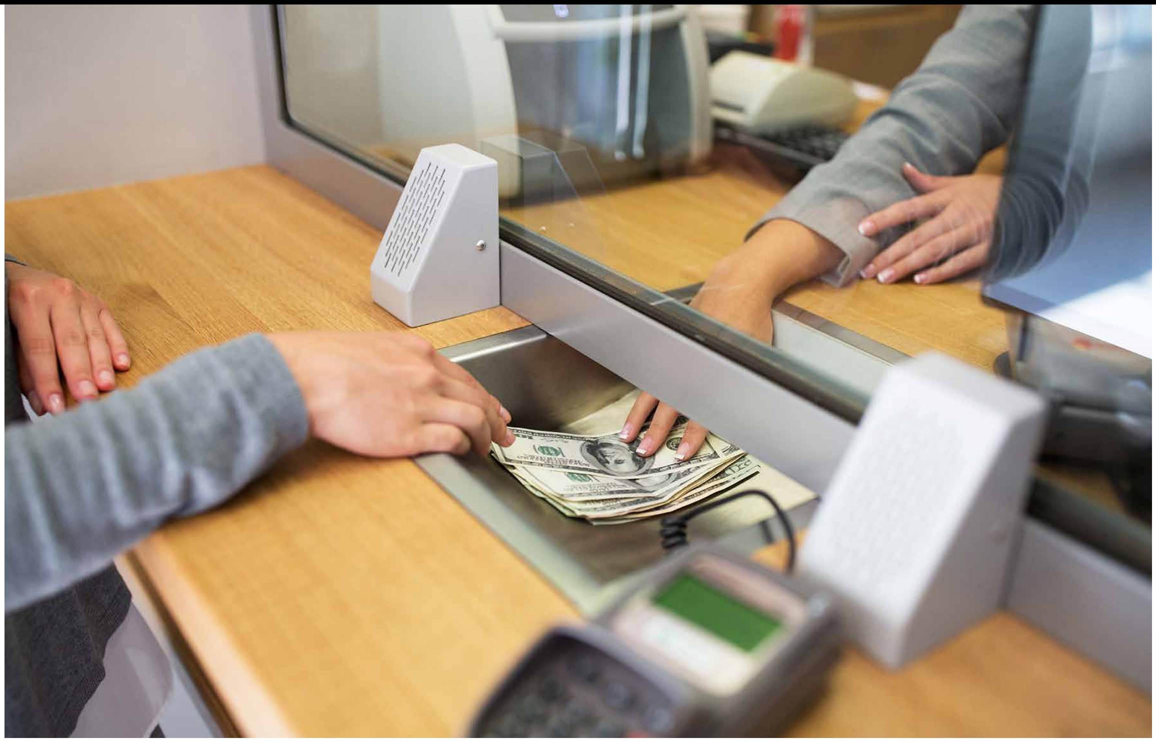
BRANCH OPTIMIZATION FOR FINANCIAL SERVICES



Banks and financial services companies increasingly are under pressure to do more with less. Changing customer behaviors and attitudes toward banking and financial pressures have forced many banks to trim the number of branch offices, in some cases eliminating their presence in a particular town altogether.

While the closing of branches may ease some of the financial strain, however, banks can end up losing much more in the form of future business and customer loyalty—which, once lost, is difficult if not impossible to regain. Smart companies, therefore, are doing their best to optimize the branches they choose to keep open, providing them with tools and technologies to increase their overall productivity and provide superior service to their customers.

WHAT'S DRIVING BRANCH OPTIMIZATION

The financial crisis in 2007-2008 and resulting recession hit the financial sector especially hard, as layoffs impacted consumers' spending power and ability to meet their fiduciary obligations. An estimated 10,000 bank branches have closed since 2008.[1] The economy has improved, but the state of the bank branch hasn't—closings are still occurring at a rapid pace, with 869 branches shutting their doors in the first half of 2017 alone.[2]

Remaining branches, therefore, must work harder to maintain a level of service customers have come to expect from their financial services providers, especially as more are turning to online services to perform many banking transactions. In fact, today 46 percent of banking customers are eschewing the branch for online banking services—a 20 percent increase since 2012.[3]

But not only do branches need to work harder, they also need to work smarter, with a better understanding of what their customers need. Branches must offer the services that meet the needs of the demographic—rural or suburban versus urban locations or customers visiting a standalone office versus in-store branches, for example. Bank branches in urban locations likely will see fewer mortgage applications than those in the suburbs, but perhaps more requests for small-business loans. Likewise, in-store branches—such as those located in grocery stores or big box retailers—tend to see traffic for quick services such as check-cashing, deposits or answering general questions. As such, the in-store branches should staff more tellers or general-purpose employees than those with specific functions, such as loan officers. Having the right staff—and the right technology mix—to handle customer needs is paramount to ensuring branches stay relevant to their customer base.

BRANCHES MUST OFFER THE SERVICES THAT MEET THE NEEDS OF THE DEMOGRAPHIC—RURAL OR SUBURBAN VERSUS URBAN LOCATIONS OR CUSTOMERS VISITING A STANDALONE OFFICE VERSUS IN-STORE BRANCHES, FOR EXAMPLE.

Branch offices also must improve their back-office functionality to maintain both a high level of productivity and a high level of customer satisfaction. The technologies available to financial institutions to assist in both areas—big data analytics, machine learning and AI, automation and others—are bringing a new level of functionality to the branch office to move beyond the transactional to provide a value-added, multichannel banking experience that benefits both the organization and its customers.

BENEFITS OF OPTIMIZATION

To ensure a balance of efficiency and customer satisfaction, optimization at all levels must occur at the branch, from design to staffing to technology. Banks have started to recognize this and are making technology a keystone of their overall strategy. Indeed, of the five top priorities for banks in 2018, four focus on or involve technology: redesign/enhance the digital experience for the customer (72 percent); enhance data analysis capabilities (51 percent); finding ways to reduce operating costs (32 percent); and automating core business processes (31 percent).[4]

Optimizing the branch office has myriad benefits, each with its own impact on the bottom line, including:

Greater customer engagement: Optimizing the layout and technology available in the branch office can increase the type and quality of interaction between bank and customer. Being able to provide answers to questions instantly and enabling the customer to conduct business with minimal or no delay are important elements in today's banking environment, and can pave the way to deeper, more meaningful interactions.

Streamline operations: Bringing tellers from behind the glass and equipping all branch employees with tablets can help decrease wait times for customers to conduct transactions. Likewise, kiosks can provide any number of services, from activating a debit card to helping customers choose the best loan option or schedule an appointment to visit their safety deposit box. However, should customers need help, a branch employee is available to manage the process or even perform the task on the customer's behalf. The time saved with this hybrid approach can enable bank personnel to focus on more revenue-generating tasks as well as customer outreach and marketing.

Improve the agility and ability of back-office functions: Technologies such as artificial intelligence (AI) and machine learning (ML) are making back-office functionality smarter and more efficient, helping banks achieve new levels of security, meet compliance regulations and adopt new ways of doing business. For example, AI can be used for automation of tasks such as counting change or in chatbots to answer customer questions in contact center environments, freeing employees to focus on more engaging interactions.

Allow for easier integration of new technologies: As customer behaviors and needs continue to evolve, new technologies will further push the boundaries of the customer experience. For branches to stay relevant, they must prepare their networks for the technologies of tomorrow, not just today.

BRANCH OPTIMIZATION IN FINANCE: IN PRACTICE

Those banks and financial services companies that understand the importance of branch office optimization are seeing benefits in multiple ways. From investing in a true multichannel experience for their customers to capitalizing on new and emerging technologies such as AI to increase customer engagement and satisfaction, these organizations are utilizing technology to optimize their branches to the delight of the customer and the benefit of the organization itself.

Tompkins Mahopac Bank is making the customer experience the center of its "branch of the future," which it opened in Yonkers, New York, in July 2017. The location features "universal bankers" who assist customers with everything from making a deposit to taking out a loan, directing them to a nearby tablet for information.[5] The bank created the branch of the future in part as a result of its 2016 survey of millennials, which found they value the convenient location of a bank as well as the ability to conduct banking business at both a branch and online.

Along the same lines, some branches are embracing and furthering mobile capabilities within the branch to ensure a seamless multichannel experience for their customers. Umpqua Bank, which led a revolution with its approach to the bank as a community center, offering yoga classes and free Friday movie nights for kids, has developed software that allows in-branch representatives to also serve as personal bankers on digital channels. The action solves two issues facing banks: How to keep tellers busy during slow periods, and how to keep them "in the loop," so they can better understand their customers and spot opportunities to offer new products and services.[6]

Artificial intelligence and machine learning also are being used by a growing number of banks and financial services organizations for more personalized customer interactions and marketing campaigns. For example, using the information gleaned from previous customer behavior, as well as demographic information, age, gender and even ethnic background, banks could use AI to offer products and services best-suited to a particular customer or group of customers, such as an offer for a car loan to female college students in their final semester of college with less than $30,000 in student loan debt, for example. As part of that offer, the targeted group could receive individualized loan rate offers based on where they live or plan to live post-graduation in personalized emails or text messages.

AI could dig even deeper to find customers who, for example, have seen an increase in the amount of their bi-weekly payroll deposit or the recent arrival of a baby. Those indicators—a potential pay raise and a new child—could be triggers for a decision to purchase a house. As such, this target group would be most interested in mortgage offers.

INCREASINGLY, BRANCHES ARE RELYING ON TECHNOLOGIES SUCH AS ADVANCED, CLOUD-BASED VOICE SERVICES THAT INTEROPERATE WITH PRODUCTIVITY APPS AND CAN MOVE SEAMLESSLY FROM DESK PHONE TO MOBILE DEVICE WITHOUT LOSING CONNECTIVELY.

Other AI-enabled technologies, such as chatbots to answer customer service questions or targeted marketing efforts, can improve both customer satisfaction and retention as well as increase branch efficiency and productivity.

Fortunately, a number of banks and financial services organizations already are sold on the value of AI. A 2017 survey conducted by PwC found 52 percent of respondents in the financial services industry are currently making "substantial investments" in AI, and 66 percent expect to be making substantial investments in three years. Almost three-quarters (72 percent) of business decision makers believe that AI will be the business advantage of the future, the survey also found.[7]

TECHNOLOGY TO OPTIMIZE THE BRANCH

Branch locations need technology that will enable them to provide superior customer experience while working at peak efficiency. Wired and wireless connectivity, robust voice and data solutions and data center and cloud connectivity are the elements of a robust yet flexible and agile network.

As customer needs change and branches continue to evolve to meet their needs, a modern IT infrastructure is necessary in providing the right connections. Increasingly, branches are relying on technologies such as advanced, cloud-based voice services that interoperate with productivity apps and can move seamlessly from desk phone to mobile device without losing connectively. In addition, direct Ethernet connections to the cloud provide reliability and ensure security and integrity of business-critical data, for storage and analytics.

In building the network for the branch office, organizations should consider an environment that includes both on-premises and cloud, and networking technologies such as SD-WAN and high-speed broadband to better manage business applications across all locations. And networking components such as WiFi and unified communications can ensure everyone involved can interact and transact using their preferred method of communication.

Working with a network service provider can build and maintain a modern network capable of handling the bandwidth-intensive needs of various technologies today and in the future. By working with a third-party network services provider, organizations can leverage virtual and physical private Ethernet connectivity to assure there are no gaps in network performance and availability for critical applications at the branch locations. They also can receive all or some of their most critical connectivity functions as a managed service, including managed connectivity, WiFi, security, voice and business continuity, among others.

CONCLUSION

The branch will continue to play a critical role in the banking sector, even as technology enables any transaction to be conducted online. As such, banks and financial services organization must ensure their branches are optimized with the tools and technologies to increase their overall productivity and provide superior service to their customers.

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