Private & Confidential

Communitization of Branches

By

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Communitization of Branches

In the beginning was the branch, and the branch was good!

Financial services around the world generally started to gain substance and recognition when they began serving the public through "local facilities" called branches. At first they weren't fancy but they reflected a core community need. For most, the weekly outing to the branch was a significant economic, and yes, social event. In recent years, what a dynamic revolution has happened and continues in consumer choices with sales and service access available through numerous self serve appliances, agencies or alliances opening global windows, locally for the virtual solutions in financial services. But the branches are still there, perhaps in decreased numbers. Their current strategic role has parallels to their beginning, to build recognition and reputation, as well as to be the centerpiece or hub for most consumers' primary and secondary institutional relationships. Some doomsayers dismissed the branch a decade ago. It is still here in a rejuvenated, community role.

This paper will reflect on the business positioning of branches in the beginning, the present and looking forward into a more techno-contact world.

In the Beginning

When the sign went up on a temporary shed or more permanent structure, the community felt that it had arrived. The residents wanted the financial service branch and a local post office to build creditability and critical mass. Many new branches followed the local economic development events such as the opening of a new mineral mine, logging operation, railway construction etc. The branch was there to help the flow of funds in the community in order that the benefits could be multiplied into secondary dreams and personal successes. These "economic units" at first, didn't all have marble counters and metal cages. They were simple designs to keep customers separated from staff by counters. Paydays were exciting as customers lined up out the doors. Sometimes orderly control was difficult and the easiest way to clean up the melting snow, mud etc. was to cut a hole in the floor. This was the "money meeting place" and the manager/president was god-like in the community.

Gradually, the branches evolved into fancier facilities on the main corners of towns and cities. But people still went through their constant, ritual patterns of visiting the branch and meeting friends and associates along the way. In fact, it wasn't long before all four corners had branches of competitors. The numbers exploded in many communities up until the 1980's when alternative channels such as ATM's, Telephone Banking, PC/Internet etc. started to proliferate.

With these new investments, FI executives had to find the payback and the first assumption was that customers were migrating away from the branches. Many organizations undertook drastic branch rationalization programs slashing branches, with rural communities suffering the losses on a grand scale. Few financial institutions had the customer facts – their preferences, channel directions and the financial implications. In hindsight many executives found that they and their associates didn't know the full equation. First, one must accept the fact that customers/members control channel choices – virtually. Second, as consumers adopt new channels they do not totally abandon their historical preferences. Third with multiple channel use, the transaction multiplier came into play i.e. as channel adoption increases, the number and type of transactions expands. Finally, every channel has the potential for direct revenue generation or support thereof but many viewed the new channels as "service delivery centres" piling on added costs and did not capitalize on the true benefits to the users and providers.

The eighties and nineties were decades of network rationalization, expansion and turmoil for financial institutions. Many learned the hard way from their mistakes of not asking and listening to their franchise as to preferences and influences. Concurrently, a major swing (and investments) was taking place into Customer Relationship Management (CRM) systems to help compensate for previous alienation and errors. Few financial institution investors saw the desired dividends as they continued to invest heavily in the software solutions without really knowing their customers' choices and loyalties. The lack of specific Channel Preference Research on today's and future choices resulted in decision- making gaps that embarrassed many on both sides of the counter or appliance. CRM took the blame in many circles for not delivering the payback as the lonely branches stood silent in various communities.

Today’s Landscape

There has been a resurgence in branch interest by financial institutions since the late nineties and the catch phrase of the day has become “bricks & clicks”. For some, a lot of customer damage was done through branch closures. In fact, some customers were disrupted more than once as they got caught in subsequent closures. This ill feeling is particularly pronounced in rural areas where closures were not necessarily accompanied by offsetting alternative channels. Besides the negative customer legacy, media had a field day with rural closures especially if it was the last financial institution in town. Politicians and prominent citizens grabbed the chance to “bank bash” the corporate owners who had lost touch with its roots. Other financial institutions handled their downsizing or network reengineering in more effective manners but they too may have left a worthwhile community position based on superficial decision analyses. Many rural communities do not have a financial institution today, but in some countries organizations have taken unique actions to reestablish a presence in the forgotten communities. For example, Bendigo Bank in Australia with its split community ownership is successful. Also in Australia, traditional financial institutions such as the Bank of Queensland are reinventing themselves in the country.

Before leaving this topic, we should also remember to closely read current relocation trends of people as signs appear in some locations of a growing wave into the country communities by the baby boomers and their children, the echo boomers.

The majority of branches today can be found in large urban and suburban areas with the remainder in large and medium size towns. There is evidence that some financial institutions have got a new message about the value of branches, as investments are being made in new units in more empathetic renovations. Unfortunately most of these are not being driven by customer preferences but by architectural desires and management intuition.

It is not my intent here to do a critique on the emerging branches or changes therein. Instead I will look at the dimensions that “make” the whole branch or retail experience for the local or remote customers. We will discuss the key values implicit in the unit – the notice, the attract, the invite, the interaction, the experience and the legacy. These marketing values can only be judged by the user – the customer, that implies a listening and matching of preferences for the financial institution.

Since the catchment area for each branch is unique, the same features cannot assure the same value proposition across all branches. There are segment differences in size, preferences and channel choices to start plus ergonomics and identification considerations. So what we want to do is fit the branch to exceed the expectations of the specific branch population and their local environment affinity. This is what I call the communitization of branches.

<u>The Bottom Line</u>

The communitisation of branches is not an altruistic endeavour in local popularity. The strategy pays off for customers, staff and the financial institution. With the local franchise operating as a team on behalf of their customers and their employer, and having the leeway to localize the branch experience, their satisfaction will increase and translate into higher customer satisfaction. Consequently, we have the opportunity to "connect" with our customers in an empathetic environment which builds their loyalty and as we all know this increases revenues (more sales) and decreases costs (cuts down the churn). Therefore the bottom line improves!

Some might say, oh yes this will work in the rural towns but not in the city. ***Caution: remember we must stop our personal views and institutions overruling customers' preferences***. In fact, the city is ideal for education centers, which we call Learning Centres, and for "express sales" which they can start in the branch and finish anywhere else where they have access to a telephone or network connection or vice versa. Have you not seen the city workers standing around at the peripherals of a ticker taped investing centre at core city locations? They want to check the market and their stocks. Perhaps if they had a disk with their portfolio they would come in and use the PC/Internet and get acquainted. Maybe they would have picked up another disk that you provide at the "promotion rack" to calculate a home equity current account approval level. What are the segments and what are their preferences? We need the answers before we act.

The branches are critical face-to-face branding centers that build and protect business. In doing so the bottom line improves for all the participants – even the community. Personally, I watch HSBC closely because they have the philosophy, the vision and the actions to be local in a global corporation. For many of us though, it is learning that local customers are where we start to communitize our retail space in the community.

The facility communicates! What do you want it to say to the customers and community? These are basic retailing decisions, which have to be evaluated regularly to keep in touch with meeting the experience desired. Refreshing that experience is also an essential retailing principle and weekly, monthly or quarterly environmental adjustments or changes add to the perceived attractiveness.

Communitization of the Branch

The elements of the branch that dynamically align to create individual value propositions are:

a) The Facility
b) The People
c) The Systems

a) The Facility:

A retail outlet such as a branch sends signals or gives notice that either attracts people, is neutral or agitates them. Is there parking if in a suburban setting? Does the exterior communicate a warm attractiveness through design, openness, cleanliness, signage and activity? Are parents with children using a drive-thru ATM? What merchandising grabs your attention?

As you enter the facility is the access easy (no doors locked) for the market area e.g. seniors, children and physically challenged? At the first step in, can you tell if you really want to enter? Or retrace your steps to the parking lot? Do you feel a draw to participate in what is going on? Does signage clearly tell you what is available and where? What barriers exist, if any, and is it a people place? All these thoughts hit the customer in an instant whether they are first time visitors or regular customers. Each facility can have a unique personality and should mirror the local segments served and the community interest e.g. community bulletin boards, local team sponsorship pictures, upcoming seminars etc. In rural settings auction announcements or farms for sale notices could be of interest if agriculture business is focus of the clientele. Basically, the furniture and fixtures should communicate a consistent message to those being served. Simple incongruities such as pictures or prints unrelated to the local environment or community interest can negatively detract from the feeling that you are attempting to generate.

b) The People:

The real differentiator in retail sales and service is the individual human interaction – the people. Retail hospitality is the foundation of positive experiences and that is evident, or not, as soon as you enter. The non-verbal smiles, the greeter's welcome and the offer of assistance (before you ask for it) set the stage for meeting or exceeding the customer's value proposition.

The associates in a branch or any retail outlet offer attributes, skills and knowledge to frame sales and service experiences. Attributes they bring, skills they learn over time and knowledge must constantly be maintained. With people come structure and leadership as well as titling. Structures have to be customer sensitive and simple; plus the overall people design needs to frame a team effort, which starts in the manager's office, or should I say with the manager's example. Personally, I prefer the title Community Market Manager (CMM) and everyone from the bank in the locality should be accountable to the CMM. The members of the team consist of motivated and trained people from the community who are involved in community life. If there are special segment sales and service needs, affinity training is essential e.g. seniors, students, professionals.

To help the branch people, a customer panel, advisory council or equivalent is great to inform, report and generally build empathy with the community. The bottom line is to build customer and community care that sets the branch retail experience apart and above other retail interactions – you want to be the benchmark.

The greatest investment in communitizing the branch should be in selecting, continuously training and motivating the team of people. Plus you need regular customer feedback to ensure objective measurements are met and improvements implemented. From the entrance greeting until the departure thank you, the human interactions, verbal and non-verbal, energize the retail environment to be in sync with the community where they live, work and play.

c) The Systems

Systems in the branch are both technical and human (processes) enablers to interact with customers' requests for information or products. Technology is an enabler that assists in completing some of the required experiences and collects relevant data.

In a Learning Centre or Library, hardware and software can be used to access, locate and interface with the right request. The standard technological enablers have been to focus on the processing of customers' requests in core banking systems, channel delivery (e.g. ATMs) and ancillary functions. Some programs can be "self serve", others need associates' interventions. To add more "community" to the branch there may be information kiosks, Internet stations, call centre booths, TVs and VCRs/DVDs, ticker tapes, or simple hard copy mediums. These strategically placed appliance depots should offer those accesses of most interest to the locally served customer segments. In rural markets, cash crop and livestock commodity prices are critical, whereas in urban markets it could be the equities exchange. The background computer systems amongst all branches are normally standard whereas the interactions are designed for segments of one – the mother, retired, professional, farmer etc.

The way to test end-to-end branch systems is to walk through various experiences from a customer-in approach, to the completion perspective. Every time you test these activities you understand the segment interpretations and if you run into cultural contradictions, remove the process and take corrective action. It is not unusual for segments to disagree with the same outcomes, which may necessitate providing qualifications to personalize the applications.

Summary

The facilities, people and systems all interact in a unique way to produce the desired outcomes when and where you want to customize or communitize the branch to local markets, profiles and priorities. There needs to be flexibility to adjust the core brand attributes in different locations but still maintain the integrity of the brand. Some vivid examples that can be found with some financial institutions are:

1. Where seniors are the mainstream segment, one should find a sensitivity to their needs in the furniture (sit down sales and service), and designate days for the "coffee/tea club".
2. Professionals are entrepreneurs who could be attracted to new software releases and to participate in customer seminars.
3. Family, suburban units need areas for children and promotion posters which identify with them
4. Perhaps the baby boomers enjoy displays on travel, motorcycles or educational experience.

5. The rural organization's participation in the branch, (e.g. Woman's Auxiliary) for draws, bake sales and other minor fundraising, builds strong local identification.
6. Displays by police officers and firemen inside the branch and in the parking lot, builds a needed sense of security in many customers' minds.

The branch is a community retail centre capable of being the hub of activity for the key segments of the financial institutions. Building fifty branches the same in different markets may or may not work depending on the community identification efforts undertaken locally. As mentioned earlier, this is a dynamic challenge where programmed follow-up is essential to re-energize the experiences, refresh the people and reform the financial institution's image. Branches are like financial services lifestyle centres building, preserving and transferring wealth for specific customer segments in designated communities, one customer at a time. If the branch becomes a commodity, convenience store, how do you compete in an over-saturated, virtual financial services market place where disintermediation of relationships by traditional, non-traditional and emerging competitors is a daily fact of community life? And, in some cases, the suppliers who want to eat your breakfast do not have a local presence! The branch must not become stale or boring, and the local team needs to have the responsibility to ensure that does not happen. You know that customers deal through multiple channels and with different financial institutions so the branch has to earn the right everyday to be the local place of choice.

Communitization is a packaged deal of design, programs and customer involvement through the interaction of the facility's features, the people's affinity and the systems' synchronization. Tailoring to the local environment is good business sense and the foundation of successful results. It is not about spending more money, it is listening to customers' needs and interests, and adapting to them.

You can be the "Community Store" in the country, suburbs and large cities. Call us.