

Branching Out

Banks redefine their business model and their stores **By Robert Nieminen**

Thanks to improved technology and changing demographics, bank branches are shrinking, loosening up, and providing more convenience than ever. The evolution addresses changes in how consumers use brick-and-mortar bank space as well as their perception of the institutions handling their money.

New image required

Since the financial meltdown of 2007-08, banks have been striving to overcome consumer mistrust of financial institutions, especially among Millennials. While they

tend to save and participate in retirement plans at higher rates than other generations, Millennials are less loyal to bank brands.

Nearly half (49%) of Millennials suffer from a degree of financial illiteracy, and more than half (52%) do not feel any connection to national banking brands, notes a recent study by Oxford University's Saïd Business School. And a FICO 2014 study concludes that Millennials will be "less loyal to their primary banks than previous generations and are 50% more likely to close all accounts with their primary bank than their older counterparts."

Yet the outlook for the financial industry is far from bleak—the industry has posted a 70% gain in net income in the past five years, according to a recent KPMG report. This rebound is clearly illustrated—and perhaps even partially explained—by the way banks are adapting to changing customer demographics and needs. Advances in technology allow consumers to bank when and how they want, forcing banks to rethink the role of branches. Inspired by hospitality and residential markets, designers are creating branch spaces to make customers feel at home.

"Right now it is about breaking down



The need for branch design to suit the community is apparent in this JPMorgan Chase Bank in Brooklyn. TPG Architecture accommodated concierge banking service needs in this designated landmark building.

the barriers, removing the mistrust from the last financial meltdown,” says Scott McCage, senior associate at Gensler in San Ramon, Calif. He believes banks must consider how they will put customers at ease and build relationships with them. As banks attempt to address these issues, they are undergoing fundamental changes to both their business models and their approach to branch design.

From transaction to resource center

Historically, bank branches have performed three basic functions: customer transactions, opening accounts, and customer service, according to Susan Doyle, SVP of retail banking at North Shore Bank in Brookfield, Wis. But demand for routine services is diminishing. Transaction volume at North Shore Bank, for example, has dropped 39% since 2007, and Doyle predicts by 2020 it will likely be at half of 2007 levels.

“The bank of the future can focus on relationships rather than transactions.”

—Nancy Everhardt, Little

Similarly, at Bank of America Corp. (BoA), about half of customer deposits now are made through ATMs, according to Ray Ehscheid, SVP of store design and marketing at BoA, who is based in New York City.

But the decreased demand for traditional teller transactions is not negating the need for branches. On the contrary, all major banks, including BoA, are actively looking at branch building, he says. What has changed is their methodology. The branch is evolving into a financial resource center,

a place for customers to connect and consult with financial experts.

“Demographic changes and new technology are driving changes in customer preferences,” Doyle says. “Our brick-and-mortar branch environments are still important even though customers are using branches less for transactions.”

TD Bank opened its first “one-stop service model” concept store in October 2014 in Baltimore. The Canton Crossing store features a more compact 2,275-sq.-ft. layout; enhanced ATM technologies with year-round, 24/7 live customer service; and an innovative staffing model designed to provide customers with greater choice, convenience, and financial resources.

“As our customers evolve their banking habits, it’s important for us to adapt to meet their needs,” says Brian Monday, regional president of TD Bank’s Metro Washington, D.C., market. “Our Canton Crossing store provides customers with



Little clearly took cues from hospitality design in this EverBank Financial Center in Clearwater, Fla.



At this Capital One 360 Café branch in Boston, customers can use online banking services through laptops and iPads, consult with associates, and see demonstrations of digital and financial tools, all while enjoying a Peet's hand-crafted latte.

hands-on service, while also giving them the option to conduct transactions through a variety of channels.”

Self-service with a personal touch

Technology is revolutionizing the customer experience. The transaction-based model is being replaced with a service- and knowledge-based approach. Banks are repositioning to give customers what they want, when and where they want it.

“We will provide the services and the technology—whether that is physical space, or Internet space, or personal space—in order for them to interact in a way that they think is most appropriate,” explains Ehscheid.

This flexibility informs branch design. Branch footprints are shrinking as the traditional teller line becomes obsolete, making room for open plans that encourage customers to come in and interact with employees and with new technologies (see sidebar, page 20).

The bank of the future can focus on

“Right now it is about breaking down the barriers, removing the mistrust from the last financial meltdown.”

—Scott McCage, Gensler

relationships rather than transactions, says Nancy Everhardt, AIA, CDT, LEED AP BD+C, partner and studio principal of retail and service at Little in Charlotte, N.C. “With this 30-ft.-long teller line out of the way, the branch can be welcoming, educational, and aspirational, and can focus on customers’ life stages and have a variety of meeting places to discuss their financial well-being,” she says.

At a 600-sq.-ft. North Shore branch, bankers greet customers in an open-plan concept. Customers can be escorted to an area for a hands-on technology demonstrations, perform self-service transactions using an ATM with video conferencing, or be escorted to a private space to discuss financial goals or accounts.

This flexible approach is especially appealing to Millennials, who are highly proficient in using technology for basic services, but typically do not have the financial know-how to accomplish their goals, according to McCage. “They want tools and knowledge,” he explains. “They can do almost anything through technology that’s transactional, but they can’t learn the knowledge of how to manage their finances [using technology alone]. That’s where the bank branch comes in.”

There’s no substitution for the face-to-face interaction customers get from local branch associates. “Banking is a people business, and we will continue to need branches for customer acquisition and



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relationship development. Different generations use us differently. We listen to our customers and gather insight to try to determine how, when, where, and why they want to bank, and shape what we’re doing to their preferences,” says Doyle.

Echoing her comments, Ehscheid says, “There will always be that element of the human touch which, we think, is incredi-

bly important. A key element of our bank design is making sure that the human experience is upfront, so you will have the opportunity to interact with self-service technology.”

Design cues from other markets

As banks look to soften their image, designers are taking cues from the hospitality and

residential sectors to create warmer environments that break down the perception of stuffy financial institutions and open lines of communication with customers.

According to Ehscheid, BoA accomplishes this by paying attention to seemingly minute design details. “We utilize table lamps, side tables, different carpeting

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TRENDING: ATM with video technology

AS TECHNOLOGY ENABLES BANK CUSTOMERS to perform transactions online or on their mobile devices, banks also are employing new, enhanced technologies at ATM locations. These technologies broaden their services and link customers to bank employees virtually.

For example, Bank of America is rolling out its “ATM with Teller Assist” technology in select locations across the country. The system enables customers to speak with a live teller via a video conferencing platform, according to Ray Ehscheid, SVP of store design and marketing for Bank of America.

“In a very small footprint, it is possible to not only do your basic banking activities, but also to talk about a mortgage or investment product—or if you are just curious about some of the things the bank offers, you can do that with a live teller via the video conferencing link,” he says.

Similarly, North Shore Bank in Brookfield, Wis., has deployed ATMs that feature touchscreen video teller technology. It connects customers to a “live” teller in a call center whose name will immediately appear to the customer and vice versa. There are no transaction slips or envelopes, and the ATMs can dispense exact change when cashing checks, for example.

“By leveraging human resources in a centralized area, we have been able to extend the hours that our customers can use our services by about 30%, and that’s just the starting point,” says Susan Doyle, SVP of retail banking for North Shore.

Customers have found the highly interactive ATMs easy to use. North Shore’s next deployment will be a drive-up location with a dual-function video teller and ATM to further engage customers when and where they want to interact with the bank.



North Shore Bank in Brookfield, Wis., has deployed ATMs that feature touchscreen video teller technology, connecting customers to a live teller whose name appears to the customer on the screen.

THE FUTURE: 4 Types of Branches

AS THE APPROACH TO DESIGNING BANKS SHIFTS from a transactional model to a service-oriented center of information, bank branches will likely fit into one of four categories (or a mix of them), according to Susan Doyle, SVP of retail banking for North Shore Bank in Brookfield, Wis.:

- **HUB.** This “one-stop shop for customers” will likely be located where there’s a large regional focus—usually near a mall or shopping center, and will include all of the bank’s full-service elements and access to service experts.
- **SPOKE.** Surrounding the hub will be smaller branch locations averaging 1,200 to 1,500 sq. ft. where customers can go for quick services. The spoke branch might include a community access area for transactions, a “play area for knowledge and discovery and quick fulfillment,” as well as a connection zone for personal banking services.
- **COMMUNITY BRANCH.** These full-service banking centers will be part of a defined community, serving populations between 50,000 and 100,000 customers. North Shore currently uses its community branches to host financial seminars, fundraisers, and chili cook-offs for local organizations. Its conference rooms even serve as art galleries for schools and for local artists. These are places where relationships are built and knowledge is shared.
- **POPOP.** The popup concept will operate like a kiosk, using video teller technology. Poppups will be located in retail stores or other convenient areas where customers want services, but where the bank does not have a branch presence. They will feature extended hours and may even employ a banker during select hours during a store’s operation.



North Shore Bank’s SVP of retail banking, Susan Doyle, says there are four types of bank branches: hub, spoke, community branch, and popup.



This private consultation area at North Shore enables relationship building—a banking business strategy that will necessitate brick-and-mortar space for the foreseeable future.



TD Bank's Canton Crossing store features a more compact 2,275-sq.-ft. layout with year-round, 24/7 live customer service.

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zones, and different textures on furniture,” he explains. “Pillows on the sofa perhaps didn’t appear in a bank 10 years ago. But now they create a warm and welcoming tone. It’s like sitting in your living room, in some cases, to talk to your banker.”

Everhardt points out that some banks are taking things a step further and emulating retailers by employing design elements that engage all of the senses. “The sound, your eyesight, what you hear, feel—all your touchpoints throughout the space—are in tune, and there’s signature moments throughout the space as you walk through it.”

Little’s design team asks clients a series of detailed questions to refine the customer experience and drive the design process, such as:

- When customers are at a particular location within the branch, what should they be seeing, feeling, hearing?
- What materials should be in this space?
- Should they be standing? Should there be a chair nearby?
- Where should they have visual access to somebody if they need help?
- Should they have views to the outside? Should the space be more enclosed?

Designers repeat the process for each

area along the customer journey. Everhardt says the process helps shape a complete vision for what the bank wants customers to experience.

One size does not fit all

In spite of the common themes emerging in bank design, branches may look, feel, and operate differently (even within the same brand) based on market demographics. While a more relaxed, inviting design aesthetic may be mutual, there’s no one-size-fits-all approach.

“There are so many differences from one market to the next. Those differences should be respected because what’s good in one community isn’t good for the next,” says Everhardt. She adds that in smaller rural areas, where bank employees and customers may know each other, personal conversations may precede business transactions. These branches should have more areas for seating and personal engagement. In contrast, busy downtown areas may need faster response times, so self-service tools are a more appropriate solution.

Ultimately, banks want a retail experience that is consistent regardless of location and shares the same basic building blocks, but is flexible enough to accommodate regional differences and con-

sumer preferences.

“Every branch will be a little bit different,” says Ehscheid. “Like most retailers, we’ll have a standard prototype, a kit of parts that we can deploy to accommodate different types of environments. We work with our internal teams to determine where the branches go, and then position them appropriately in each marketplace. We want a consistent experience across the country.”

Banks are fluid organizations that need to adapt—perhaps not as quickly as a fashion boutique, but they must still respond to customer needs, Ehscheid notes. “We, like a retailer, are constantly shifting the way our branches look,” he says. “We may not have the ability to put out the cool new sweater, but we can shift the functionality of the branch on a relatively short cycle. As we continue to define what customers want, we can present the array of services in an environment that allows our associates to present them in a positive light.” 🌈



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