

Retail Banking Tip Sheet

Business Issues & Industry Trends

Banks have returned to building retail branches

In the 1980's and 1990's banks focused on efficiency and cost cutting, steering customers away from physical branches to ATMs, call centers and on-line services. Today they see the physical branch as an integral component to their sales strategy and a channel to attracting new customers.

Branch remains key sales channel

Branches are an important contributor to growth. Location is the most important factor in influencing a customer's decision on where to bank¹. 75% of bank customers visit the branch at least once a month². Up to 90% of customer acquisitions are made — and lost in branches³.

Customers tend to make purchases in branches

While customers tend to conduct research on financial products on-line or over the phone, the majority of the sales of these products are made in the branch (Booz Allen 2003). 35% of the customers used the internet to conduct research on home mortgages while 49% of customers made the mortgage purchase in the branch.

Getting to market

Banks want to build branches with greater speed. Typically construction takes 120 days to build a branch. They are trying to reduce that time to 45 days.

Dealing with the old

Banks not only have to build more branches with greater speed but they have to deal with their older branches. As a result of years of mergers and acquisitions banks have to deal with an assortment of footprints.

Banking is a commodity

Up until now banks have not needed to differentiate their offerings and their environments. All banks are the same — same products, services and fees. When new products are introduced they are quickly copied by competitors. Banks offer identical products to one another.

Disconnect with marketing & branding

Despite the banking industry spending billions of dollars on their branding and market plans, there is a disconnect between those well thought out plans and the branch experience. Branches too often are packed with point of sale displays, posters, and brochures competing so loudly that customers ignore them completely.

Banking Era Analysis

Topic	Local Banking	Deregulation	Mega Mergers & Universal Banking	Organic Growth
Period	1933-1979	1980-1995	1997-2003	2004-present
Power	State & Federal Governments	Lobbyists & Bank Boards	CEO's	Consumers
Legislation	Glass-Steagall Act, Bank Holding Act	Depository institutions Deregulation and Monetary Control Act, Riegle-Neal Act	Smart cards, real-time home equity credit scoring	Component products
Products & Services	CDs, checking, credit cards	Debit cards, rewards programs	Smart cards, real-time home equity credit scoring	Component products
Technology	Main frame computers	PCs, on-line banking, ATMs	Business Intelligence	Contractless cards, biometric payments, sales analytical tools
Strategies	Diversification, risk management	Consolidation, risk reduction	Consolidation, risk reduction revenue diversification	De novo branching, organic growth
Skills	Community	Efficiency, risk management	Cost cutting, risk management	Customer service, sales
Leaders	Transamerica	NationsBank, First Union, Bank of America	Citicorp, BofA, JP Morgan Chase	BofA, Commerce Bancorp Washington Mutual
Environment	Great Depression	Globalization technology improvements	Interest rates drop	Interest rates rising, emerging growth

Understaffed branches

Understaffing remains a major issue for banks. Absenteeism in particular remains a major issue. Teller turnover is comparable to that of fast food workers. It is not uncommon for a bank to have teller turnover as high as 30% or 40%.

Increased competition

The same changes that permitted banks to enter other financial markets also allowed brokerage and insurance firms to enter the banking business (Bank Insurance Market Research Group 2006). Wal-Mart announced plans to open financial service centers in 1000 stores by the end of

2008 and will begin to offer a Wal-Mart Visa/debit card.

Key Business Metrics

Internal operating measures are usually tied to a CRM system that enables financial service providers to evaluate the potential profitability of customer. Identifying quantitative internal measures.

Location, location, location. Banks use advanced GPS systems to identify branch locations depending upon population, traffic patterns, income levels, etc.

Internal operating measures are evaluated based on the number of "products/services" offered per customer.

Buying Behavior

Cost is a key criterion but more and more retail branches are recognizing that space matters in building customer relationships.

Purchasing furniture for branches is typically still in the hands of the procurement or purchasing functions. However, branding and marketing executives are continually looking for ways to differentiate themselves and they are starting to see that space does matter.

Associations

American Bankers Association
www.aba.com

Bankers Online
www.bankersonline.com

American Association of Bank Directors
www.aabd.org

America's Community Bankers
www.acbankers.org

Credit Union National Association
www.cuna.org

Consumer Bankers Association
www.cbanet.org

British Bankers Association
www.bba.org.uk

Capgemini — Canada
www.ca.capgemini.com

Canadian Bankers Association
www.cba.ca

European Savings Banks Group
www.esbg.eu

The European Financial Management and Marketing Association
www.efma.com

Sales Tools

Retail Banking Presentation — available to registered presenters

CEU Retail Banking Presentation — available to registered presenters

Improving Branch Performance — positioning piece

A New Way to Serve Customers — customer leave behind

Spin Questions

Situation Questions

What kind of banking experience are you trying to create in your branch?

How does your clientele change from branch to branch?

Have you given different thought zones where and how work happens in your bank?

Problem Question

Welcome area/Reception

Have you ever had experiences where people come into the bank and don't know how to engage your services?

What are some of the challenges that you face getting people to be aware of your service offerings?

Do you ever feel that your customers are aggravated by the complexity of banking services?

Implication

When people do not know how to engage your services, what impact does that have on the bank's operational performance?

Key Decision Makers

- Facilities/Design/Real Estate
- Architects & Designers
- Materials managers/purchasing
- Branding & Marketing executives
- Board of Trustees
- Retail banking managers

Competition

- Herman Miller
- Knoll
- Haworth
- Teknion
- Many small custom build outs

Types of Retail Banks

The U.S. banking system is unique in that it is made up of extremely large complex banks with thousands of small banks. Of the top 10 world banks, four are U.S. banks, including three of the top four. The U.S.

has more banks (7,491) and branches (75,000+) than any other country.

Large, Complex banks — In 2003, the top 25 U.S. banks alone accounted for 57.9% of total profits for U.S. banks.

Regional and Other Midsize banks — FDIC defines these as financial institutions with assets of more than \$1 billion but less than the assets of the smallest of the 25 largest banking organizations.

Community banks — FDIC defines community banks as institutions with less than \$1 billion in assets.

Limited Purpose banks — These are institutions with a narrow focus such as credit card banks, sub prime lenders and internet banks.

Credit Unions — A cooperative financial institution owned and controlled by the people who use its service. These people are shareholders/members. Credit Unions are also not for profit.

Suggested Reading

The Future of Retail banking: J DiVanna (2004)

Innovation in Retail banking: P.T. Harker, L.W. Hunter (1998)

Designing the future of Banking: Lessons from the Trenches —P.T. Harker, L.W. Hunter (1998)

What losses would you experience if a customer turned around and walked out of the bank?

Do you think that customer aggravation can lead to missed opportunities for your branch?

Need pay off

Would you see benefit in a branch so well designed that a customer would know immediately where to go for service?

What would be the result of information so clearly displayed that the customer anxiety and visual privacy is relieved?

Problem question

Privacy

What barriers does your staff experience when customers are trying to share private information?

What challenges does it present when the customer perceives they don't have appropriate privacy?

Do your customers express concern about sharing confidential information in your branch?

Implication

What are the consequences for a customer being uncomfortable sharing confidential information with your staff?

Do you think that there are any missed opportunities because of a poor acoustical environment?

Have customers expressed a need to protect their identity in your branch?

Need payoff

Would it be helpful if we could show you a way to create private zones where people would feel comfortable sharing confidential information?

Would it be useful if I could show you a way to increase the level of acoustical privacy in your branch?

Problem question

Minimize perceived wait time

What difficulties does your customer have in accessing the services in your branch?

What is the biggest dissatisfaction experience in your branch?

Implications

Do the problems created by poor design in your bank create bottlenecks that result in long lines?

What are the ramifications that long lines have for your customers?

What is the downside of people having to wait in line in considering the overall performance of your branch?

Need payoff

What would be helpful if I could show you how an improved design could eliminate customers having to wait in long lines?

Would you want to see applications that could solve for customer waiting problems within your branch?

Other areas to develop problem questions

- Increasing Sales
- Sales Retention
- Branding
- Getting to market

References

1. Oson, Governor M.W. (2004). *Remarks at the 40th conference on bank structure and competition.*
2. Massey, K. (2006 June). *Results from the 2005 U.S. consumer channel preference survey: \$6.5 billion reasons for "anytime, anywhere banking". Financial Insights.*
3. Booz, Allen Hamilton (2003). *Implementing the customer centric bank: The rebirth of the forgotten branch.*