THE # NEXTGENBANK®

WHITE PAPER

UNDERSTANDING LEAN BANK BRANCHES

AND THE BENEFITS OF THIS MODEL FOR BOTH CUSTOMERS AND BANKS

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LEAN BANK BRANCHES ARE PHYSICAL LOCATIONS IN WHICH BANKING SERVICES HAVE BEEN AUGMENTED TO INCREASE EFFICIENCY, REDUCE OPERATING COSTS AND ENCOURAGE GREATER CUSTOMER SATISFACTION. THEIR POPULARITY AS A BRANCH MODEL IS ON THE RISE, BUT MANY BANK BRANCHES HAVE ALREADY CLOSED. IN FACT, DATA FROM WHICH? REVEALED THAT OVER 3,000 BANK BRANCHES HAVE BEEN SHUT IN THE UK SINCE 2015 AS A RESULT OF DECLINING FOOTFALL, AS WELL AS INCREASING COSTS AND RISING COMPETITION FROM ONLINE CHALLENGER BANKS.

There are four key arguments for why banks should invest in lean branches rather than closing them.

REASON ONE

A LEAN BRANCH MODEL CAN CUT UNNECESSARY COSTS AND MAXIMISE EFFICIENCY

Technologies such as AI and automation are invaluable in the enhancing of efficiency and optimising of performance in today's bank branches; use of such innovative tools is one of the core elements of a lean branch. AI and automation can completely transform operations, taking pressure off human workers by taking on the most repetitive and mundane tasks. This frees up employees time to focus on more complex activities and issues that may require the emotional intelligence of a human being – such as liaising with an elderly customer's query. It also enables employees to upskill, which is crucial to enable them to deliver more for customers when they need it and concentrate on how they can add value. In lean branches, almost every staff member will be multi-skilled sales and service representatives and will be data-driven, relying on targeted analytics to carry out their day-to-day responsibilities.

Remote assistance, for example via a video link, is another technology that is re-defining bank branches. Tools that enable remote assistance could allow banks to double or even triple their access to expertise as staff don't have to be limited by their location. Remote assistance tools can enable bank branches to stay open, to provide additional services via online banking and keep staff employed by allowing them to serve customers via a video link from their home. Furthermore, this technology can also reduce costs of branch management meaning there is more money for the bank to invest in supporting people during the pandemic. This is all while simultaneously improving the customer experience, as users can easily request for the right subject matter expert and receive the specialist experience and knowledge they need to support them. Such technology is also helpful in boosting financial inclusion and extending banking services to areas of the country that are ill-served by traditional banking. Banks can maintain access to financial services and extend service hours for people living in rural and remote areas that would otherwise only be available in towns and cities where it is more cost-effective for them to operate.

Big data analysis can also help banks become leaner. It can be used to learn and predict the amount of resources needed in each bank branch and improve the quality of service by making back and front office processes as frictionless as possible. The result is that customers are less likely to queue, benefit from efficient service faster, and exit the branch more satisfied and positive about the idea of returning again.

REASON TWO

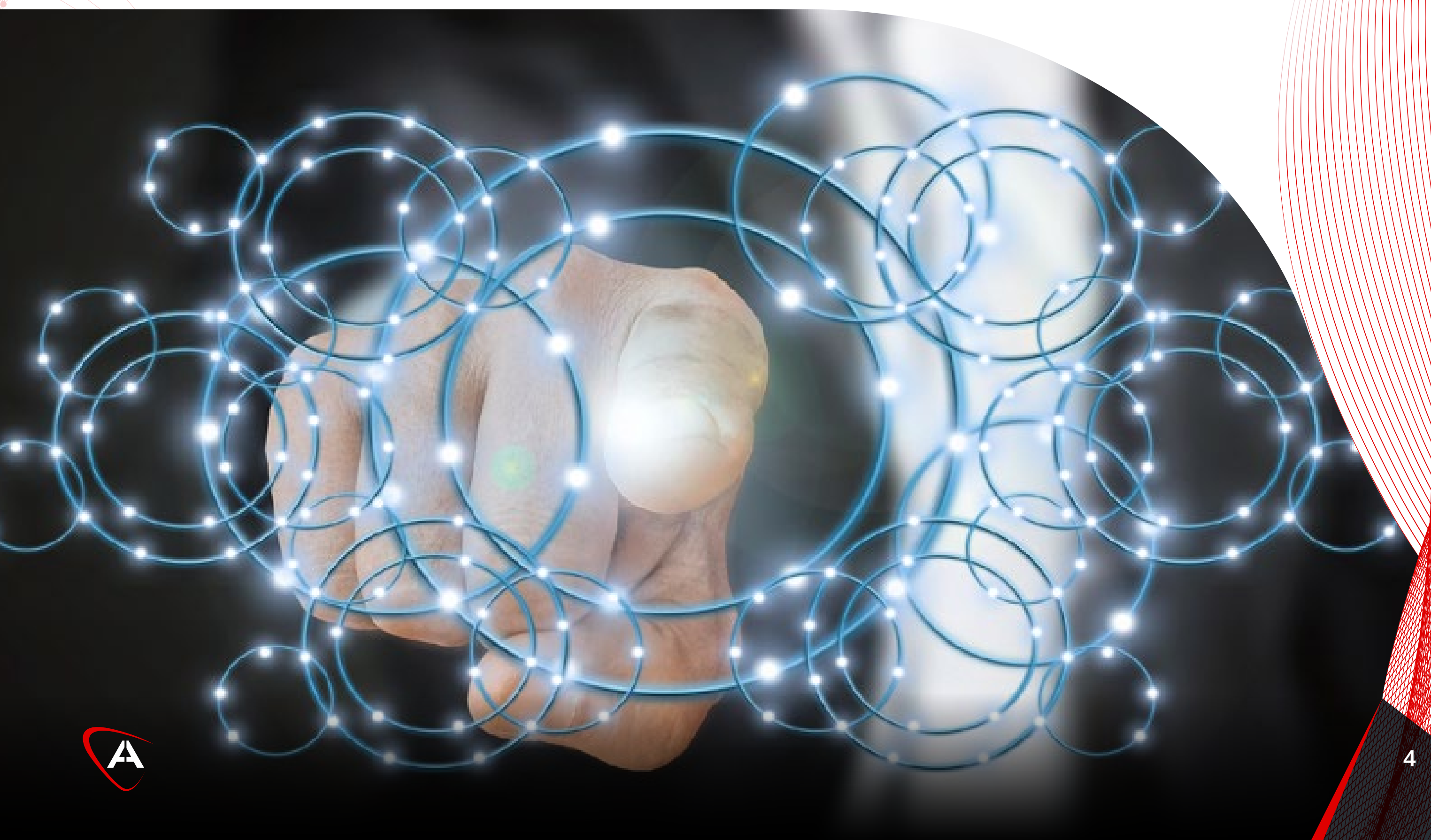
THE OPPORTUNITY TO CREATE NEW STREAMS OF REVENUE TO DRIVE PROFITABILITY ARISES

One of the main reasons why banks close a branch is because they are no longer profitable enough to survive, but by turning it into a lean branch banks can realise profitable operations again. However, in order to do so, the bank manager must be open-minded to new imaginations for the space. One way to do this is to create a shared or white label branch in which the bank rents out some of the space or technology to a partner or other organisation. This could be a financial services provider, travel agent, soft play centre, independent café, community hub, office space or something else. This could not only mean a new source of revenue but also the chance to drive greater footfall and dwell time. The likes of the Bank of Scotland and Virgin Money have both reaped some of the benefits of trialling new branch concepts, with the Bank of Scotland offering free training events and space for locals to network with each other.

REASON THREE

BANKING EXPERIENCE EVOLVES AND TRANSLATES INTO GREATER CUSTOMER LOYALTY

Today's customers are arguably more demanding than ever. Even so, there are still so many retail banks that are still relying on siloed, legacy technology that is decades old and makes providing an omnichannel experience challenging. Consumers of banking services don't only engage with their provider on one channel and expect to have a range of channels at their disposal for starting and ending a transaction or query. Banks with lean branches often leverage software that is entirely independent of the hardware they use, allowing them to streamline all their channels together so customer information is shared and available on each one. This allows the bank to create one source of truth on each customer and track the complete customer journey. Therefore, when a customer walks into the branch, staff can easily pull up their information on a tablet, such as what products and services they use and what questions they've previously asked to serve them better. This also gives banks the chance to offer new, relevant services and even upsell.



REASON FOUR

BANKS CAN KEEP BRANCHES OPEN AND THUS MAINTAIN ACCESSIBILITY TO FINANCIAL SERVICES FOR LOCAL PEOPLE

Adopting a lean branch model is not just a sensible decision for the bank, it is pivotal to protecting access to financial services for people in the UK. By sharing services – trimming branches of unnecessary expenditure and driving efficiency with AI, automation and other technologies - banks can keep branches open and profitable. Keeping branches and other banking service touchpoints open is key to maintaining choice of channel for customers so they can bank in the way they want. Helping more vulnerable people, such as the elderly and those with disabilities, to be able to choose to manage their money in the ways they prefer is particularly important. The latest Ofcom Access and Inclusion Report noted how just less than 50% of over 75-year-olds do not have home broadband, and internet users with a disability are less likely than non-disabled internet users to use online banking (45% vs. 61%). Of course, it's important for others too, such as those wanting to get onto the housing ladder and want to speak to someone in person about how to get a mortgage, or for someone who has lost their card and needs emergency cash from the branch.

It's clear, for all these reasons, that instead of resigning to shutting down an under-performing location, banks should stop to consider ways they can improve profitability by transforming it into a lean bank branch.

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