



Digital Delivery - The Bank Branch Transformed

A research note on the key services that bank customers would like to receive through a digitally transformed bank branch

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Management Summary

- Banking is undergoing a process of 'digital transformation' where many processes – often transactional – are being fully automated.
- Almost 70% of customers – both older and younger – want to retain branch services. But they also want branch services to be connected to their online activity.

Consumers nominated their four most important customer benefits that arise from digital transformation and which influence their choice of bank:

- Joined-up customer service – where the customer can manage issues online, and then pick up the request face-to-face in the branch.
- Collecting, renewing or replacing bank cards in the branch itself.
- Access to the customer's full profile so bank advisors can see customer details, including online activity, to deliver relevant advice and decisions.
- Personalised product information available online so the customer can interactively research and browse bank products.

Digital Transformation

Whereas the world of retail banking once focused upon branch transformation, now the sector is concentrated on broader and more strategic perspectives of digital transformation¹. Digital transformation means customers receive a consistent and joined-up experience whichever channel of engagement they use (on- or/and offline). The rewards from this hold considerable potential.

One analyst report² estimates that "digital transformation will put upward of 30 percent of the revenues of a typical European bank in play, particularly in high-turnover products such as personal loans and payments. We also estimate that banks can remove 20 to 25 percent of their cost base by leveraging this digital shift to transform how they process and service. Put together, the economics of a digital bank will give it a vast competitive edge over a traditional incumbent... getting digital banking right is a do-or-die challenge."

At the same time, however, it is critical to understand what a 'digitised' service looks like. What do customers want, how do they want it delivered, and where do they want to consume it? Many reports assume that 'virtual' and 'digitised' mean the same thing. But they do not. Customers still live in the physical world. Digitisation is about seamlessly linking the online and the physical worlds to deliver an 'omnichannel' approach to customer services.

This means offering customers seamless access to a range of services that create an efficient, cohesive and enjoyable customer experience.

The Changing Branch

Across Europe, the physical presence of high street banks has already undergone radical change compared to 10 years ago. This is true across Europe whether countries have highly centralised banking groups, (e.g. the UK) or strong local/regional networks, (e.g. France, Germany, Italy, Spain). Basic transactions – for consumers at least – are mainly delivered through machines, whereas peripatetic banking staff use the branch as a meeting place for face-to-face client interactions to discuss bank products such as mortgages, loans, savings and pensions. This is in contrast to many people who now conduct most of their transactional banking online. This means there is no need to return to the beginning of their transaction, application or enquiry.

"A fundamental link is now being created between the online service and the branch service, so that customers can move seamlessly between the online and offline environments."

Matica commissioned an independent study by MindMetre Research to garner in-depth insights into customers' attitudes towards 'joined-up' factors that emerge from the digital transformation process. It specifically focuses upon the desire to retain bank branches and the most important customer benefits from digital transformation.

The research surveyed a nationally representative sample of consumers in each of the four countries: UK, Germany, France and Spain.

First, a clear and strong majority of respondents emphatically underlined their desire to retain branch services from their chosen bank.

It would be fair to assume that millennials (the generation born between the early 1980s and mid 1990s) would form the majority of digital purists – i.e. the least enthusiastic about branch-based services – even when digitally transformed. Our research suggests otherwise: 18-24 year olds are as keen about using bank branches as their middle-aged counterparts. The only significant spike of interest in branchless banking is among young professionals in their thirties, and even so, an overall majority still expresses a desire for branch services.

Even though I use online banking, I still want to be able to visit a branch, either to consult and get advice, to pick up cards or documentation, or finalise an application (% agreeing)

UK	FR	DE	ES	AVERAGE
68 %	72 %	63 %	65 %	67 %

It is important to note that many big players in European retail banking have developed lines of business to service both communities – those wanting to retain digitized branches and those wanting a 'pure-play' online bank. This is a key competitive threat for the emerging challenger banks that only operate online. If a bank offers both options customers can try

the different experiences without changing banks. Pure-play online banks lose business when customers do not like online-only products.

What do Customers want from the Digitally Transformed Branch?

As banks move towards an omnichannel approach it becomes increasingly critical to understand the variables that influence a customer's choice of bank. This includes its digitised, joined-up services.

The preferred services help to inform the business decisions behind the direction of any digital transformation process.

Respondents in this study were presented with a range of digitised service scenarios, of which four were clear favourites (% voting 'important', 'very important' or 'extremely important' to their choice of bank).

In short, these top four customer requirements from digital transformation concern practical outcomes from co-ordinated online and physical systems.

To provide context for the below percentages, the study also asked respondents whether 24/7 access to basic transactional services (automated) was a key factor in their choice of bank.

When a problem occurs with my account or other bank services, being able start to resolve it online and then visit the branch and talk to an empowered advisor, who has all my online activity details to hand

UK	FR	DE	ES	AVERAGE
81%	80%	66%	83%	78 %

Being able to apply for a debit or credit card online, then pick it up from a branch the same day; or walk into a branch, fill in an application for a debit or credit card, and have it printed on the spot

UK	FR	DE	ES	AVERAGE
72%	72%	67%	81%	73 %

Being able to visit a branch, present one of my bank cards, enter my PIN, and all my details/profile be immediately available on the advisor's screen to inform their advice and decision making

UK	FR	DE	ES	AVERAGE
82%	62%	60%	76%	70 %

Interactive information screens where I can browse the financial products available to me

UK	FR	DE	ES	AVERAGE
62%	59%	52%	76%	62 %

Since many banks already have this in place, the resulting percentage (72%) serves as a benchmark for what is considered an essential capability of the digitally transformed branch.

Top four customer requirements from digital transformation:

"Customers want a joined-up customer service. Topping the list is joined-up query handling and problem solving."

Joined-up Customer Service

This can seamlessly escalate an online enquire to an informed face-to-face resolution, where no aspect or detail of the original issue has to be repeated or recaptured. Executing this provides competitive advantage for retail banks, as the face-to-face element – even in a customer service context – is also an opportunity to capture additional customer details, preferences and potential extra product requirements.

Face-to-face, such interactions can be subtle, persuasive and draw on the discretionary powers of a sophisticated, professional human being. By contrast, automated online offers, are more likely to be seen as intrusive and inappropriate when sold to the customer in a problem-solving context.

"Using technology that allows the instant issuance of debit and credit cards in-branch – whether for a new card, a card renewal, or replacing a lost or stolen card – increasingly distinguishes business leaders from the runners-up when it comes to the digital transformation journey."

Instant Card Issuance

Debit and credit cards are a key tool in achieving joined-up customer service. They continue to be the most important transactional tool for European consumers – and that's what customers want. In an increasingly cashless society, small transactions can be made at the checkout with tap technology. Millennials frequently regard the inability to pay by card as a strong enough reason to take their business elsewhere.

Full Customer Profile Access

Consumers want in-branch advisors to be able to call up all their banking details and profile through the secure card and PIN process. This reflects best practice in customer relations management (CRM). As with problem-solving, a customer does not want to devote valuable time to an advisor meeting to find details have to be laboriously re-keyed, or that the advisor is not backed up by systems that inform decision-making. Today's profitable, multi-product customer is cash-rich but time-poor. Providing efficient, informed advisory meetings to bank customers creates competitive advantage in recruiting and retaining customers.

Personalised Product Information

Customers want the digitised branch to be a place where they can browse product information ahead of face-to-face meetings. The browsing or research capability in-branch is only highly valued when it is simultaneously personalised and interactive. Technology can use the established validation of card and PIN to only present product options, terms or combinations which are available to that individual customer. Initial product research can then be automated, leaving expert advisors to focus on their most valuable function for the customer – advising. This brings benefits for the bank (cost/efficiency) and the customer (convenience/relevance).

Conclusions

This research gives European banks valuable insight into the services that their customers value most.

Whilst many may think reducing bank branch numbers is the way forward, the customer feedback shown here actually suggests otherwise. The majority of today's banking customers continue to choose a bank that has a branch network. However, those branches need to be digitally enabled to avoid repetitive data entry or identity validation. Bank advisors need to be able to access a customer's profile, so they are empowered to make

informed decisions, which creates an enjoyable and efficient customer experience (leading to better customer retention and recruitment); a key feature of the worldwide goals of the bank transformation programme.

Being able to collect new credit and debit cards – or replace old and missing ones – from the bank branch itself is regarded as a highly desirable service when selecting a bank. So, instant card issuance increasingly constitutes one of the new digitised functions pursued by pioneering banks.

Bank branches are highly valued as an information centre – so long as it can deliver information to the individual customer on a personalised and relevant basis.

In order to appeal to as many consumers as possible, banks need to ensure that they are meeting customer expectations of service delivery, and that they are in touch with how customer preferences might change over time. Switching banks is now a relatively easy exercise for consumers and many banks offer incentives such as cash-back to lure new customers. Banks whose service delivery doesn't meet customer expectations risk finding their customers deferring to a competitor that can.

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1. Boston Consulting Group, Global Retail Banking 2016: Banking on Digital; Gartner, Hype Cycle for Digital Banking Transformation 2016; Accenture, Banking Branch Transformation, 5 Apr 2016; BBVA, Millennials are driving digital transformation of the banking sector, 4 Jul 2016
 2. McKinsey, The Rise of the Digital Bank, 2014
 3. Sample: Nat. Rep.; 1,000+ per country; fieldwork September 2016

Methodology

Fieldwork was carried out by independent research organisation MindMetre (www.mindmetreresearch.com) during September 2016, in the UK, France, Germany and Spain. A nationally representative sample (by age, gender, region and social group) was interviewed online in each country, with sample volume at 1,000+ per country.