

## Branch of the Future – Part II

03 Nov 06

### By Sherman Tan

In Part I, we noted that with the successful adoption of self-service and online banking services, banks are increasingly facing challenges to bring customers back to their branches. With the internet providing lots of free information on financial services, an increasing number of customers are now conducting their own research before deciding to buy financial products from banks.

It is clear that customers are now questioning the ability of banks to advise them on their financial well being and are demanding more transparency on rates and fees as well as expecting greater responsiveness from their bankers. In Oct 06, several customers have written to the Singapore press to voice their unhappiness over the lack of transparency of banks in maintaining multiple board rates for mortgage loans.

Banks understand that in this competitive landscape where customers dictate the rules of the game, they will have to optimise the potential of each customer relationship. It is also clear that to do this, banks will need to acquire intimate insight of customer's needs and offer the most appropriate products and services to their targeted customers.

To make each visit to the branch counts, banks adopt different strategies. Deutsche bank experimented with their Q110 – Deutsche Bank of the Future located on Friedrichstrasse in Berlin. Q100 stands for Quartier 110 or a new experience of bank and banking. In Sep 06, the branch celebrated its first anniversary of branch opening.

Other banks turn to technology to transform data into relevant customer metrics that can be predictive in nature to anticipate customer's behaviour and needs.

To help their banking clients, IBM launched a 'bank of the future' centre in Singapore in late Sep 06, the first in Southeast Asia. The US \$156M full-size mockup branch comprises a smart surveillance system that can monitor how long customers spend in different parts of the branch or over product display. Other newer technologies include the use of radio-frequency tags on ATM cards to identify customers and alert staff as the former walks into a branch. Other equipment on display includes fully integrated ATM that takes deposits and recycles the cash for dispensing as well as two-factor authentication devices that recognize users using non-invasive biometric technology.

In Latin America, one of the banks is exploring to use Radio Frequency Identity (RFID) chipped cards for its VIP customers. Customers carrying these cards can be detected and identified as they passed the RFID sensors located at different part of the branch.

Extending the use of RFID, these chips could also be embedded in promotional leaflets and when these leaflets are picked up, the event signifies a high probability that the customer is interested in a particular product or service. By waving the brochure with the embedded chip across a sensor, the customer can have the choice of either reviewing interactive video about the product or signals that he wishes to be consulted by a bank staff.

The use of digital cameras to track how bank customers (carrying RFID chipped card) move around the branch can help these banks better design their branch layout. However, the use of tracking devices such as digital cameras and RFID sensors should take into consideration privacy concerns of their customers.

It is clear that the branch of the future will be equipped with many more cutting edge technologies to collect and process huge amount of information in an “on-demand” and dynamic manner about their customers, their likes and dislikes, their propensity to buy certain products when they step into the branch. The traditional static-based segmentation approaches and direct marketing techniques through the use of historical data will become obsolete.

The branch of the future provides the opportunity to optimise the potential of each customer visit and extend the bank-customer relationship. Forward-thinking banks will recognised that leveraging on advanced technology will be a critical success element.

*The writer is the Principal Consultant & Director at Innovar Pte Ltd  
([www.innovar.com.sg](http://www.innovar.com.sg)).*