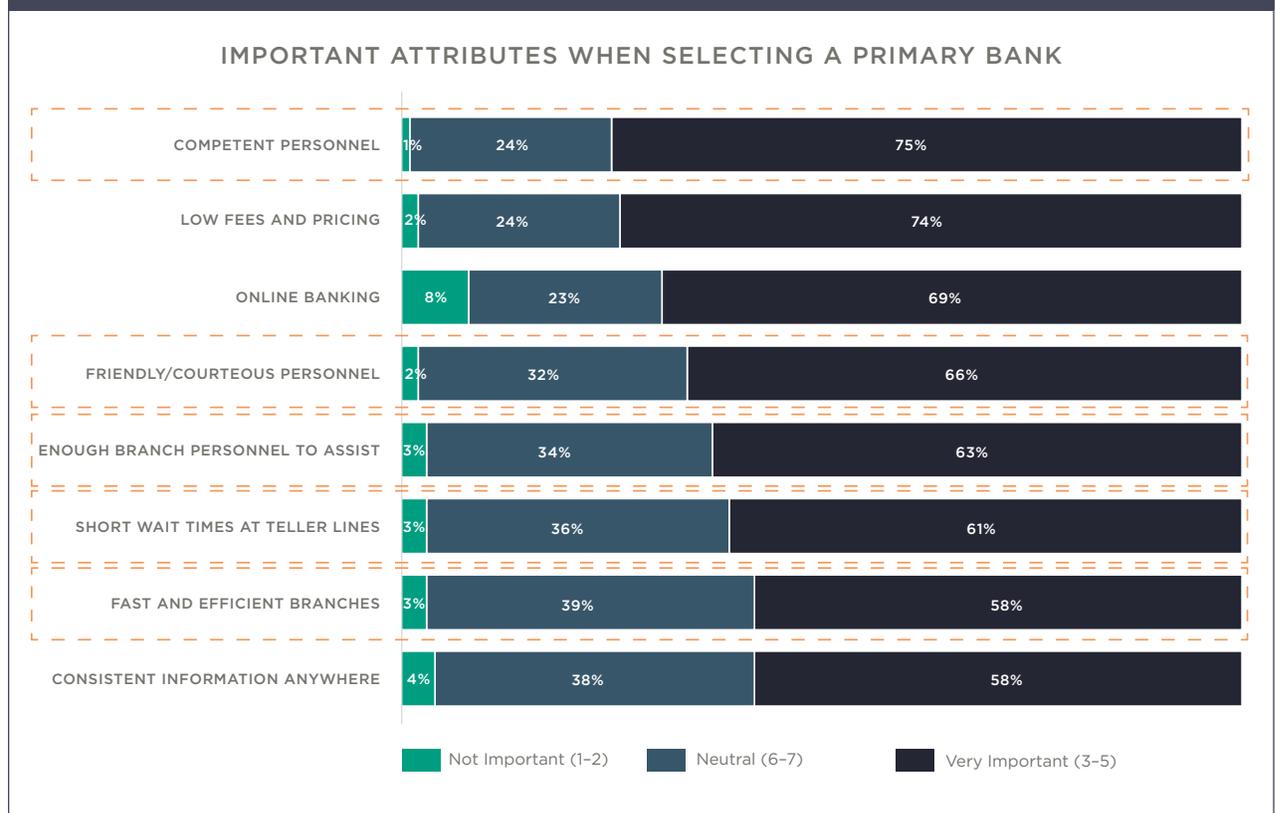


Exhibit 6: Personal interactions with bank tellers are some of the most important methods of banking, according to customers.

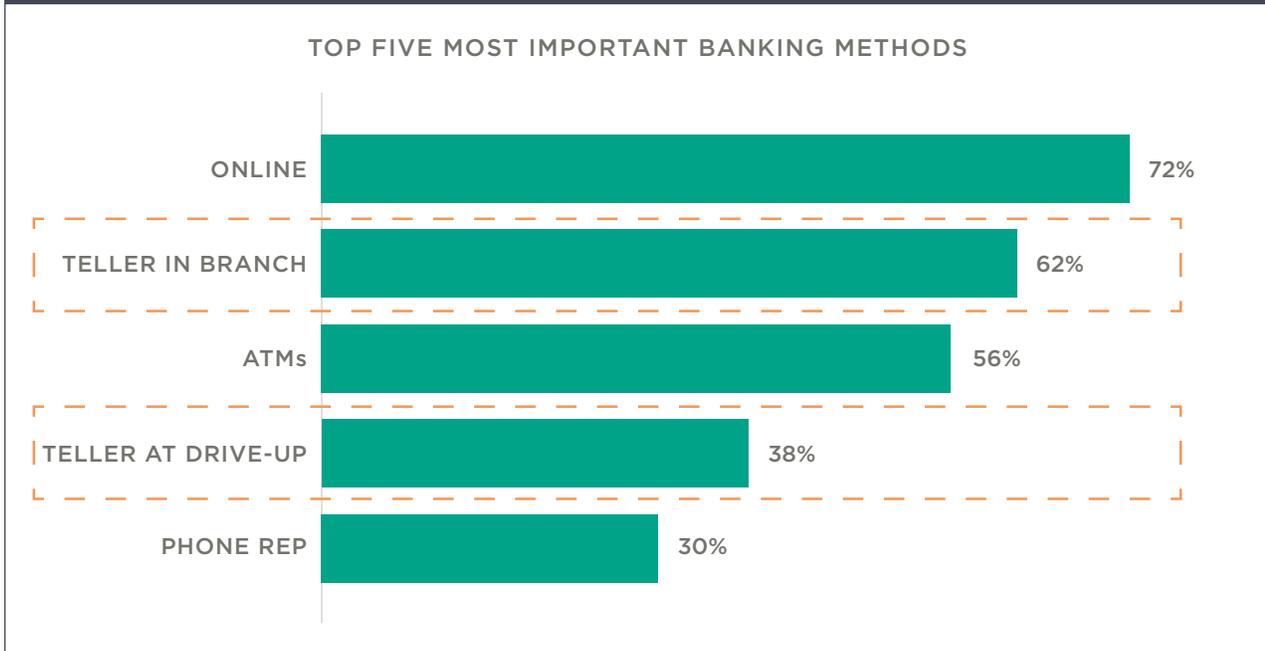


Exhibit 7: Consumers think short wait times, enough personnel to assist with problems and a well-trained staff are critical in branch banking—but banks aren’t meeting expectations.

CUSTOMER SATISFACTION GAP ON BANK BRANCH PERSONNEL MEASURES

ATTRIBUTES	IMPORTANCE	SATISFACTION	GAP (IMP. - SAT.)
ENOUGH BRANCH PERSONNEL TO ASSIST	63%	61%	2%
SHORT WAIT TIMES AT TELLER LINES	61%	59%	2%
COMPETENT PERSONNEL	75%	69%	6%

institution's brand, supporting consumer bank choice and helping to keep customers engaged.

THREE-PART PROCESS FOR OPTIMIZING BRANCH BANKING

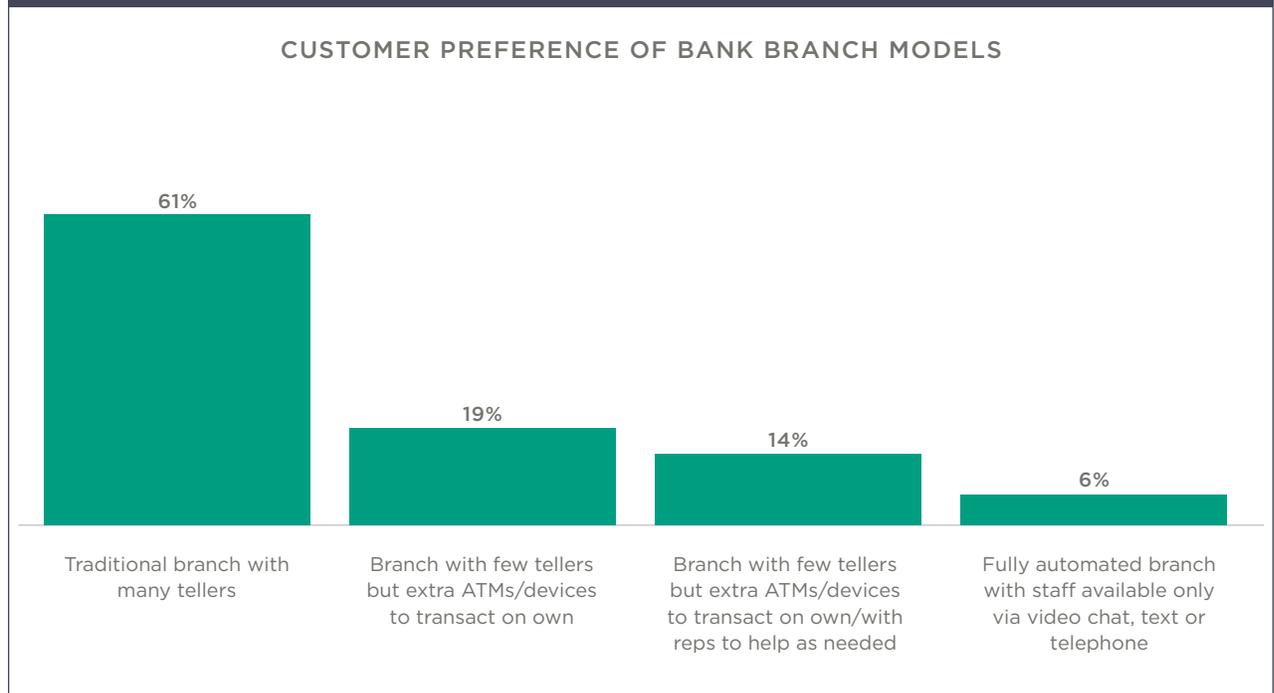
In light of this consumer data, retail banks need to look closely at their existing branch operations in the context of the transition from multichannel to omnichannel banking. Kurt Salmon believes that satisfying today's tech-savvy consumer will require banks to evolve their branch offerings by making a few fundamental adjustments to prepare for the future:

1. First, optimize branch technology to meet both the changing demands of customer segments and to support the service and sales needs of branch personnel.
2. Second, ensure branch personnel are properly organized and equipped to leverage the technology at their disposal and provide an exceptional customer experience.
3. Finally, draw one and two together to develop the in-branch customer experience to match consumer expectations and ensure it is seamless across all bank channels (a truly omnichannel experience).

BRINGING BRANCH TECHNOLOGY INTO THE 21ST CENTURY

Optimizing bank branch technology is the crucial first step in bringing retail bank branches up to speed and into alignment with the omnichannel retail bank experience. Our study found that more than six in 10 consumers conduct the majority of

Exhibit 8: Though the format of the bank branch is changing, consumers still prefer the traditional branch model and the ability to interact with tellers.

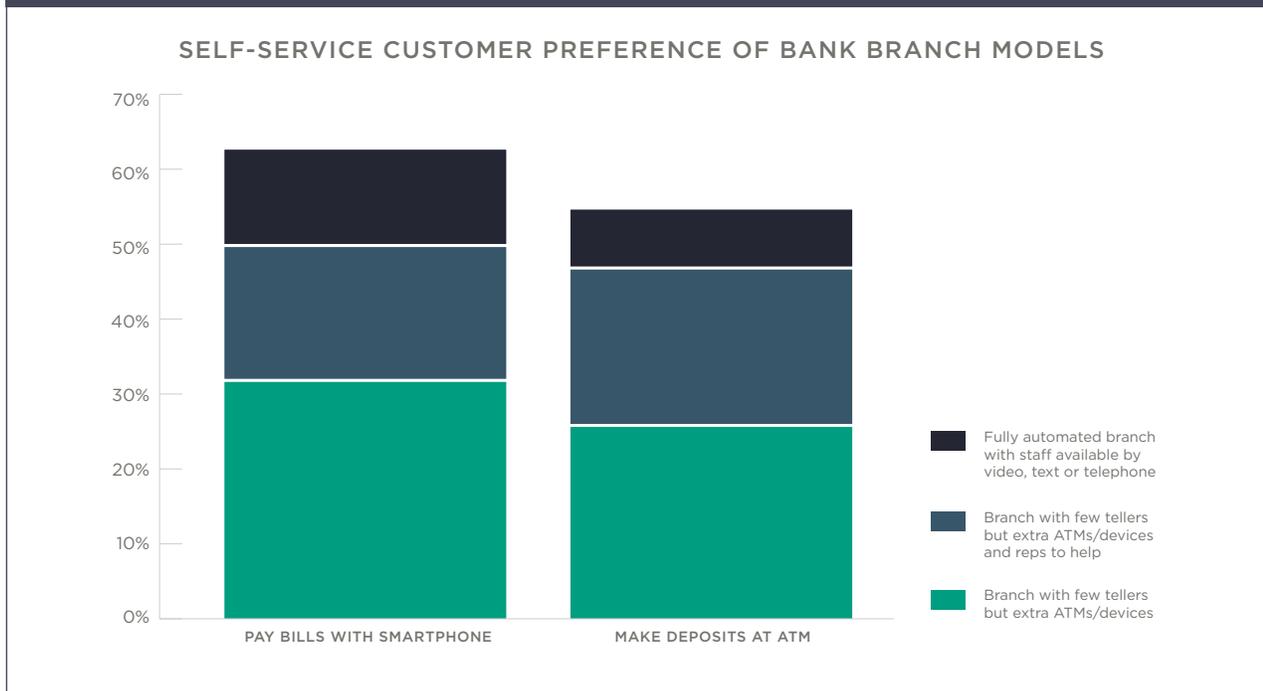


their banking interactions online or via mobile banking technologies. Though the majority of consumers today continue to favor the traditional bank branch model, with many tellers to assist with transactions, more than 50% of respondents who paid bills via smartphone and made deposits at an ATM preferred a fully or partially automated bank branch model. (See Exhibit 8 and Exhibit 9.)

In response to this changing consumer preference, banks need to reexamine their branch technology and upgrade legacy systems that no longer meet customers' expectations. This transition should begin with an assessment of existing technology and an exploration of options to expand functionality. For example:

- » Installing next-generation ATMs capable of processing more complex financial transactions, such as wire transfers, empowering consumers and freeing branch staff to add value in an advisory capacity.
- » Incorporating in-store digital media and interactive product displays for localized promotion (think loans targeted to boat owners in seaside communities, etc.). Digital-rich content creates new opportunities to engage consumers.
- » Providing tablet computers to bank personnel, equipped with an in-branch app to enable associates to access the full array of banking products available to customers and to assist associates in guided selling.

Exhibit 9: Consumers who already prefer self-service methods of banking lean more heavily in favor of branch models with more do-it-yourself options.



- » Offering complimentary Wi-Fi access makes it easier and more convenient for customers to bring their own devices into the branch for assistance with mobile or online banking issues.

In addition to hardware upgrades, banks need to consider the software that runs their systems as well. The goal should be to bring together interfaces across different systems (ATMs, kiosks, online, mobile, etc.) to provide a seamless experience for customers while also ensuring tellers and other bank staff have access to the full suite of customer information necessary to drive more engaging interactions with consumers.

Social media is another important technology that remains a largely untapped channel for the industry. Taking lessons from the retail world, setting up Facebook, LinkedIn and Twitter pages for the branch and developing an online and mobile portal customized to the consumer's local bank branch can help build loyalty and enhance engagement. This, in turn, may help boost customer retention. Twitter, in particular, is emerging as a powerful tool for banks to leverage in enhancing customer care. Customer service representatives at banks such as Wells Fargo are leveraging this channel to address urgent customer questions in real time, frequently taking the place of the call center.

But even as enhanced technological features impact the shape and format of the bank branch of the future, a well-trained bank staff will remain an essential part of the equation to assist customers with more complex or sensitive transactions and build the relationships that drive sales for financial services products.

PUT THE RIGHT TALENT INTO PLACE— YOUR PEOPLE ARE YOUR BRAND

Our study revealed the importance of branch personnel as a critical channel for direct interaction with consumers and pointed to the need for improved staff capabilities and training to meet customer expectations. As the environment of the bank

branch evolves in the omnichannel era, banks need to optimize their human capital resources to best fit the integrated experience customers expect.

From the start, banks need to upgrade their staff training and education to ensure delivery of a consistent, standardized and positive bank branch experience. This should include training on all available in-branch technology, enabling associates to effectively address consumer inquiries across multiple banking platforms. Training should also include customer engagement techniques to help build the emotional relevance of the branch and enable employees to capture critical sales moments beginning as early as the welcoming-and-greeting process.

To create meaningful relationships with customers and to best support and bolster awareness of the bank's brand, employees need to have a thorough understanding of the branch's customer base. Banks need to provide branch personnel access to detailed customer analytics, including customer traffic data across channels, as well as behavioral data. While banks typically have access to this data already, extracting value from the information and getting it into the hands of bank branch personnel means employing a comprehensive big data strategy with a strong analytics component.

The last piece of the human capital puzzle is an effective employee engagement strategy and internal communications program that dovetails with staff training. Internal messaging needs to complement and mirror customer-facing communications, while engagement strategies should connect staff to the ideals of the overarching brand.

An effective human capital optimization (HCO) approach brings together business strategy, organizational structure, company culture and talent development to give banks a comprehensive view of how their staff is prepared to address the ever-evolving demands of omnichannel banking—and can clearly identify areas for additional training and improvement.

BRINGING IT ALL TOGETHER TO BUILD THE OMNICHANNEL CUSTOMER EXPERIENCE

Crafting the omnichannel customer experience is really the culmination of optimizing bank branch technology and human capital—bringing both together to develop a 360-degree customer experience that incorporates personalization, convenience, consistency and reliability. Customer expectations have been raised by the proliferation of innovative, personalized customer experiences in other industries such as retail. Banks now need to provide this elevated experience in order to create new touchpoints with consumers that can ultimately convert to sales.

In practice, this means blending technology with the in-person customer service experience in a way that allows consumers to move seamlessly and in real time from mobile to the Web to the branch. Today's retail banking customer expects to be able to switch between opening a new account in person one minute and depositing a check via mobile device the next, without waiting days for paperwork to clear or learning a new interface from scratch. When that same customer returns to the branch the following week with a question about logging in online, they expect the teller to be able to access the information about the problem from the customer's online profile and help them resolve the situation right then and there.

For banks, the seamless customer experience means more opportunities to leverage transaction and behavioral data to offer personalized product recommendations. Tailoring suggestions to customers' unique situations, such as offering new mortgage terms to customers nearing retirement age or auto loans to an individual paying multiple repair bills, helps to drive cross-selling frequency. The goal is to move past the transactional approach and establish a nurturing, meaningful, ongoing and profitable relationship with customers.

Finally, banks need to look at the structure of the branch network itself as a component of the cus-

tomers experience. As in traditional retail, banks are increasingly organizing different branch formats in clusters to ensure each complements the others within clearly defined markets and regions. The "hub-and-spoke" organizational model, which encompasses larger full-service branches as well as smaller local branches, has gained traction with many banks. This allows customers seeking more value-added transactions to conduct business at the central, full-service branch, while less complex transactions can be handled at smaller branches. The typical arrangement involves approximately five branch locations and as many as 40 staff members.

THE REINVENTED BANK BRANCH

Banks shouldn't underestimate the magnitude of change needed to become truly omnichannel—the transition for many mid-sized banks will be significant. But there is no time to waste, particularly for secondary banks looking to earn their spot as consumers' primary bank and benefit from the subsequent revenue boost and enhanced cross-selling opportunities.

The critical message for banks is that, in the omnichannel retail banking future, banks should not overlook the importance of the traditional branch. An effective branch strategy is critical to winning customer satisfaction and market share, whether you are consumers' primary or secondary bank. Though the shape and feel of retail bank branches will change, becoming smaller and more technologically advanced, their core value remains—to be a primary point of contact between consumers and their banks, elevating the relationship beyond transactional.

Banks that understand this value and incorporate it into their omnichannel transformation strategy by designing a roadmap for technology implementation, optimizing their human capital and relentlessly focusing on the in-branch consumer experience will realize the full potential of their physical banking footprint. ❖



Kurt Salmon is a global management consulting firm dedicated to building the market leaders of tomorrow. More than just partnering with our clients, we ally with them, integrating ourselves seamlessly into their organizations in order to develop innovative, customized solutions for their 21st-century business issues.

Succeeding in today's increasingly complex, consumer-driven environment is an enormous challenge.

But companies need to look beyond today; they need to position themselves for continued success in the even more uncertain future. That's where Kurt Salmon comes in.

We call it delivering "success for what's next." The results are transformative.

AUTHOR

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