

Branch of the Future – Part I

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Between the mid 1980s and early 90s, banks in Singapore were in expansion mode and new branches and ATMs were set up rapidly during this period; branch rationalisation and closure were virtually unheard of.

When I started out in the banking industry back in 1986, I joined one of the fastest growing local banks and was assigned to the planning department that was responsible for the evaluation and setting up of new branches and ATMs in the country. I recalled reading a publication entitled "Branch Banking 2000". One of the topics discussed was how to plan for future branches in the next 10 years and more.

To a new trainee officer, many of the concepts discussed were fascinating as it was the first time I read about semi-automated branches and un-manned banking lobby. It was no surprise as the first ATM in Singapore was rolled out only a few years ago in 1982. Cash deposit machine, passbook updating terminal and self-service kiosk existed mostly either as a concept or laboratory models.

None of the publications I read in those years mentioned anything about the internet and ten years later in 1996, the first internet bank was launched in the US and internet banking took the world by storm. Coupled with the availability of modern and sophisticated self-service banking terminals, high costs of operating manned branches, many were predicting the doom of traditional branches.

Fast forward to 2006, ten more years later and we are still talking about the branch of the future.

Why do branches play a key role in the bank distribution model?

A 2005 survey conducted by Forrester Research on European banks showed that the cash machines are used at least once by >80% of the customers each month while online banking by 30% of the banking customers. Branches are still visited by about 50% of the customers but these visits are mainly for conducting simple transactions such as transfers, payments or deposits; the latter typically for savings banks.

Cost optimising by displacing customers to more cost effective and efficient self-service channels has its downside. Moreover, banks have also realised that sales over the internet and other self-service channels have not yield the desired results. With fewer customers visiting branches, banks are finding themselves losing the physical contact with their customers which are vitals for increased sales and building loyalty in the long term.

Accenture conducted a survey from Apr to Jul 2005 involving 118 senior bank executives across the US, Europe and the Asia Pacific and one of the findings showed that 73% of US banks responded that traditional branches will continue to be the most important distribution channels compared with 76% for European banks and 50% for Asia-Pacific banks.

Except for banks in the Asia-Pacific region that are still in the phase of ramping up their self-service delivery channels, banks in more established economies in US and Europe are taking steps to revive and transform their branch network. Over the past few years, outbound contact centres and mobile sale forces are also some of the

strategies adopted by many US and European banks to increase the contact points and linkages with their customers.

Getting customers back to branches has become one of the prominent key success factors in many retail bank strategies. But why will customers be attracted to these transformed branches?

The key challenge faced by banks include, making it more attractive for customers to visit their branches. To do this, customers need to be offered a more positive experience where personalised customer service becomes the core issue. The way to achieve this lies with using technology to support the advisory process that combined the use of existing information and dynamic data to integrate business processes that are tailored to individual customer's requirements at each point of contact.

In Part 2 next month, we look at how current technologies can be harnessed to provide pre-emptive advisory and offering without even the customers asking for them first.

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