

Branch Transformation – February 1, 2017

The New Rules of Bank Transformation



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Before founding Next Branch Strategies in 2015, worked at top retail and banking institutions:

Nordstrom, Gap, Inc., Bank of America, Wells Fargo and Capital One

Helping banks understand how to connect business objectives with the retail experience

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Parallels between the retail and banking industries

Customers want to be recognized and valued

Want to trust retailer will deliver the right thing

If something goes wrong, the retailer takes care of them

Same issues people care about for banks

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What big issues are banks facing right now?

- Rise of mobile adoption – bank branches are empty (this is where banks sell most of their products)
- How to draw customers back into the branch; customers are only transacting on their phone



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How has this changed the role of the bank branch?

70% Millennials open checking accounts in branch

Millennials most likely to follow advice they get in a branch

Role of branch now consultative but still feels transactional

Reframing customer expectations on what branch experience will be is the first step

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Technology as an effective tool in building customer relationships

- Technology is a great tool
- Need to back it up with a sales and service value proposition that involves a human connection



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What job are we solving for the customer?

A lot of technology did not deliver as promised

Transactions continued to drop – cost reduction per transaction didn't pan out

Didn't take into consideration the customer

Teller referral didn't occur and lost revenue in those branches

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Has cost reduction peaked?

- Biggest cost reduction play will still be in overall branch reduction
- Smart banks will not just close branches but replace branches with a smarter, relevant concept that's better located



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Driving the need for transformation

- Removal of geographic boundaries
- Competitors using digital means to acquire new customers



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Transformation pitfalls

Landing on an idea rather than a strategy:

Coffee shop in a branch didn't reach desired clientele and alienated existing customers

Microbranches - smaller and less expensive but haven't changed the customer journey by responding to the new way people bank, feel crowded and less private



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Banks doing it right

ING in Europe – maintains traditional banking while integrating digital

CheBanca – Digital Bank; physical presence with advice and on boarding without operating a full scale branch

Hello bank – focuses physical presence on cultural, emotional and intellectual connection with customers in pop-up stores

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Embracing fintech

BNP Paribas – interlacing virtual banking capabilities with physical and interpersonal banking into one seamless experience

Wachovia/Wells Fargo – integrating machine learning into their ATM processes made ATM experience get better every time you used it

Technology innovation in U.S. has not made as great strides as it could

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How do conventional banks respond to current industry threats?

Conventional banks need to make a shift – relationship is the product

This will disrupt the way banks treat their customers – quiet disruption that will see results in market share

Redistributing elements within ecosystems will make for efficiencies that will make banks successful in the future

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What problems are banks not solving?

Trust is a core problem

People switch banks more often now

They don't switch to banks that they trust more

This is something that could be very disruptive in terms of developing a brand

Nordstrom philosophy – empowering everyone who meets a customer to do right by that customer

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Three key takeaways

Don't put business priorities above the customer

Don't be innovative for innovation sake

Create a culture inside your organization that is an incubator for great ideas. Create a place where you can advocate for your customer -
Chief Experiential Officer



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Question Period

1.800.747.5150

Access:

5697142

