

Key findings

- Induced by the combination of changing customer interactions and technological trends, bank branches need to take on a new role in the omnichannel world.
- The zeb.branch.compass helps to guide banks in revamping their current branch network along success-defining dimensions and provides directions towards the branch of the future.
- Catering to its key target audience and integrated into the omnichannel experience, the branch serves a clear purpose in line with the bank's strategy.
- By shifting their focus to interaction with regard to all aspects of their offering, branches open up to their communities.
- Digitally enabled branch staff increase active customer engagement, ensure smooth processes and efficiently use the capabilities of the branch's technology.

- A lean and effective branch network consists of specific branch archetypes that serve the needs of the target customers by applying appropriate ownership models at future-proof locations.
- Easy navigation, transparency and a homey feel are achieved by appropriate design elements such as layout, materials or equipment that allow the branches to embody the bank's brand and value proposition.
- With the support of zeb's range of services, the zeb.branch.compass can be calibrated according to the specific requirements of a bank, the environment it operates in as well as the customers it engages with.

What's in it for you?

This study contends that the role of bank branches has to be rethought in the context of omnichannel and digital banking. Younger customers, in particular, nowadays rarely enter a bank branch. Banks should not take this as proof that high-street locations are obsolete, but rather as a signal that the gap between customer expectations and branch offerings is substantial – and growing day by day. Experience has taught us that branches can be transformed to meet dynamic customer demands and maximize the value of intermittent face-to-face interaction even in digitalized banking. This study presents the tool banks need to develop the branch of the future – the zeb.branch.compass.

Advances in technology have shifted interaction between banks and their customers from high-street branches to digital and other remote customer channels. But the resulting shift towards omnichannel banking is rashly neglecting traditional bricks-and-mortar locations. Instead of focusing on the continuing potential of branches to drive customer engagement, banks appear increasingly indifferent towards them. Branches often cannot replicate offerings which customers access digitally, they feature

outdated design that no longer reflects the bank's brand identity and convey the impression that transactional business is more important than customer wellbeing.

Branches used to have a strategically decisive role in banking and they remain assets rather than liabilities, especially when it comes to the people working in branches and representing the bank. Hence, banks have to take a holistic approach to their bricks-and-mortar networks. They have to consider strategic, functional, operational and design aspects to provoke the drastic changes their high-street locations need and enable appropriate channel collaboration for the best customer experience. Doing so will give branches a continuing role in overall strategy and the modern mix of customer channels. By physically showcasing the bank's value proposition, the branch of the future becomes a place for interaction, collaboration and community.

Enjoy reading! We look forward to continuing to exchange ideas about the future of retail banking with you.

Rethinking the bank branch with the

zeb.branch.compass

Banks need to switch from treating branch networks as burdensome legacies to viewing them as sites of multiple opportunity. In omnichannel banking, the branch of the future translates the bank's value proposition into bricks and mortar, thus becoming

a place

... for representation, in which each bank can physically showcase customers its brand experience,

... for interaction, consultation and sales,

in which customers get advice on all financial needs, shifting the focus away from simple transactions.

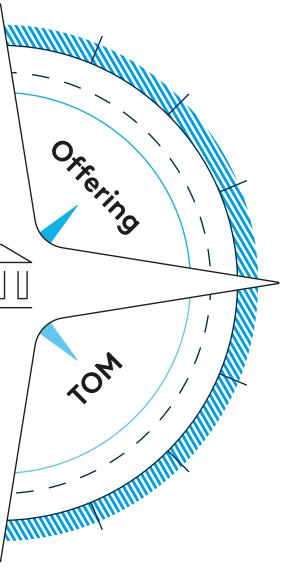
... that complements remote channels

by enhancing digital experiences with human exchanges,

... for fostering equality and hospitality with an inclusive purpose and design for visitors and hosts,

... with a beyond-banking offering, a collaborative space that also showcases the local community,

... for efficient operations, in which personnel, processes and technology maximize client face-time.



Introducing the comprehensive zeb.branch.compass, providing directions & guidance towards the branch of the future

Digitalization has fundamentally changed the interaction between banks and their customers. The latter have become used to fast and reliable customer services in other industries and now expect convenient and highly individualized customer journeys in banking – with constant 24/7 connectivity. The shift to digital channels limits customer interaction time significantly while producing hundreds of touchpoints between a single customer and their bank every month. The bank has become an app – one app among many.

At the same time, new technology is transforming the banking industry as automation streamlines ever more operations and services, and ensuring cybersecurity. Additionally, the appearance of FinTechs has accelerated innovation, increasing the pressure for product development. The use of AI is allowing financial services providers to widely implement new forms of personalization at customer interaction points.

Banks appear to be navigating these new realities fairly well. They have heavily invested in digital offerings to realize truly integrated omnichannel setups. Driven by macro developments such as Covid-19 and political instability, banks have successfully upgraded call centers to advisory centers, while in parallel extending customers' self-service options. Mobile-first concepts and digital branches are widely in place, and beyond-banking offerings are taking shape, promising new revenues.

But this shift to omnichannel banking has led banks to neglect the traditional sites for serving customers. Branch design is outdated, network location choices are relics of the past, branches cater to transactional business rather than representative functions, and in-branch offerings do not tie in with digital ones. In addition, staff skills increasingly lag behind the bank's digital offering and customer expectations. Shortcomings are numerous and the gap between customer expectations and branch offering is widening day by day.

In the move towards omnichannel, branches are notoriously neglected

- → Brand identity not physically reflected
 → Transaction instead of advisory/sales focus
 - → Branch layout not promoting self-service
 - → Poorly chosen network locations
 - → Inflated FTE composition
 - → Staff skills not adapted to omnichannel

- → Weak integration in omnichannel
- → Staff hiding from customer
- → Outdated designs
- → Staff focused on process instead of client face-time
- → Lack of representative function
- → Opening hours not reflecting customer life

Considering the strategically decisive part branches traditionally played in banking and the potential they still offer, banks have to tackle these deficits.

They have to adopt a holistic perspective on branch strategy, function, operations and design to drive the drastic changes that are needed.

Choosing the best course of action requires an understanding of the new role that branches play in the omnichannel environment. Based on experiences gathered across the continent, zeb has developed a tool that will keep banks on track when embarking on the journey towards the branch of the future.



The zeb.branch.compass – guiding banks towards the future

The zeb.branch.compass is a comprehensive methodological tool that guides banks through all of the facets that define the branch of the future. The tool provides both a holistic approach and great detail in many dimensions so that banks can operationalize strategic decisions. The compass provides directions for branches' product and service offerings, their target operating model (TOM), their network and design. These dimensions complement each bank's overarching branch strategy.



Branch Strategy

Defining "branch strategy" sets a crucial frame for decision-making at each point of the compass. Broken down into its components, it supports the definition of the purpose branches serve in the bank's strategy, defines the target audience they are meant to cater to, specifies their role in an integrated omnichannel approach and provides the foundation for suitable steering mechanisms.

Based on observations from around the globe and taking into account best practices from banking and non-banking, zeb has defined a number of attributes that make up the branch of the future.

The branch of the future will thrive if it is

Purposeful	Cementing its role in the channel mix with a clearly defined "raison d'être".
Interactive	The branch is first and foremost a place for interaction.
Representative	Providing physical representation and promotion of the bank's brand and DNA.
Non-discriminatory	Offering a non-discriminatory space that is equally welcoming to all.
Integrated across channels	Promoting digital capabilities and frictionless customer journeys (omnichannel).
Economically independent	Running as a profit center in the omnichannel model, with an economic ambition to earn money and customer/employee relevant KPIs.

A clear purpose allows branches to integrate seamlessly into the omnichannel experience.





A next step is to define a branch's offering. This is done by **detailing products & services, beyond-banking offerings** and **accessibility**. The offering is what draws customers into a bank's facilities.

The branch of the future will thrive if its offering is

Consultation- focused	Selling and advising on complex products, without focusing on the transaction itself.
Customer- enabling	Encouraging customers to use digital self-service for services.
Open to non-con- ventional services	Integrating third-party offerings by non-financial services players to provide a more inclusive experience for customers.
Communal	Creating a shared place for customers and the local community.
Available	Having flexible opening hours depending on the location and including weekends.

A new focus on different types of interaction allows branches to open up to the community.



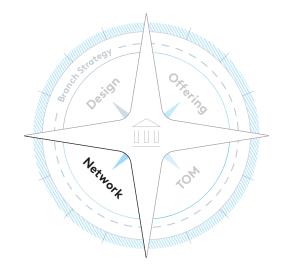


The target operating model (TOM) of each branch and the network ensures that **staff**, **organization & processes** and **technology & infrastructure** operate smoothly and serve customers well.

The branch of the future will thrive if the TOM makes it

Universally skilled	Fulfilling each role with universally skilled staff.
Welcoming	Using meeters-and-greeters or digital educators who are always on hand.
Appropriately spaced	Offering shared, purpose-appropriate spaces for all employees in a casual setting and appearance.
Digitally enabling	Assisting customers in self-service with smart ATMs/ITMs and supporting staff in sales/advisory processes with digital tools.
Cashless	Simplifying processes with TCRs as the branch gradually turns tellerless and eventually cashless.

Digitally enabled staff take on new roles so that branches engage more actively with customers.



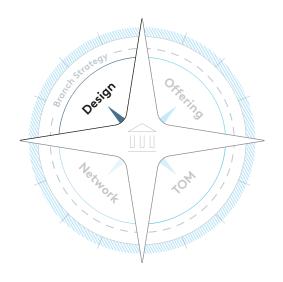


Branch networks have to be optimized in order to prepare them for potentially new roles. This is done by detailing expectations for the following components: **infrastructure**, **archetype and location**.

The branch of the future will thrive if its network is

Flexibly owned	Owning real estate for maximum flexibility in crucial locations, complemented by rented spaces or partially franchised operations.
Visible	Choosing prominent locations at highly frequented sites.
Emblematic	Creating maximum customer experience with flagship branches that showcase the bank's entire product and services offering.
Highly automated	Including small, highly automated kiosks in shopping malls and other special locations.

A lean and effective network allows branches of various archetypes to serve different purposes.





The network also needs a consistent design that reflects the bank's identity. The bank needs to specify **equipment and furniture**, **materials**, **color schemes**, **lighting and sensory impressions**, **layout and zoning** to match its corporate image. It has to balance functionality and design-driven decisions.

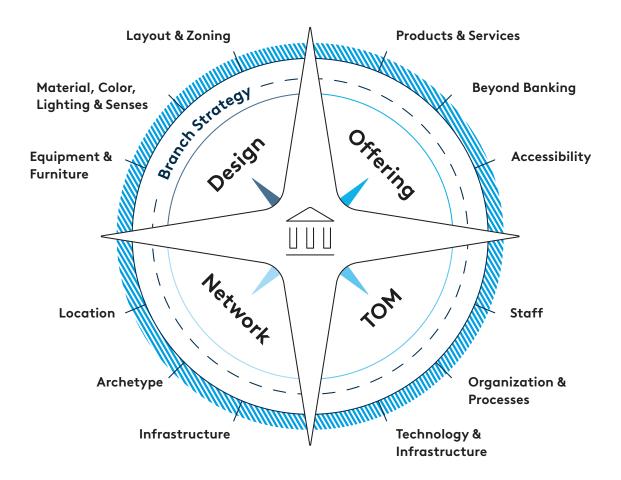
The branch of the future will thrive if its design is

Intuitive	Enabling easy navigation with carefully designed interiors and exteriors, facilitated through design, zoning, decor, colors and stylistics.
Bright & spacious	Conveying transparency with glass elements, a spacious lobby and easy access.
Identity- supporting	Using materials that emphasize the bank's brand identity and value proposition, e.g. local or sustainable ones.
Comfortable	Making the branch feel homey with nice furniture and a sense of comfort.

Design allows branches to physically embody and enact the bank's brand and value proposition.

Putting it all together

The zeb.branch.compass guides banks to define a branch strategy and then navigate its four component parts. It provides all the directions they need to conceive and implement the branch of the future. It shows the way towards a clear target picture and highlights all the steps that have to be taken. However hard the process, the zeb.branch.compass always shows the way.





Each bank can calibrate its own zeb.branch.compass

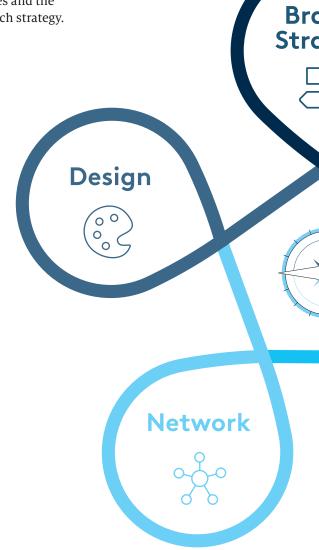
The zeb.branch.compass keeps banks that want to design the branch of the future on the path to success. It adjusts to the individual starting points, strategic aims and operational pressures of each bank. Each bank needs to calibrate its own zeb.branch.compass to meet the demands of customers, employees and the organization. The path to the branch of the future starts with branch strategy.



Branch Strategy: Build the strategic foundation

Each bank has to make fundamental decisions about its strategic approach. The fact that a branch network has existed in the past does not automatically justify its continued existence. A clean-slate approach helps the bank to continuously reconsider the role of the branch and develop it as conditions change – making each branch highly adaptive and truly client centric.

- → Does the bank require a branch network at all?
- → How is the branch strategically embedded in the overall business strategy and what role does the branch occupy in the channel mix of the organization?
- → How does the bank's identity transfer into its physical manifestation?
- → Who is the branch for which (target) customers is it meant to serve?





Having defined strategy, a bank has to define the product offering as well as the service model of the various branch archetypes. The offering must be able to adapt to changing expectations in the digital age and respond flexibly to the needs of locations, customers and archetypes.

- Which products and services should a branch offer and which partners should it welcome for beyond-banking offerings and the use of shared spaces?
- → Is the offering homogenous across branch archetypes and regions?
- → Is the branch tellerless or cashless and how is self-service encouraged?
- → Are opening hours tailored to the location and do they cover evenings and weekends?





Apply TOM reference model

The bank has to design operations that fit the offering. Processes, IT, staff, skills and governance need to be aligned to allow for lean and effective operations enabling increased client face-time and an enhanced customer experience.

- → What new roles are introduced and are they shared among staff along an updated FTE structure?
- → Which processes will be kept in the branch, which centralized or outsourced and how can client facetime be maximized?
- → What machinery can support daily operations and enhance client experience?
- → Are spaces in the branch shared or for individual use and how is the back-of-house organized?

zeb.my.branch

Our tool identifies all processes currently performed in the branch. It measures how much time employees spend on each task in their daily work. The visualization of aggregated results allows banks to optimize processes and maximize client face-time.



Each bank now needs to physically appraise its branch network. Locations are put to the test using extensive scoring algorithms to identify weak spots and highlight potential for existing or new locations. This process goes hand in hand with defining the perfect branch format for each location. This balances the characteristics of existing real estate, the need for design consistency and the opportunities offered by individualizing branches.

- → Does the network require optimization? Which locations should be maintained, which adapted and which closed?
- → Should the real estate be owned or rented, or should operations be franchised?
- → What branch archetypes or formats can be introduced? From small, automated kiosks to full-scale flagship branches – what footprints and layouts are required?
- → Should there be special branch formats such as mobile stalls or mall branches and should branches provide additional infrastructure such as e-car charging points?

zeb.branch.analyzer

Our highly advanced, data-enriched tool provides in-depth insights into the potential of existing and future branch locations. It scores a multitude of parameters, including performance, local competition, the demographics of the catchment area, infrastructure and local purchasing power.





Design, visualize & prototype

In a final step, each bank has to translate all its work into visual results. It commissions renderings and sketches and moves on to setting up a mock-up branch. Employees and customers are invited to extensively test this location and provide detailed feedback.

- What kind of zones make up the branch, what is their role, their distinct look and feel, how are they positioned? How do customers navigate through the branch?
- → What furniture, decoration, lighting, surfaces, finishes, colors stimulate visitors' senses and how do they fit the bank's value proposition and brand identity?
- → How do sketches and 3D renderings of the branch perform in customer feedback sessions and how does a mock-up branch to which the full branch concept is applied?
- → What does the branch manual look like and how can the branch of the future be rolled out to the entire branch network?



Unsure about which direction to take? Facing an agitated magnetic field?

Let us help you calibrate your compass – with zeb's distinct offerings around the branch.

We are partners for change

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