

Putting Retail Back Into Retail Banking

Going Beyond
Digital Transformation

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The scary reality is that retail banks are out of touch with what people want, with attempts at branch experience “transformation” resulting in only a pretty interior and nods toward neighborliness. They’re dying, or at least on life support.

Meanwhile, today’s fickle, non-committed consumers, with a strong, device-based digital bank preference, are driving the industry. The digital “branch” in their pocket is winning.

The fact is, in-depth, needs-based experience innovation is required to make the branch more relevant and the digital more real.

Thinking differently, we would posit that all banks—digital or traditional—can learn from the retail context and aim to answer specific questions: What are the unmet consumer needs that a bank is uniquely positioned to solve for? How might innovations in retail point to unexpected solutions?



BANK CREDIT
GROUP

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The State Of The Industry

On Oxygen:
Same Old, Same Old



If financial institutions and their customers looked at news headlines as prescriptive, life would be scary—especially for retail banks—those whose business models involve a network of traditional brick-and-mortar, tellers-at-a-counter branches. A myriad of worries likely abound. . . digital transactions continue to rise, so *what will become of the ATM?* Driverless cars are expected to be mainstream by 2020, so

what's the future of the branch drive-thru? It seems the branch's demise is an inevitability as today's older generations appear the only ones remaining with a strong sense of emotional connection to their local banking establishment. Few places in today's rapidly changing landscape allow for such relic experiences. But unfortunately, the age-old branch bank choice stands on a precipice.

On one side of the coin, headlines abound with stories of attempts at saving the branch experience, even reviving its glories. But these efforts have proven futile in suppressing closure rates in today's digital age. In fact, banks are cutting down on branches at the fastest rate on record².

The problem is likely that at their core, these "innovations" have amounted mostly to interior design upgrades and inauthentic attempts at neighborliness. Under many circumstances, retail banks are still requiring consumers put in the extra effort of a drive to the branch, without any of the "extra special" in the experience—a stark contrast to the way innumerable other consumer experiences have evolved. We have patient-centered healthcare, hyper-experiential retail, even child-centered education, but meanwhile, the journey to a branch? Welcome to a near sterilized, no-frills environment, formalized branding, waiting in queues for service attention, and pin-drop silence, surrounded by confounding APR rates and regulated banking terminology. With such obvious room for advancement, it's no wonder that direct banks score 49 points higher in overall satisfaction vs. traditional retail banks³.

It's more than apparent: today's bank branch experience is long past due for a real reinvention. Direct banking is simply accelerating its obsolescence.

Why not hang it up with retail banking all together—if it's not meeting consumer needs?

Well, flip that coin over and we can see a reason for branches to exist even in the digital era. In fact, the data on the street points to brick-and-mortar presence as a strategic imperative for banks.

Retail banks can maintain perception of ubiquity, especially with branches on particular corners in town. If banks go all digital, we're looking at a magnified industry version of "out of sight, out of mind." And when considering the importance of managing this perception, especially in a network model, the choice of which location to keep or which to close needs to be carefully tested and monitored before throwing the baby out with the bath water.

The branch is necessary, research also says, as 60 percent of Americans would still rather open a new checking account in person⁴ than through any alternative. It's the place where people begin a bank relationship. If all branches close, we're giving up a critical touchpoint of that first human interaction.

And, let's talk a bit more about successful overall strategy based on a particular value—providing connection and relationship. It's true that nearly a third of retail bank customers that are now digital-only are the least satisfied among all customer segments, citing lack of communication and advice as the primary reason⁵. Consumers still gain from human-guided counsel. When we need help navigating the complicated world of money (think mortgages, student loans, divorce settlement), digital tools and resources just aren't enough support.

In the end, beyond one's health, what's more personal or emotional than money? It seems no digital screen, chatbot, or artificial intelligence is suited to answer that call. Therefore, while branches are expensive to hold onto, could it instead be more expensive to let them go?

Despite the climbing branch bank death toll, there's proof out there that brick-and-mortar presence, existing human-to-human interaction, remains critically important in the distinctive and sustainable banking equation. When it comes to banking, ease of access still drives branch appeal. Consumers still crave real-life experience. And a large segment of people still find value in expert-led guidance. So with nearly 80,000 branches throughout the U.S. filled with financially-trained bankers sitting at the ready, where's the disconnect?

Answering to a New World Order

Today's working population is busy, creating and inventing America's financial future by their entrepreneurialism, their investment of growing personal wealth, and their financial savvy. The clincher for the banking world, though, is that consumers believe they want a different kind of bank—one that matches their values.

Today's consumer **prioritizes their financial well-being**. Although Americans owe \$1.5 trillion in school loans⁶, they're more college educated⁷ with greater financial know-how, poised to deal with it and unafraid of taking chances as evidenced by 27 million Americans starting or running new businesses⁸.

They are also **global-minded—concerned as citizens of the world** that they contribute, sustain, and advance the social cultures around them. The conscious consumer is voting with their wallet⁹ to support causes that better their world and associating with brands not just promising a better



future but transparently advancing it as such.


Living life well is the new aspiration, not just accumulating wealth. In fact, around two-thirds (65%) of Americans equate wealth with good physical health, rather than lots of money (35%)¹⁰. Embracing opportunities is essential—staying healthy, minimizing stress, traveling the world. Banking is a means to an end—a way to ensure life is productive and enjoyable.

Today a bank must be more than just a bank. It must create financial products and tools which appeal to the growing interest in total well-being. If a bank hones in on pure money-management or wealth-building alone—to the exclusion of why it matters—the institution will inevitably fall flat. Furthermore, if the data it collects doesn't create a 'smarter' branch experience, the relationship will appear all the more one-sided. Banks that accommodate this new world view



and a reciprocal relationship model, will strengthen customer loyalty resulting in a win-win.

Direct banks are increasingly stealing share—largely because they're feeding the insatiable desire for convenience and control and are nimble enough to make it happen. But that human aspiration, that life well-lived, that real-world relationship...?

A silhouette of a person running, seen from the side, with a backpack. The person is running towards the right, where a bright sun is rising over a cityscape. The entire image has a red overlay. The text is in a bold, red, sans-serif font.

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The Case For Change

What is the answer? How about needs-based design? What if retail banks AND direct banks—analyzed what consumers really want and need from more than a usability or single touchpoint optimization perspective? If money is really about life—a series of memorable and interconnected experiences—maybe so too is banking.

Taking this perspective, retail banks still hold a significant competitive advantage through their branch presence: The opportunity to develop long-term relationships and deepen loyalty. While the above-50 crowd nods affirmingly, these concepts are seemingly elusive for every generation trailing them. Though digital-first consumers may love the easy access and culturally supportive experience of direct banking, they admit total well-being depends on a life of positive physical experiences as well. Brick-and-mortar offers space for authentic human interaction that can never be replaced by a handheld device. Maybe digital transformation isn't the enemy—maybe it's the perfect excuse to make the branch experience add more value.

"The shift to digital banking does not mean the death of brick-and-mortar banks, but rather the increased stakes of face-to-face customer experiences."
Gallup 2018.

But what about the need for help at that financial crisis moment? It's a fact that the average American family is poorer today than it was when the Great Recession hit¹¹. And we're going to go out on a limb and say that for the \$931 billion in credit card debt¹², or the 40% of Americans that couldn't recover from a \$400 emergency expense¹³, the benefits of anytime access to their bank account balances or weekly spending trends likely have little appeal, and could actually be surpassed by some good-old fashioned financial counsel from someone who knows.

Money for Americans is stressful, emotional, and confusing¹⁴. It's keeping us up at night. Outside of comforting advertising messages, banks are missing out on this one, folks. **Walk into a branch, and what about the experience contributes to relieving stress more than a trip to the DMV?** And digital experiences are no better: What about viewing balances, paying bills, or quippy money-life blogs is relatable, empathetic, or human? When a life fiasco strikes, can a mobile device be as helpful as a financial Sherpa who has been there, too? One can dream.

Here's the deal: There's a pretty huge disrupter sitting on the horizon—Amazon. It's no wonder

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Amazon bank
account

Amazon is fueling up for their next industry entry and aiming squarely at banking—with plans for everything from payment by voice to robo-wealth management. And crazy as it sounds, the market appears more than ready, as evidenced by the 55% of Amazon Prime members that have already said they would be open to an Amazon bank account¹⁵.

What do Amazon's plans spell for retail banks or the banking sector at large? And what consumer needs will be answered best by either of these formats once this giant gets involved?

Lessons From Larger Retail

This is not just a direct vs. retail issue anymore, but a products vs. solutions issue that fits within the experience design world. Shifting the conversation is the only way forward—Amazon or no Amazon. People aren't buying a mortgage; they're buying the American Dream. People aren't opening an account; they're developing a relationship. People aren't in love with an app; they're finding answers to pressing financial crises.

Contrary to how the press portrays the current state of retail, the world is not all doom and gloom. Leading edge banks see it as a source for innovation inspiration to successfully address shifting consumer priorities and build deeper connections. As Amazon gears up to invade financial services, retail banks must leverage their physical presence now before their time is up. And maybe thinking like a retailer is the best form of defense.

Much like many digital pure-play-to-omnichannel brand transitions in retail before them, some direct banks are opening retail doors by creating a physical banking experience that brings their brand to life in a full-sensory insights-fueled way and with a clear point of view. Retail banks are also realizing they have to create new draws if they want the business of today's fickle, uncompromising and hyper-aware consumer—truly embedding into the community, delivering new co-branded experiences, and exploring cause-supportive platforms.

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Curious minds have asked, what if we applied winning strategies from the retail playbook to reimagine the

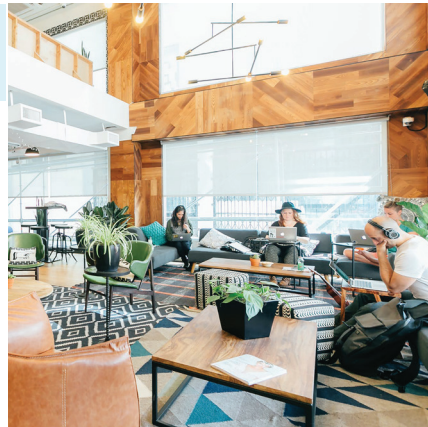
**banking experience
of the future?**

What If Banks Acted Like Retailers?

What if banking was designed for a targeted appeal?

WeWork

With “non-traditional” workers approaching 33% of the total work force, WeWork saw an opportunity to create spaces for them to work, socialize and grow. The company offers a global network of workspaces to drive creativity, focus & connection—meshing the comforts of home with inspiring space design and a myriad of services tailored to individuals as well as small & growing companies.



What if banking was a lifestyle brand?

Lululemon

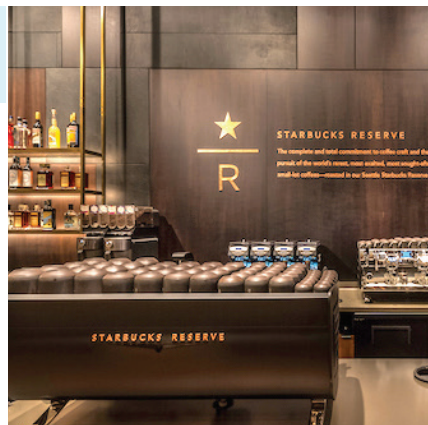
Guerilla marketing tactics, brand ambassadors, in-store yoga classes and manifesto-wielding shopping totes come together for the ultimate in lifestyle brands. Lululemon's \$98 yoga pants bring with them a community of like-minded, inspired and passionate “luluheads” who not only have their own language but yearn to live well and look good doing it.



What if banking were more experiential?

Starbucks Reserve

Starbucks opened their first Roastery & Tasting Room as a way to bring their passion for coffee to life in an immersive and dramatic experience. Here you can try exclusive small-batch coffees, watch coffee being roasted and see the burlap sacks it comes in. Tours & tastings are available or saddle up to the Experience Bar to have coffee served your way.



What if banking tapped into consumers' aspirations?

Sephora Accelerate

This beauty retailer's venture is dedicated to building a community of innovative female founders in beauty. With business-oriented boot-camps, one-on-one mentoring programs, support with funding or grants, and the opportunity for entrepreneurs to present to industry influencers, the program provides tangible support to help people realize their dreams.



What if banking changes the way they served customers?

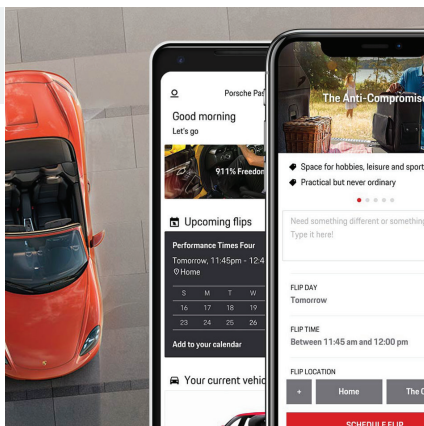
Nordstrom Local

Nordstrom is working to put customers truly first, increase customer engagement and consequently increase market share through their latest venture Nordstrom Local. This retail innovation is focused on getting closer to consumers by providing a destination for online order pick-up, returns and exclusive services like personal styling.

What if banks broke traditional barriers to offer personalized services?

Porsche Passport

A new monthly subscription in Atlanta provides the consumer with the ability to swap out the vehicle they drive multiple times a week. Want a two-door sports car one day and an SUV the next—no problem. An all-inclusive monthly fee provides access and flexibility determined by the consumer.



Taking cues from retail innovation, what other “what ifs” still remain for laggard banks to answer and get themselves back on track?

What would BOPIS look like in the bank of the future?

How could showrooming solutions to life’s financial crossroads build relevancy?

What might “endless aisle” mean inside a branch environment?

What if banks offered virtual “dressing rooms,” “try before you buy,” or easy return policies?

What’s the right-to-your-front-doorstep version of expert guidance?

What if banks treated their branches less as transactional hubs and instead as the true “front door” to relationship-building? Well, that’d be downright disorienting.



The fact is, if a bank can do the physical experience well, and nail digital to boot, its traditional banking concept may very well survive, or even flourish in the next decade.

Call To Action

It's the era of disruption and modern banking trends spell a mixed future for both retail and direct banks unless new ways of thinking can break the monotony or myopic view. Who will remove the stress of money? Who will bring the human story from out behind the numbers? *Experience. People. Relationships.* The path for continued success for direct banks will depend on willingness to find what customers want and need beyond convenience-based services. Meanwhile, the local branch must advance to deliver on expectations of convenience and control—developing apps, creating simplicity of access, and most significantly, finding the path to human connections in a digitally connected world.

The obvious message for financial institutions? Don't overlook needs and experience in trying to make this a generational differences fight. Relevance in the banking industry will depend on finding that perfect hybrid that appeals to the money-smart, socio-cultural consumer without discounting the value of in-person relationships with their bank—the individualized care and advice of that knowledgeable person on the other end of that handshake.

1

Make real matter.

Stop treating branches as just another point of distribution and see it as the relationship building touchpoint that has the opportunity to touch people's lives in real life. It will pay dividends.

2

Don't stop short.

Feed the need for consumer control not just when and where it's most convenient for the bank. Explore new avenues for those seeking ways to optimize every element of their experience. Then make it fun.

3

Get off the pot.

As they say, perfect is the enemy of good. Taking an iterative, human-centered approach to innovation, treating branches as sites for R&D will help propel toward an omnichannel future and bring the customer along in the process.



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