BAI Banking Strategies
EXECUTIVE REPORT

Branches are changing with the times

MARCH 2023

BAI POWERING SMART DECISIONS.

In this issue

How's that shift from branch to advice center going?

BY TERRY BADGER, CFA
tbadger@bai.org

Two pronounced trends are at work for banks when it comes to their branch networks.

The first trend is downsizing. According to the latest available numbers from S&P Global Market Intelligence, a net average of 160 branches were closed each month over the 12-month period ending in January 2023. These closures, which are taking place across the country, bring the number of branches nationwide down to roughly 78,800.

The second trend is repurposing. With ever more basic transactions being done digitally, a large physical presence with a long line of teller windows is pretty much obsolete. The dominant vision for the branch of tomorrow is that it serve as an advice center offering services that can't be quickly and easily provided via a mobile phone.

For this BAI Executive Report, we ventured out to find a sampling of what the banks and credit unions are thinking about as they design the branch lobby of the future and how far they are down the road to making their vision a reality.

The headline of our lead article from contributing writer Katie Kuehner-Hebert captures both the end goal and the challenge of getting there: "The long, slow transition to advice." It's one thing for a banking institution to say that its physical locations will focus on providing higher-value, higher-touch services, and it's another thing entirely to make it so.

"Every institution is somewhere along the spectrum of moving toward the advice center, but it has been going slower than anyone might have predicted," an industry consultant tells Kuehner-Hebert. "The current state of most branches is still very rooted in traditional banking transactions."

A key issue to solve is that branch staff, on the whole, have a well-ingrained transaction mindset—taking care of what this customer needs done right now, and then on to the next. The same consultant likens this posture of the branch banker to that of a farmer, whose actions are reactive based on weather and market prices. To be more effective as an advice giver, the banker needs more of a hunter's proactive mentality.

Kuehner-Hebert spotlights San Antonio-based Frost Bank, which has been moving toward an advice-led "concierge" model for its 150+ branches spread across Texas. The goal of its universal bankers is to develop a trusted relationship with each customer through personalized advice and services. The bank also provides branch space to community organizations for their meetings.

Offering a conference room to a small-town civic group sounds like a good marketing tactic, but is it as good as offering an on-premises donut shop?

In her article on evolving branch design, contributing writer Dawn Wotapka writes about some of the ways that banks are trying to create pleasing physical spaces, be it through embracing local culture, adding eye-catching architectural touches or supplying more basic creature comforts, like a Dunkin' under the same roof.

A Chicago-area architect who has designed a number of locations for Wintrust Community Banks says building neighborhood-specific elements into the branch is a way to promote connection. "Customers feel comfortable in them because they feel familiar."

In this month's Q&A, Jon Voorhees, EVP for physical distribution strategies at Wells Fargo, shares his thoughts on the transition of the branch from primary source of connection to a more secondary, supportive role as digital banking handles more transactions. Voorhees has had a lengthy career in the branch world, including a decade and a half in retail distribution at Bank of America and as an industry consultant.

Also in this month's Executive Report:

» **When less is more:** William Yeomans from Brookline Branch writes about how smaller branches and sale-partial leaseback options can help banks keep a physical presence in communities in a more cost-efficient way. Other innovations include creating "multi-functional" branches that can serve as community hubs.

» **Focusing on the branch customer experience:** Jackie Hudson from Verint tells us that a better approach to managing lobby traffic—including initiating or expanding appointment-setting programs—can help banks and credit unions build more enduring relationships with their customers.

» **The efficiencies of ATM-as-a-service:** Steve Nogalo from NCR makes a case for banking institutions outsourcing ATM networks—including more advanced interactive teller machines—to third parties as a way to ease staffing concerns, expand availability and promote greater customer satisfaction.

We hope this Executive Report on the future of the bank branch provides ideas and insights that you might be able to apply as your bank or credit union transitions to a model appropriate for your and your customer/members' needs. Feel free to email me with any questions or feedback.

Terry Badger, CFA, is the managing editor at BAI.

The long, slow transition to advice

A major challenge financial institutions face is the need to develop a 'hunter' mindset among branch employees who now tend to think like 'farmers.'

BY KATIE KUEHNER-HEBERT

For years, many financial institutions have been aiming to transition their branches from transaction-focused centers into advice centers—a move that's taken on additional urgency in the wake of the pandemic shutdowns that forced even more customers to digital channels.

What would these advice centers look like? Some of the more forward-thinking institutions envision the branch as a smaller space offering a concierge-style of banking with far fewer, if any, transactions.

"More like a hotel lobby and less like a DMV," says Gina Bleedorn, chief experience officer at Adrenaline, an Atlanta-based brand experience company. "The space encourages customers to be comfortable enough to have consultative conversations and elevates the customer experience in general." How

GINA BLEEDORN
ADRENALINE

are these transitions faring? “Every institution is somewhere along the spectrum of moving toward the advice center, but it has been going slower than anyone might have predicted,” she says. “The current state of most branches is still very rooted in traditional banking transactions.”

The biggest challenge financial institutions face is rooted in the need for a completely different mindset among employees—a “hunter versus farmer mentality,” meaning more proactive than reactive, Bleedorn says. This new mindset combines the engagement skills of a salesperson with the ability to find the right customer-centric solutions.

BILL DAY
FROST BANK

“However, most bank employees by nature are not necessarily skilled in these sorts of ‘soft’ skills because they haven’t had to be,” she says. “Those who are may already be working at a competitor, so a bank is going to have to pay them more to poach them.”

Banks can try to find employees from other industries, but they would have to ramp up training to make sure these new hires understand banking and financial services. And there’s no guarantee that these employees will work out.

Frost Bank, a San Antonio, Texas-based institution with $53 billion in assets, has been transitioning its branch network for more than a decade. The goal is that each branch will offer a hybrid of advice and transactions as part of an overall concierge model, says Bill Day, senior vice president of corporate communication.

With fewer customers coming in for basic transactions like cashing checks or making deposits, Frost Bank reduced the amount of space devoted to teller lines and moved to a universal banker system. Most of its branches also have conference rooms that function as meeting spaces for local community groups.

Frost Bank has offered insurance and investment services through its branches for decades, so the

“Our transition was several years ago—it was gradual, natural and driven by what we were hearing from our customers and our desire to provide a warm, welcoming space for people to visit. It’s really for our visitors to say whether we’ve met that goal, but based on our customer satisfaction levels, I’d say it has been a success.”

BILL DAY, FROST BANK

institution has had an advisory model for many years, he says.

“At our branches, guests are greeted at the door by a banker who can help them with any of their needs,” Day says. “Our transition was several years ago—it was gradual, natural and driven by what we were hearing from our customers and our desire to provide a warm, welcoming space for people to visit. It’s really for our visitors to say whether we’ve met that goal, but based on our customer satisfaction levels, I’d say it has been a success.”

NICK MILLER
CLARITY ADVANTAGE

"If there's significant turnover, staff won't have the experience or training to ask the right questions and guide and support customers in the right direction. Institutions need to have clear and detailed plans for these and other questions."

NICK MILLER, CLARITY ADVANTAGE

Nick Miller, president of Clarity Advantage in Concord, Massachusetts, says the advice center model his team sees most frequently positions the branch as an entry point to the bank for expertise or advice.

"It's just too expensive to develop or house all of this expertise in branch staff or at every branch," Miller says. "The pitch is, 'Come to us for guidance and advice—and the branch team will guide you to our team of experts inside the bank.'"

Almost all branch managers and branch associates have the expertise to handle most personal-banking challenges, and some have enough expertise to handle typical small-business loan requests, deposit accounts and credit cards, he says.

For deeper conversations about small-business needs and larger business loans, or, on the personal side, mortgages or wealth management or investments, the branch team would introduce their client to someone in another part of the bank. In very large branches, those experts might be physically resident in the branch, but in most cases, they are not.

"For the industry as a whole, the hype is out ahead of the execution," Miller says. "I can't point to a single institution that has mastered this for 90% or even 80% of their branches—but at every bank, there are branches where advice or introductions to experts are done well."

At these branches, he says, managers and staff are more willing and more able to engage clients or

potential clients in conversations about their goals and challenges, versus taking orders or "tossing them over a wall to an expert," and they have long experience working with customers to solve their problems. In addition, the banks' internal systems facilitate easy access to others in the institution if a specialist is needed, so customers feel the institution is responsive.

"The first challenge institutions have in executing this model is that they are not definite about what exactly they mean about branches as advice centers," Miller says. "Who do they want to give advice to?"

The upfront questions are numerous. Which difficult questions do they want to address? Who should deliver the advice? How much guidance is housed on the website versus shared by people? How does branch staff express the approach to customers? How do branch staff and product experts "dance together and with clients," so that clients feel like they got a good answer and had a satisfactory experience?

But even the best plans face challenges with compensation systems that aren't aligned with the advice center strategy, lean staffing for cost reduction and high turnover, Miller says.

"If the fewer number of employees in the branch are busy with transactions, they can't take very long to sit with a customer," he says. "If there's significant turnover, staff won't have the experience or training to ask the right questions and guide and support customers in the right direction. Institutions need to have clear and detailed plans for these and other questions."

Katie Kuehner-Hebert is a BAI contributing writer.

Today's model branch: Technology and donuts

Banks and credit unions know that if they want to thrive in the age of nimble fintechs, they need to change their physical presence.

BY DAWN WOTAPKA

When Hiway Credit Union started planning a new branch in Minnesota, one thing was certain: It had to stand out.

"We hadn't built a branch in many years," says Tara Graff, Hiway's senior vice president of marketing and business development. "Because of this, we wanted our first-in-memory new branch to be really something—a flagship for the Hiway brand, sort of like Saks Fifth Avenue."

The site, located on a major traffic corridor between Minneapolis and St. Paul, serves as a billboard to commuters and shoppers in the popular Rosedale area. Architecturally, ample glass provides natural and welcoming light, while a soft gray exterior offers a "modern, yet timeless look," Graff says.

TARA GRAFF
HIWAY CREDIT UNION

What's more, there's a Dunkin' on-site. Yes, that Dunkin'—the one with the coffee and doughnuts. There isn't even a wall to separate the distinct businesses. "We keep our glass door open between the two spaces to allow for flow of traffic from curious Dunkin' customers," Graff says. "There's also a shared seating area with a double-sided fireplace."

If you think bank branches are still about rows of teller windows and velvet ropes, think again. Banks and credit unions are aware that if they want to not only survive but thrive in the age of nimble fintechs, they have to change their approach to real estate. "A lot of people say they think branches are going away," says Martha Bartlett Piland, president of Topeka, Kansas-based Banktastic, which offers branding services. "I don't think that's true. But I do think the branches of today are going away."

"We hadn't built a branch in many years. Because of this, we wanted our first-in-memory new branch to be really something—a flagship for the Hiway brand, sort of like Saks Fifth Avenue."

TARA GRAFF
HIWAY CREDIT UNION

DIANA MELICHAR
MELICHAR ARCHITECTS

"While the world is becoming more and more digital, people still consistently crave the human connection regarding bank relationships. Their buildings are inviting, and customers feel comfortable in them because they feel familiar. This is in stark contrast to the cookie-cutter, corporate designs of many other financial institutions."

DIANA MELICHAR
MELICHAR ARCHITECTS

Indeed, the physical bank branch is far from extinct. "While the world is becoming more and more digital, people still consistently crave the human connection regarding bank relationships," says Diana Melichar, president of Melichar Architects in Lake Forest, Illinois.

Melichar has designed several locations for Wintrust Community Banks in Illinois that provide amenities reflecting the local culture and architecture of established neighborhoods and towns. "Their buildings are inviting, and customers feel comfortable in them because they feel familiar," she says. "This is in stark contrast to the cookie-cutter, corporate designs of many other financial institutions."

Some operators are experimenting with locations. Last year, Madison, Wisconsin-based Summit Credit Union announced a branch in the city's Black Business Hub development—something that might have been unheard-of decades ago—to help increase opportunities for entrepreneurs of color.

For Summit, the top Small Business Administration lender among credit unions in Wisconsin for multiple years, this is a chance to provide banking services, lending opportunities and financial wellness training and coaching to an underserved community.

Across the board, the branch format is nothing like the cavernous boxes of yesteryear. Early in 2023, Georgia United Credit Union broke ground on a 3,000-square-foot branch that it says "will redefine the banking experience for members."

The facility will showcase a new open-concept lobby design with service spots for members to connect one-on-one. This reimagined space and workflow "will enable our team members to better serve our members and their long-term financial needs," according to Todd Lambright, Georgia United's SVP for member experience and delivery.

While some facilities don't even include bank tellers, technology is paramount. Georgia United will feature interactive ATM+ terminals both inside and outside of the branch to assist members with day-to-day needs.

Michigan Legacy Credit Union is converting all its locations to teller-less branches that use smart ATMs to handle deposits and withdrawals, says Carma Peters, president and CEO. Michigan Legacy adopted the Pop I/O video teller platform, through which members can open an account,

TODD LAMBRIGHT
GEORGIA UNITED CREDIT UNION

CARMA PETERS
MICHIGAN LEGACY CREDIT UNION

apply for a loan, close a loan (including mortgage lending) and perform various maintenance tasks, including change of address, fraud disputes and other cashless services. "This technology allows members to join from the comfort of their home, vacation or wherever they happen to be," Peters explains.

Increased technology means banks can be smaller. "In the future, if we expand our footprint, rather than a 6,000-square-foot building, we can open a branch with 1,200 square feet and provide all the same services," Peters says.

For its new facilities, Hiway chose a lean-staff/tech-forward model, Graff says. All of these lobbies are staffed with a branch manager, a mortgage loan

LAURA KING
GEORGIA UNITED

"We're building a new experience for members brick by brick, combining the latest innovations in digital banking technology with the hometown feel of our award-winning personalized service."

LAURA KING
GEORGIA UNITED

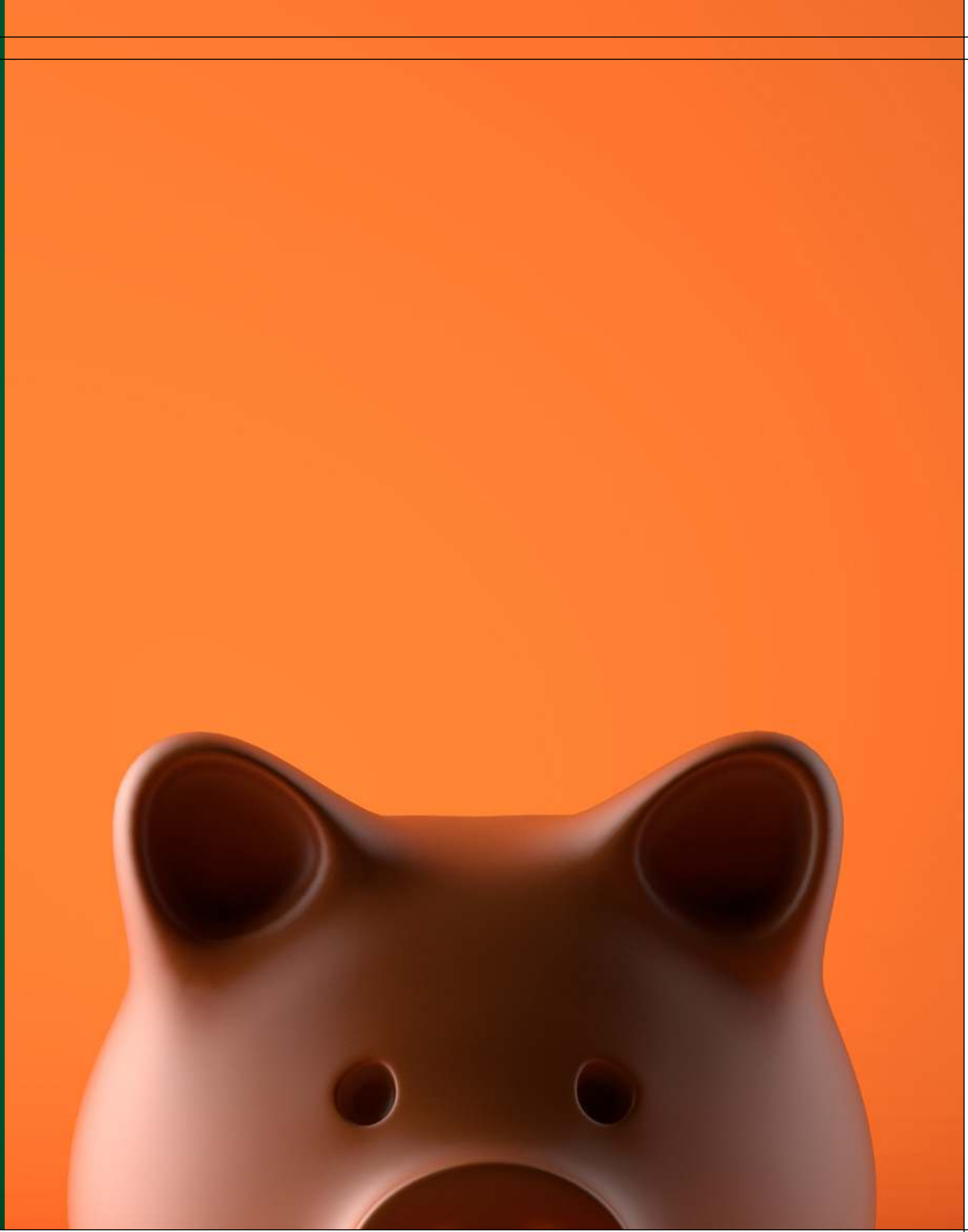
officer and three universal service representatives. Basic transactions are handled by interactive teller machines, which Graff says are growing in popularity among members. "We have our team walk our members through use as many times as they need to feel comfortable," Graff says. "Members, even if hesitant at first, are pleasantly surprised by how easy it is."

One thing is certain: Every new branch is a chance to prove that in-person banking will forever be part of the community. "We're building a new experience for members brick by brick, combining the latest innovations in digital banking technology with the hometown feel of our award-winning personalized service," says Laura King, executive vice president at Georgia United.

When it comes to bank branches, fresh thinking that blends the physical and digital worlds is essential.

"If banks are really putting customers and employees first, then they must upend their assumptions about the entire customer experience," Banktastic's Bartlett Piland says. "Customers want it all: Yes, they want digital. Yes, they want apps. And they also want real people to solve their problems or help them navigate their financial journey."

Dawn Wotapka is a BAI contributing writer.



An industry vet's take on the branch

In this month's Q&A, Jon Voorhees from Wells Fargo shares his thoughts on the transition from primary source of connection to a more secondary role.

BY TERRY BADGER, CFA

The long-term strategy of many, if not most, banks is "digital-first," or even more precisely, "mobile-first." It makes sense from a cost viewpoint, the technology is ever improving, and it's what younger customers want and expect.

As this trend grows in breadth and depth, the bank branch—once the primary source of brand building, customer acquisition and relationship strengthening—takes on more of a secondary role for most Americans. In BAI's 2023 Banking Outlook survey, only those over the age of 60 said a convenient branch network was an important consideration when selecting a new bank.

The branch is not going away anytime soon, but what is it going to become?

For insights into what may lie ahead for branch networks over the near term, we reached out to Jon Voorhees, executive vice president for physical distribution strategies at Wells Fargo. Voorhees' career in banking goes back more than four decades, including lengthy stints in retail distribution at Bank of America and as an industry consultant.

This interview has been edited for length and clarity.

BAI: If I asked you to summarize what you see happening with bank and credit union branches in the next year or two, what would you say?

Jon Voorhees, Wells Fargo: I've gone from being a consultant to the industry to work for an institution with a presence in more markets than any other U.S. bank, but I still keep a pulse on the industry overall. What I'm seeing across the board is more of the same. More branch closures for more established players, as they adapt to the changing marketplace and digital migration. More new branches exploring differing formats. And ongoing conversations and differing viewpoints about the future state of branches.

What do you see as being the enduring takeaways for banking institutions from the pandemic experience when it comes to their branch networks?

I believe that any business with a physical presence, including banks, is seeing four common trends:

- *Though COVID-19 accelerated mobile adoption across all segments, the physical space remains important.*
- *Appointments and reservations became a widely accepted practice, but not without new challenges or problems to solve, such as what to do with "walk-ins."*
- *All businesses are realizing they must pay more to attract talent. Many people view jobs as more than a paycheck, and they're looking for work that has personal or higher meaning.*
- *Running lean due to staffing shortages creates risk—not only might you disappoint customers who have to wait, but you might not even be able to open the doors if not enough staff are there to operate.*

JON VOORHEES
WELLS FARGO

> "What I'm seeing across the board is more of the same. More branch closures for more established players, as they adapt to the changing marketplace and digital migration. More new branches exploring differing formats. And ongoing conversations and differing viewpoints about the future state of branches."
>
> **JON VOORHEES,** WELLS FARGO

What do you foresee in terms of right-sizing branch networks in light of the heightened focus on digital banking?

In general, national and regional banks simply don't need as many branches as we used to. Three decades ago, a bank's strategy was to build a new branch and it acquired customers who would come in every week to interact. Over time, the branch got "full," meaning long wait times or teller queues. So, the bank opened another branch and went through the same ramp-up. Today, new branches may never get "full" because customers don't have come back into the branch as frequently, given the move of many of those interactions to digital alternatives.

We hear a lot about branches being reimagined as advice centers over the longer term—do you think that's the right vision for banks to pursue? If so, who's the primary clientele for that? If not, what do you see as a better vision?

I absolutely see this happening in the industry. We see many industry players saying they believe the branch visit will be even more about the relationship, where customers engage in financial checkups with bankers to create and fine-tune their long-term financial goals. The bigger challenge is that no bank or credit union here in the

U.S. has figured out what that means exactly. There are some European players that are ahead of the U.S. on this. Some of those firms no longer perform financial transactions or even account opening in branches. They focus on educating customers and explaining how things work. You no longer have salespeople or transaction experts; you have educators and advisers.

How do you think banks and credit unions should be thinking about their branch staffing in terms of numbers and desirable skill set to become that branch of the future? Generally speaking, can current branch staffers be "retrofitted" for this changing world?

When I wore my consultant hat, I would have told you that it all depends on how your firm evolves. In the near future, I believe there will be some firms that take the high-touch approach to reach a segment of the U.S. market. Others will go the other way and try to eliminate all financial transactions from the physical branch, as we're now seeing in some European banks. So, your staffing roles and levels will vary by your business model.

Some pioneering banks, such as Barclays, are using small "pop-up" branches that can easily be moved, while others are using "banks on wheels" that are highly mobile to serve underbanked areas. Do you see these as part of a new paradigm for branches?

Many of these ideas have been around for years. Remember a few years ago, when one bank was dropping off converted cargo containers as

> "The idea of mobile branches (basically RVs) makes great sense for disaster recovery. Given how the long-term climate changes are making weather events more extreme, I believe there will be a greater need for quick-response banking teams."
>
> **JON VOORHEES,** WELLS FARGO

pop-ups? It's the same thing as mobile branches. The idea of mobile branches (basically RVs) makes great sense for disaster recovery. Given how the long-term climate changes are making weather events more extreme, I believe there will be a greater need for quick-response banking teams. In Great Britain, multiple banks are even sharing space throughout the week in order to serve more rural areas. Each bank operates from the space one day a week.

Personalization is a popular buzzword among banking innovators these days—how do you think banks achieve a closer personal relationship with customers at a time when their physical presence is shrinking?

Personalization has been on industry minds for some time, driven by experiences customers have outside banking—think online shopping, streaming video, music—and that is only going to accelerate with the emergence of artificial intelligence. Demonstrating a personal connection needs to happen in every interaction in all channels, not just in person, and in fact it may be easier to deliver digitally.

Terry Badger, CFA, is the managing editor at BAI.

When less is more

Smaller branches and sale-partial leaseback options can help banks keep a brick-and-mortar presence in communities in a more cost-efficient way.

BY WILLIAM YEOMANS

Over the past 15 years, the way banks interact with their customers has gradually shifted, with more and more transactions being completed online and through mobile devices. The COVID-19 pandemic accelerated this change, reducing in-person transactional activity and prompting banks to rethink the functionality of their branches.

The question most bankers ask themselves is: "How do we transform our branch network without disrupting our business?" But a better question may be: "How can we create opportunities and competitive advantages while transforming our branch network?"

The question most bankers ask themselves is: "How do we transform our branch network without disrupting our business?" But a better question may be: "How can we create opportunities and competitive advantages while transforming our branch network?" Either way, the answer seems to be: Less is more.

Either way, the answer seems to be: Less is more.

Traditionally, bank branches were designed for high volumes of retail and business transactions, requiring spaces of 4,000 to 6,000 square feet. Today, branches don't need to be so big—and banks are acting accordingly. The average size of a new bank branch today is about 2,500 square feet.

To reduce costs and improve the customer experience, banks are exploring ways to downsize, right-size and restructure their branches to create smaller, more flexible spaces that are better suited to the needs of modern consumers. New options are emerging, along with an old approach with a new twist: sale-partial leaseback. The new sale-partial leaseback approach creates more competitive advantages, future optionality and operational benefits for many banks.

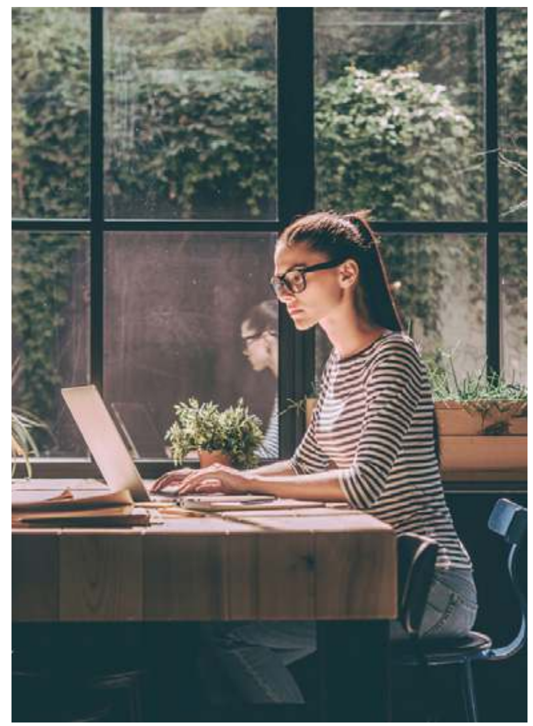
In a sale-partial leaseback, banks sell their branches to specialized real estate management companies and then lease back a smaller portion of the building for their operations. This allows banks to maintain their presence at an established location while lowering their cost, realizing non-dilutive capital and reducing their branch footprint. In addition, leasing the bank's vacated space to third parties creates cost-sharing opportunities and can drive more traffic to the location.

A "less is more" approach, coupled with a sale-partial leaseback strategy, could prove to be the future of the bank branch. The approach creates more capital and reduces long-term expenses while providing a better customer experience and enabling a renewed focus on the core banking business. The result is increased earnings and stock prices for banks.

WHY BRANCHES STILL MATTER

Despite the decline in branch size, branches still play a critical role in the banking industry. They're an important source of revenue for banks and a crucial component in building relationships with customers. Because of this, banks have been rethinking the traditional branch model and experimenting with new, innovative approaches, including branchless banking, pop-up branches at high-traffic locations and high-tech smart branches.

Some banks are innovating by creating "multifunctional" branches that serve as community hubs. In one high-profile example, some Capital One branches offer a range of services beyond traditional banking, such as coffee shops, coworking spaces and meeting rooms. This allows banks to build deeper relationships with their customers and offer a more complete experience.



This is exactly what the market wants, according to a study by Deloitte: "Our survey indicates that consumers will continue to use digital channels for simple transactional activities, but many consumers desire high-touch interactions for more complex products and services, such as mortgages and financial advice."

In many ways, a customized and community-tailored version of Capital One's approach seems like a perfect fit, including for smaller, regional and community-oriented banks. And these smaller banks can probably do it even better because they know the communities.

Over the past several years, BMO Harris Bank has been experimenting with smaller branches and technology-based solutions, including building multifunctional branches. A sale-leaseback

Some banks are innovating by creating "multifunctional" branches that serve as community hubs. In one high-profile example, some Capital One branches offer a range of services beyond traditional banking, such as coffee shops, coworking spaces and meeting rooms. This allows banks to build deeper relationships with their customers and offer a more complete experience.

> **"Our first sale-leaseback portfolio transaction immediately reduced our operating expenses and enabled the redesign of the oversized branches' space to fit our needs."**
>
> **JON BURK,** BMO HARRIS BANK

program has allowed BMO Harris to free up capital that can be invested in these initiatives while still maintaining a physical presence in the community.

Other banks, such as Wells Fargo and Truist, have also used sale-leaseback options to reduce their branch footprint and free up capital for other initiatives.

LESS IS REALLY MORE

This may be the perfect time for banks to embrace the "less is more" strategy to build a successful future. Using a sale-leaseback strategy, nearly all banks can move quickly and create competitive advantages right away.

"Our first sale-leaseback portfolio transaction immediately reduced our operating expenses and enabled the redesign of the oversized branches' space to fit our needs," says Jon Burk, vice president and senior portfolio manager at BMO Harris Bank. "The second and third portfolio transactions enabled further cost savings, branch space right-sizing and a step-up capital gain, meeting BMO's financial objectives."

For example, BMO sold its branch in West Bend, Wisconsin, in 2018. After the sale, the bank leased back approximately 50% of the building, leaving the rest available to third parties. Since the sale, the bank-vacated space has been leased to two not-for-profits and two commercial tenants, thereby creating positive synergies for both the location and the community.

The COVID-19 pandemic, alongside a tougher economic environment, has accelerated the trend toward smaller, more efficient bank branches. As more customers turn to digital banking options, banks are experimenting with innovative branch designs and technology-based solutions to meet changing customer needs.

Regional and smaller banks are particularly well positioned to take advantage of this trend and stay ahead of the competition. By embracing technology, implementing smaller branches and considering sale-partial leaseback options, banks can provide a more efficient and personalized banking experience while still maintaining a physical presence in the community. Moving quickly to make these changes may provide competitive advantages for banks looking to stay ahead in a post-pandemic and digital-first world.

William Yeomans is founder/president at Brookline Branch Services.

Focusing on the branch customer experience

By better managing lobby traffic, allowing for appointments and quickly collecting feedback, banks and credit unions can build more enduring relationships.

BY JACKIE HUDSON

The rapid adoption of digital channels in recent years has made it even more challenging for banks to understand the journeys their customers take to open a new account or resolve an issue. How do you capture each touch point across channels, including the branch, to understand what's working and what's causing issues that might result in customer churn?

Verint surveyed over 5,000 U.S. consumers about their experience with their primary bank for the 2022 Customer Experience Index: Banking. The survey found that, for complex products or issues, consumers are using multiple channels to execute a single transaction or process.

» *To open a new account, 62% of respondents started researching options via digital channels, yet 37% ended up opening the account in the branch.*

» *To resolve an issue, respondents favored a human interaction, with 54% either calling the bank or visiting a branch.*

These results highlight how vital the branch is in the customer journey. Yet banks have been slow to extend to the branch the quality and customer experience solutions they use in their digital and other channels. What can they do to be more effective?

Here are four tactics banks can use to improve branch customer experience, drive sales and revenue growth, and build more enduring customer relationships.

MANAGE BRANCH TRAFFIC MORE EFFECTIVELY

The 2022 Verint CEI: Banking study revealed that 39% of the respondents who had visited a branch in the past 30 days said they'd had to wait longer than expected for assistance. Software solutions can be used to better manage the customer experience by enabling customers to enter a virtual queue, learn the wait time to see a banker and reserve their place in line—right from their mobile phone. For an extended wait, the customer can grab a coffee or run an errand. Text alerts can let them know when it's nearly their turn to be served.

This approach not only helps set customer expectations but also lets the branch staff know the customer's name and their goals for the visit, giving them an opportunity to better prepare for the interaction.

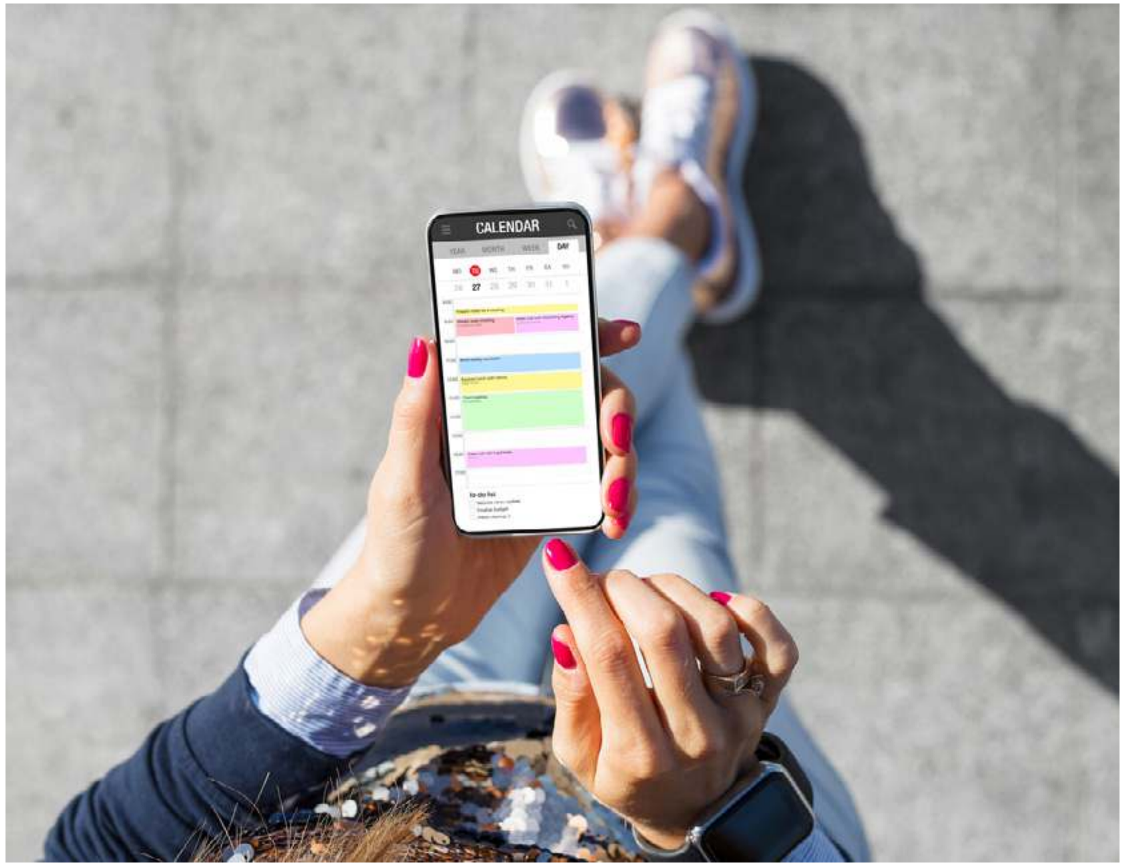
Online appointment booking isn't new, but it's underused as a means of optimizing customer experience and bank staffing. Customers can book not only an in-person branch appointment but also virtual meetings with bankers, selecting a time and format that are most convenient for them.

CAPITALIZE ON APPOINTMENT BOOKING

Online appointment booking isn't new, but it's underused as a means of optimizing customer experience and bank staffing. Customers can book not only an in-person branch appointment but also virtual meetings with bankers, selecting a time and format that are most convenient for them. The appointment can be aligned to banker availability and skills and automatically added to the banker's schedule. The banker will then be better prepared for the specific type of conversation, maximizing the sales potential and outcome.

ENSURE SALES EFFECTIVENESS

Appointment-booking solutions can also be used to assess how many appointments have turned into actual sales, which is one component of



evaluating sales effectiveness. Solutions such as face-to-face interaction recording, AI-driven voice analytics, knowledge management, and desktop and process analytics can take this approach to the next level. By capturing in-person interactions, a bank can analyze the conversation and identify coaching or training needs, compliance risks and best practices to be shared. The solutions can even provide in-the-moment guidance to improve the customer experience during the interaction.

Digital and voice channels have incorporated these solutions for years, but the branch channel has yet to embrace these capabilities. Many new account openings take place in the branch, so it is critical to understand these interactions and know how to improve them for better customer experience and revenue generation.

With the right technology, an appointment to discuss a home equity loan, for example, can be assessed to determine whether the banker was able to effectively answer all the customer's questions, advance the opportunity, accurately share the required disclosures, or offer additional products or services as appropriate.

Being able to orchestrate the customer experience across channels, including in the branch, is critical for retention, strong customer relationships and revenue growth.

CAPTURE TIMELY CUSTOMER FEEDBACK

In today's environment, the standard practice of emailing a survey request days or weeks after a branch visit isn't good enough. Banks need feedback in close to real time so they can use the information to successfully manage the customer relationship and give specific coaching and feedback while the interaction is still fresh in the employee's mind.

Customers should receive automated requests for feedback via text, mobile app or email directly after a branch visit so the feedback can be tied to the specific interaction and provide a more accurate reflection of the experience. If a customer cites a negative experience, managers can then be automatically alerted to contact the customer quickly and remedy the situation, demonstrating the importance of the relationship and helping reduce potential churn.

In the age of digital banking, when it is all too easy to switch banks, strong customer relationships are more important than ever. In fact, Gen Zers and millennials, who are considered digital natives, are more likely to switch banks. The Verint 2022 CEI: Banking study found that 43% of Gen Zers and 40% of millennials expended more effort than expected completing their most recent banking task. Additionally, 30% of each of these generations would switch to a different financial institution if it required little to no effort on their part.

Being able to orchestrate the customer experience across channels, including in the branch, is critical for retention, strong customer relationships and revenue growth. By using the tactics outlined above, banks can demonstrate their flexibility and customer advocacy. They can give customers options for when and where they want to meet, ensure the right staff are available and prepared for interactions, receive timely feedback to continuously improve, and build enduring customer relationships.

Jackie Hudson is global vice president and general manager, branch workforce solutions, at Verint.

The efficiencies of ATM as a service

Outsourcing networks to third parties can help ease labor concerns while expanding availability and driving greater customer satisfaction.

BY STEVE NOGALO

HELP WANTED signs have been everywhere during the past year, creating challenges for financial institutions and the economy in general. While war, inflation and rising interest rates have taken over front-page headlines, the persistent labor challenge continues to hit the financial services industry hard.

The difficulty emerges from two interrelated problems—the increasing cost of labor and the scarcity of workers. While the underlying labor shortage has several driving factors, many of the problems began with the COVID-19 pandemic. Stimulus payments and other inducements led to early retirements, immigration policy tightened the border, and working-age adults moved away from major cities.

From 2020 to 2022, these and other factors resulted in a workforce gap of nearly 3 million workers, according to the U.S. Chamber of Commerce.

At the same time, the population is growing at a slower rate. According to the U.S. Census Bureau, population growth dropped to 0.1% in 2021, its lowest point ever, and the U.S. Bureau of Labor Statistics projects employment growth below 1% at least through 2030.

The combination of a smaller labor force and an economy boosted by government stimulus resulted in an unemployment rate of just 3.4% in January 2023, with 5.7 million unemployed. January 2023 also saw 11 million job openings, leaving a gap of nearly 3 million workers.

This tight labor market not only makes it harder to fill jobs but also leads job candidates to seek higher wages. Per the Atlanta Fed, wage growth hit 6.7% in August 2022—the highest rate since 1997—and stood at 6.1% in December 2022. Attempting to keep pace, Bank of America announced last May that it had raised its minimum hourly wage to $22 and planned to increase it to $25 by 2025.

The combination of a smaller labor force and an economy boosted by government stimulus resulted in an unemployment rate of just 3.4% in January 2023, with 5.7 million unemployed. January 2023 also saw 11 million job openings, leaving a gap of nearly 3 million workers.

Inflation also continues to induce workers to seek higher wages. According to the Dallas Fed, slightly more than half of individuals experienced negative real wage growth in second quarter 2022, with a median decline of 8.6%. Inflation may be slowing, but it's still having an impact on how far a worker's wages will go.

Against this macroeconomic background, financial services institutions have many competitors for labor. As just one example of job opportunities that might compete for teller talent, Starbucks baristas earn up to $23 per hour. Many people are also choosing alternative work. According to Statista, over 57 million U.S. workers participate in the "gig" economy. A study from Higher Visibility found that more than a quarter of Gen Zers surveyed want to become social media influencers. In today's market, there are many ways to earn a living.

Recent layoffs in tech and an increasing interest rate environment may cool the labor market, but trends do not favor a return to labor markets of the past. For many financial institutions, the answer comes not from finding elusive workers but from changing how service is delivered.

The delivery of everyday banking through digital channels has dramatically altered retail banking. Today, consumers can open new accounts on a mobile device in minutes. But the nature of the digital revolution changes dramatically when it comes to physical interactions, with most banks and credit unions still relying on a combination of tellers and ATMs in their branches, each of which introduces labor challenges.

OVERCOMING THE CHALLENGES

One way to help address labor shortages is through ATMs and interactive teller machines, which can reduce the number of tellers required at the branch and free staff to pursue deeper customer engagements rather than routine transactions. Further, ATM services can now be fully outsourced to third-party providers through a combination of “ATM as a service” and access to an ATM utility network.

In an ATMaaS model, the financial institution provides the location while the service provider does the rest: supplying ATM hardware and software, cash management, maintenance, processing and service. Not only does the model free up frontline staff from managing ATM cash loads and daily maintenance, it also allows IT and technical staff to shift focus from maintaining the ATM infrastructure to digital banking or other value-add channels. By its nature, an ATMaaS program results in long-term labor benefits as the service provider takes on management and upkeep for the entirety of the program.

As a special subset of ATMaaS, the interactive teller machine can streamline the teller line even more, reducing the need for in-person tellers. In this model, tellers provide full-service, face-to-face banking through the ITM device, extending transactions to a new set of capabilities for which there is no viable substitute to personal service. The amount of time each teller spends serving clients is maximized by consolidating tellers in a central location from which they can service ITMs across the branch estate, increasing productivity and reducing per-branch labor needs.

While ATMaaS addresses branch needs, access to a third-party ATM network can help financial institutions rethink the size and structure of the branch network entirely. These networks provide access to tens of thousands of ATMs for surcharge-free withdrawals nationwide, along with thousands more deposit-capable ATMs. No longer are certain banking services limited to the branch.

Institutions can offload transaction volume from the branch to the network and shift branch focus to value-added services like wealth management and high-value loans. Meanwhile, the ATM network takes on more of the role of an everyday physical banking channel, with obvious labor benefits to teller lines, ATM management needs and branch staffing.

The labor challenges facing financial services aren’t going away soon. Pivoting to an “as a service” strategy for the ATM/ITM channel, at the branch and beyond, can help alleviate labor concerns today and in the future while expanding service availability and driving improvements in customer satisfaction.

Steve Nogalo is general manager for North America Banking ATM Sales at NCR Banking.

Past Issues

FEBRUARY 2023
Banks are getting more personal with payments »

JANUARY 2023
Finding an edge in fraud's cat-and-mouse game »

DECEMBER 2022
Addressing banking's key business challenges in 2023 »

NOVEMBER 2022
Plotting the future of digital banking »

OCTOBER 2022
Marketing in 2023: Opportunities and challenges »

STAY TUNED FOR

APRIL 2023
Mobile Banking Experience

MAY 2023
Customer Acquisition

BAI Banking Strategies
EXECUTIVE REPORT

Branches are changing with the times

MARCH 2023

BAI® POWERING SMART DECISIONS.