

The Universal Banker and The Future of Branch Banking



June 23, 2015

Discussion Outline

- Context for Banking in the Future
- Context for Branches in the Future
- Service and Service Delivery
- The Universal Banker
- Recap

Change

“The only thing that is constant is change.”
– Heraclitus, 534 BC



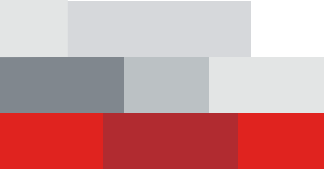
Consumers are Changing

U.S. POPULATION BY AGE

<u>Age Range</u>	<u>Generation</u>	<u>2014</u>		<u>2019</u>		<u>Change 2014 - 2019</u>	
		<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
<14	Gen. Z	60,766,706	19.2%	62,501,643	19.1%	1,734,937	2.9%
15 - 34	Millennials	86,757,535	27.4%	87,433,839	26.7%	676,304	0.8%
35 - 54	Gen. X	83,295,726	26.3%	82,392,326	25.1%	-903,400	-1.1%
55 - 74	Baby Boomers	66,118,308	20.9%	73,809,587	22.5%	7,691,279	11.6%
75 - 84	Greatest/Silent	13,375,460	4.2%	15,464,058	4.7%	2,088,598	15.6%
85+	Greatest/G.I.	5,983,253	1.9%	6,379,864	1.9%	396,611	6.6%
Total		316,296,988	100.0%	327,981,317	100.0%	11,684,329	3.7%

Source: ESRI

- Millennials and younger are an “echo boom” that must be considered in planning for the long-term future
- Gen X is squarely in the credit-driven phase of life
- The Baby Boomers are a significant segment and approaching big lifestyle changes
- The fastest growing segment is the Greatest Generation

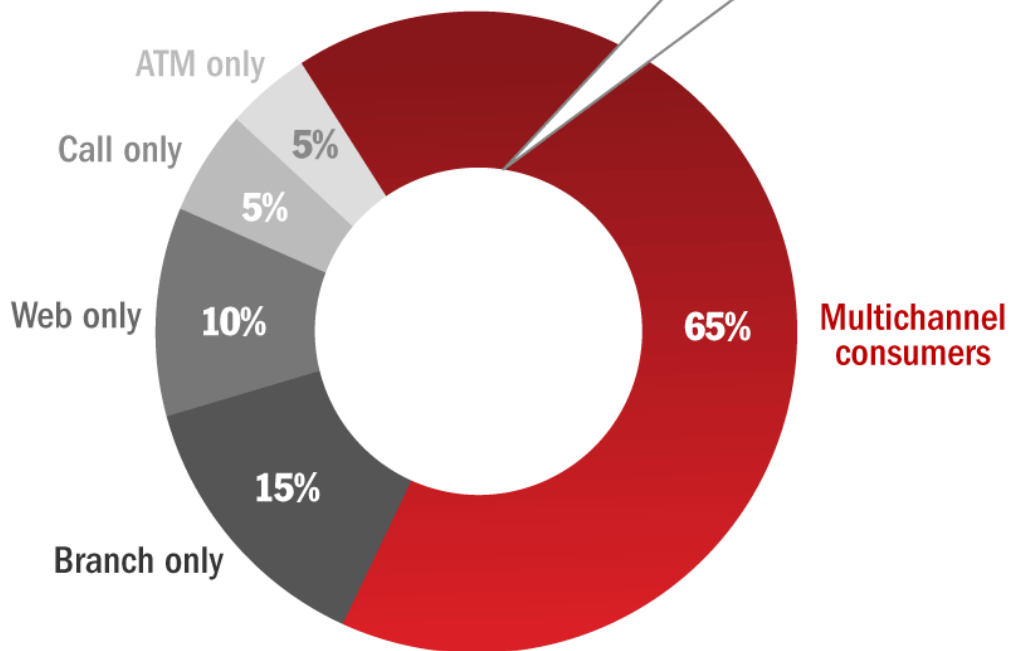


<p>TRADITIONALISTS < 1945</p>	<p>BOOMERS 1946-1964</p>	<p>GEN X 1965-1980</p>	<p>MILLENNIALS >1980</p>
		 <p>MUSIC TELEVISION[®]</p>	
			
			

Some Big Questions

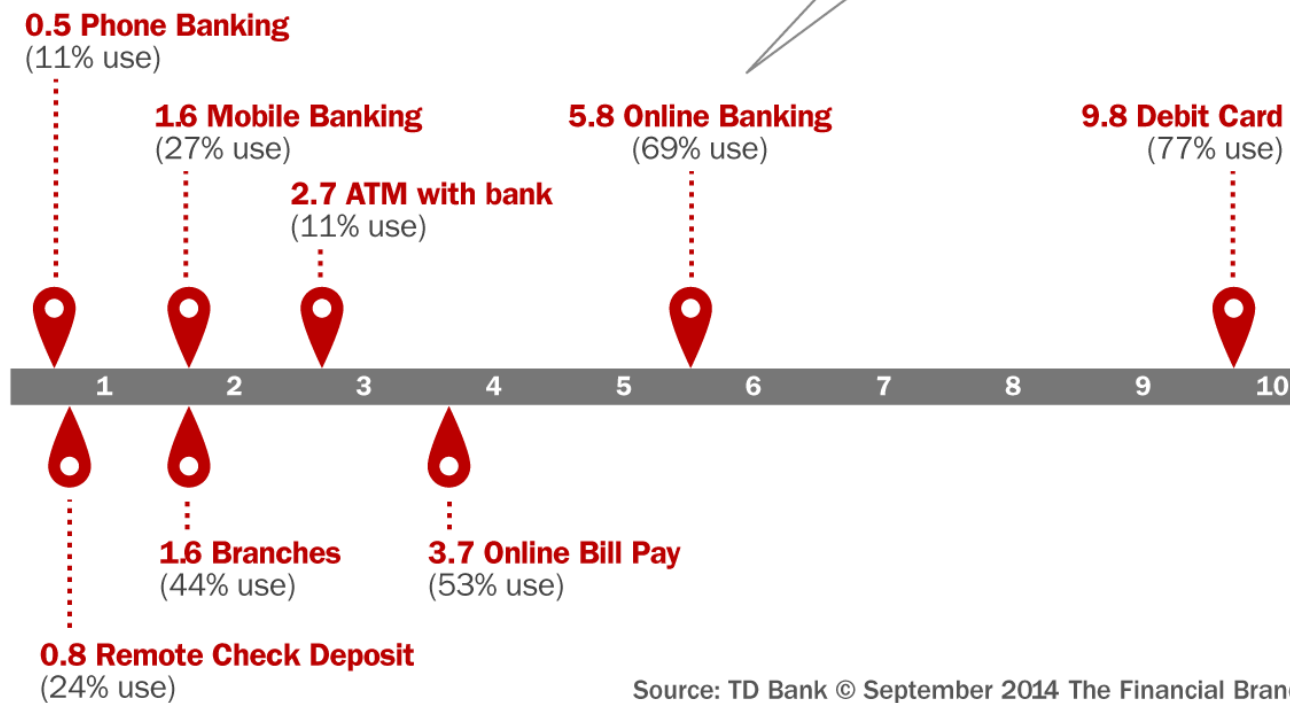
1. How do we serve the customers who have brought us this far?
2. How do we serve the up-and-coming generations?
3. How do we survive financially in this “balancing act” of serving groups with diverse preferences and expectations?

In banking, most consumers use more than one retail channel



Source: ClickFox © May 2014 The Financial Brand

Consumers average number of activities per month (and percentage who use)



Source: TD Bank © September 2014 The Financial Brand

Mobile, Tablet, or Computer?

➤ Millward Brown Digital Survey October 2014

- Device use varies based on generation and specific task.
- Laptops/PCs are the primary device all generations use.
- Preference for laptop/PC increases with the time and importance the task increase.
 - 81% prefer a smartphone for tasks under five minutes.
 - 43% prefer a smartphone for activities of 10-20 minutes.
 - Preference for laptops increase after 10 minutes; surpass smartphones at about 20 minutes.
- All generations seem reluctant regarding acquisition activities on mobile devices.
- All generations seem open to servicing and managing accounts on smartphones and tablets.
- Many interactions are through the mobile browser site.

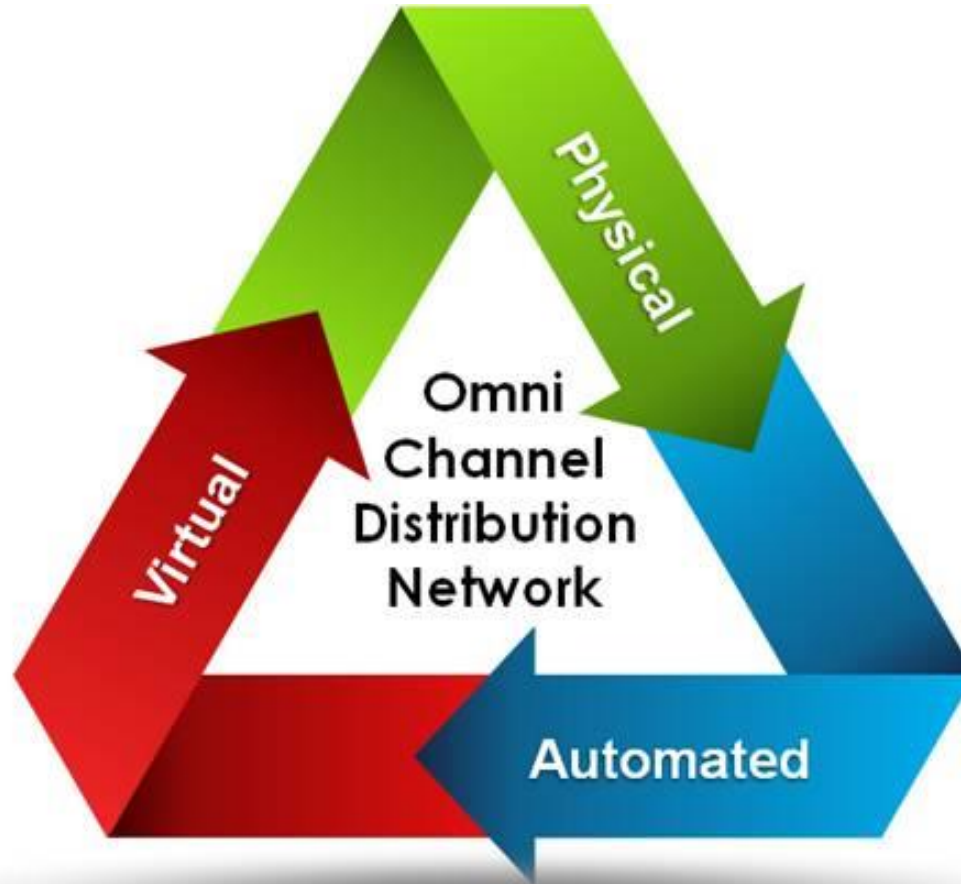
Channel consumers used to resolve their most recent banking issue



Source: TD Bank © September 2014 The Financial Brand

What does all that mean?

Omni Channel Distribution

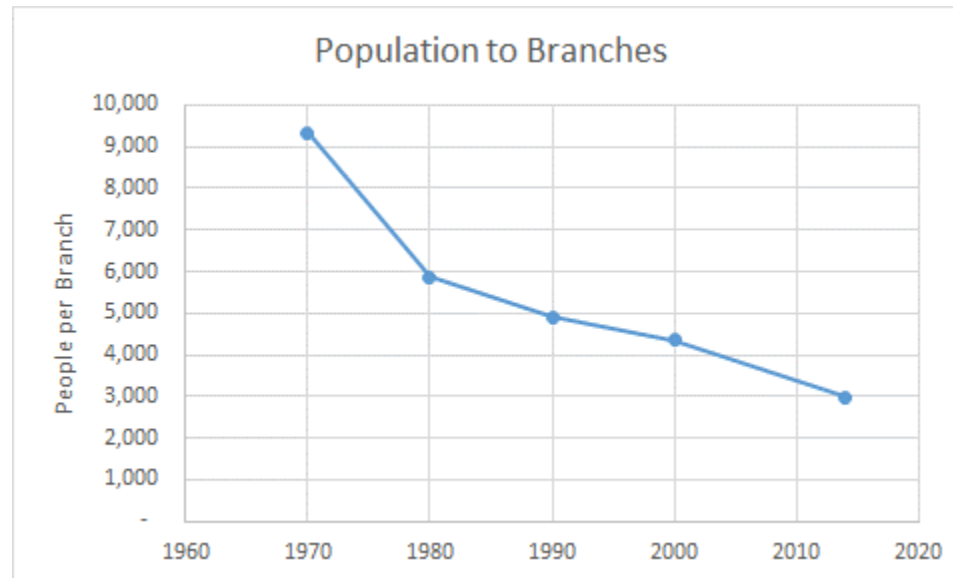


Omni Channel Distribution

- Service Density
 - ✓ Physical – branches in market with a business case
 - ✓ Automated – 24 hour self-service solutions
 - ✓ Virtual – mobile and web-based delivery

- Convenience – coordination of these 3 components
 - ✓ Live – 60% of consumers
 - ✓ Work – 40% of consumers
 - ✓ Shop – habitual commuting patterns

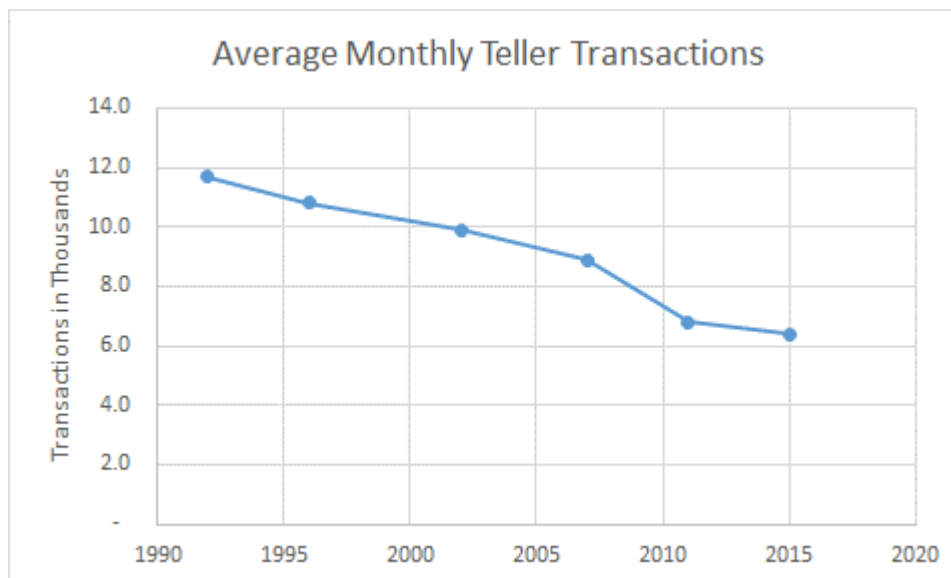
Population per Branch



Source: FMSI 2015 Teller Line Study

- Competitive intensity is magnified with fewer people per branch.
- Banks much take each customer relationship deeper to achieve branch profitability.
- A more sales-centric environment is needed to support this requirement.

Teller Transaction Volumes

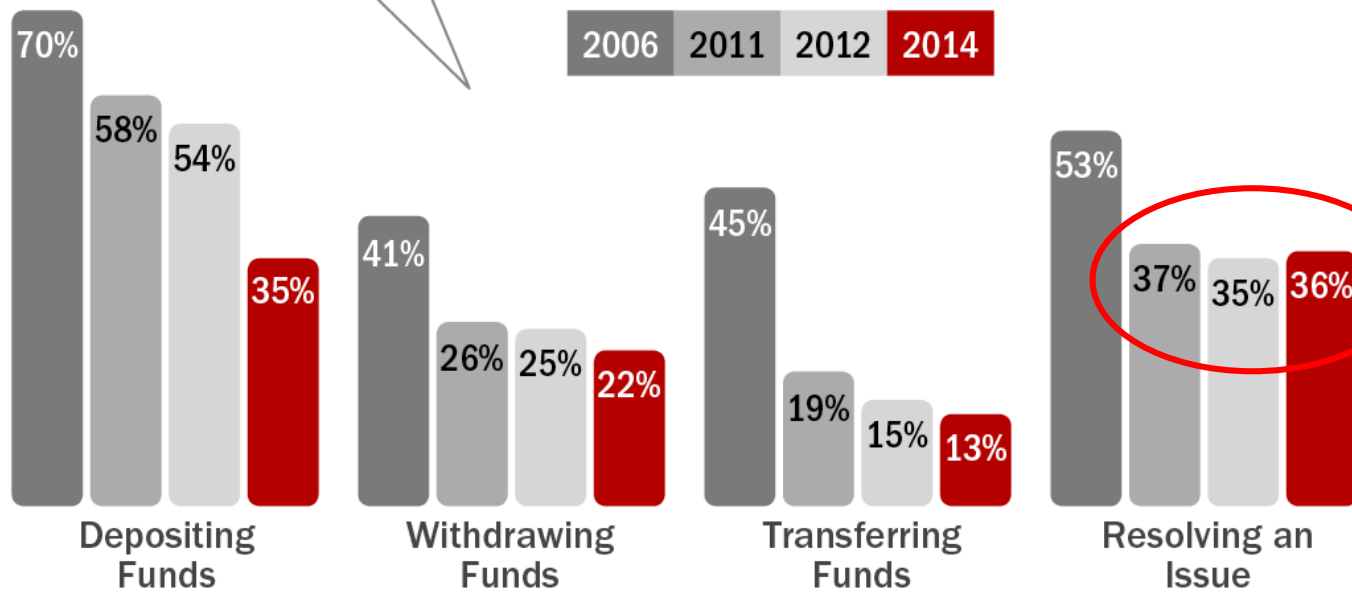


Source: FMSI 2015 Teller Line Study

- In-branch transactions decline due to increases in remote, online, and mobile transactions.
- Combined with fewer people per branch, this emphasizes the need to leverage each customer relationship to the fullest.

Change in Branch Use

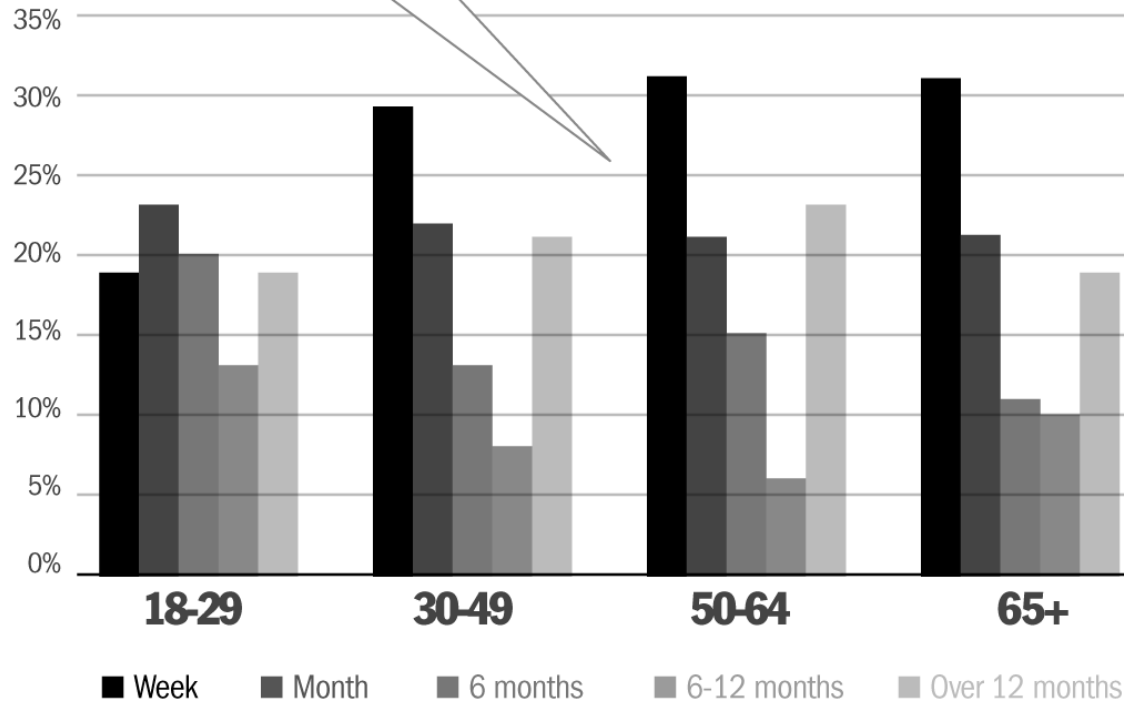
Change in branch use (2006-2014)



Source: Novantas © December 2014 The Financial Brand

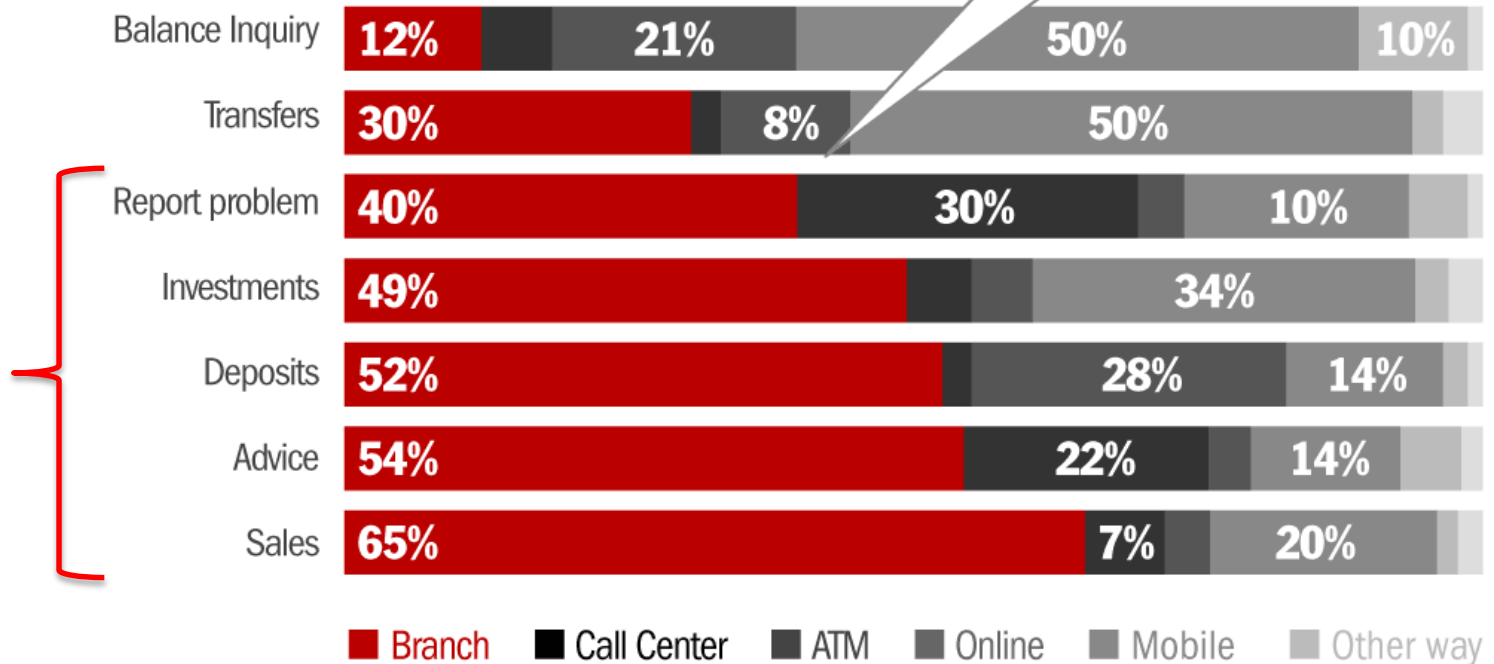
Branches Remain Relevant

The last time consumers visited a bank or credit union branch (by age)



Source: Bankrate.com © March 2014 The Financial Brand

Consumer channel preferences broken down by banking task



Source: E&Y © February 2014 The Financial Brand

Context for the Future - Branches

Branches remain a relevant service delivery venue
Most new relationships are still “walk-ins”

The purpose of the branch will change
Less about transactions
More about service and education

Personal service will always be appreciated
Defining personal service changes among generations

Branching Trends

- Developed with specific market considerations in mind
- Products and services respond to market demand
- Branch size trending down
- Hub-and-spoke relationships
- Convenience remains important
- Focus on customer interaction
 - Big decisions
 - Problem resolution
 - Sales

Branch of the Future

- ✓ **Cornerstone Branch** – Large format facility, universal bankers, subject matter experts, other amenities
- ✓ **Community Branch** – Sales-focused, universal bankers, technology, automation and ability to schedule subject-matter experts
- ✓ **Micro Branch** – Transaction focused, few employees, heavy technology, automation and branding
- ✓ **Self-Service Branch** – Fully automated, heavily branded and no employees

Cornerstone Branch



Cornerstone Branch



Cornerstone Branch



Cornerstone Branch



Community Branch



Community Branch



Community Branch



Community Branch



Community Branch



Community Branch



Micro Branch



Micro Branch



Micro Branch



Self-Service Branch



Service is at a Premium



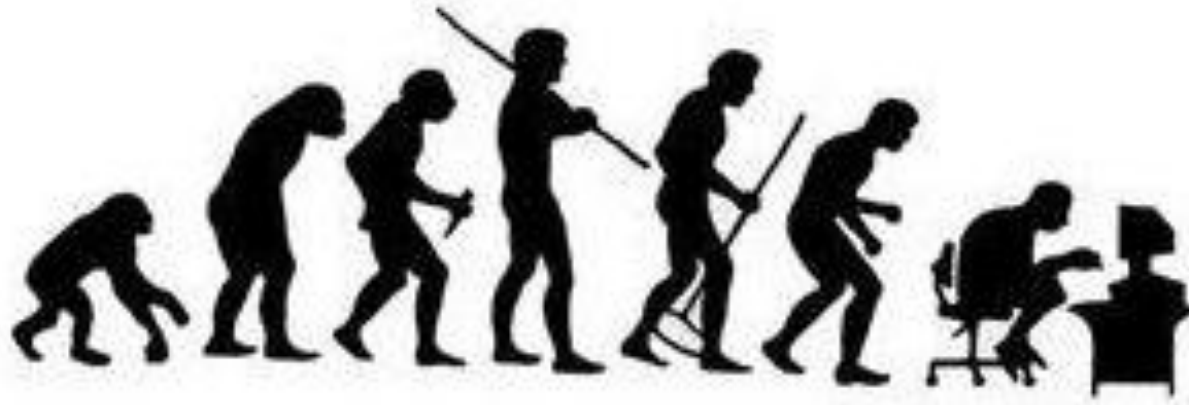
Milburn Drysdale and Jane Hathaway – the epitome of personal service

Fewer customers per branch and fewer branch visits will amplify the importance of deep relationships

Service is defined by the recipient, not the provider

Evolution of Service Delivery

- A. Better than barter
- B. The money temple/fortress
- C. Transactional efficiency
- D. Sales, sales, sales
- E. At your service
- F. It's in the Cloud...



Traditional Teller Line



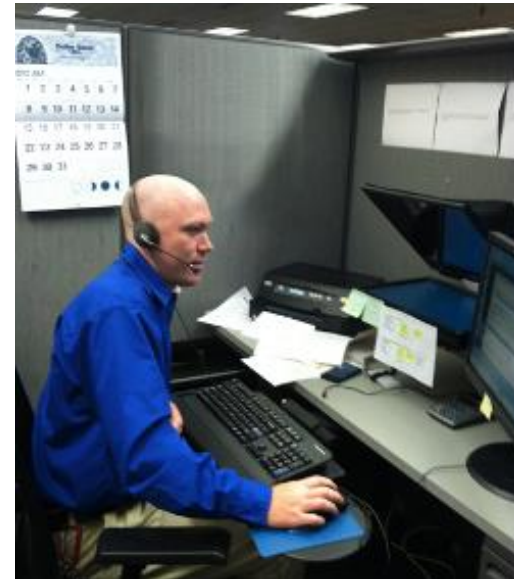
Remote Teller System



Remote Teller System – Teller Center



Interactive Teller Machines



Interactive Teller Machines

- Broader range of functions than an ATM
- ITMs can be a strategic component of a growth strategy
 - Extended hours
 - New markets with small format branches
 - “Leave behind” if closing a branch
 - Infill markets
- Low ROI in retrofitting existing branches
 - 10 – 20 units needed to reach “real” benefit
- Peak times – 1 operator manages 2 or 3 ITMs
- Slack times – 1 operator manages 10 ITMs
- Operators hired for interpersonal skills, not cash counting
- Not a universal banker – many things can’t be done by ITMs
- Acceptance across a wide demographic range
- Don’t install next to a “live” teller
- Most beneficial if available after hours

Dialog Delivery



Universal Banker

- Reduced transactions require rethinking in-branch roles
- By consolidating functions, flexibility, productivity and efficiency can be improved
- Universal bankers handle 95% of customer requests
 - Greet customers
 - Transactions (teller pod)
 - Simple services (teller pod or work station)
 - New accounts (work station or office)
 - Loan applications

Universal Banker

- Technology does not replace human interaction, it expands it
- Progressive training and qualification creates a better career path
 - ABA training certification
 - Increase employee retention
 - Reduce turnover
- Compensation is on par with platform employees

Universal Banker

- Teller
- Teacher
- Greeter
- Adviser
- Lender
- New Accounts
- Listener
- Coach



Dialog Teller Station

Monitor

Keyboard

Coin Dispenser

Privacy Screen

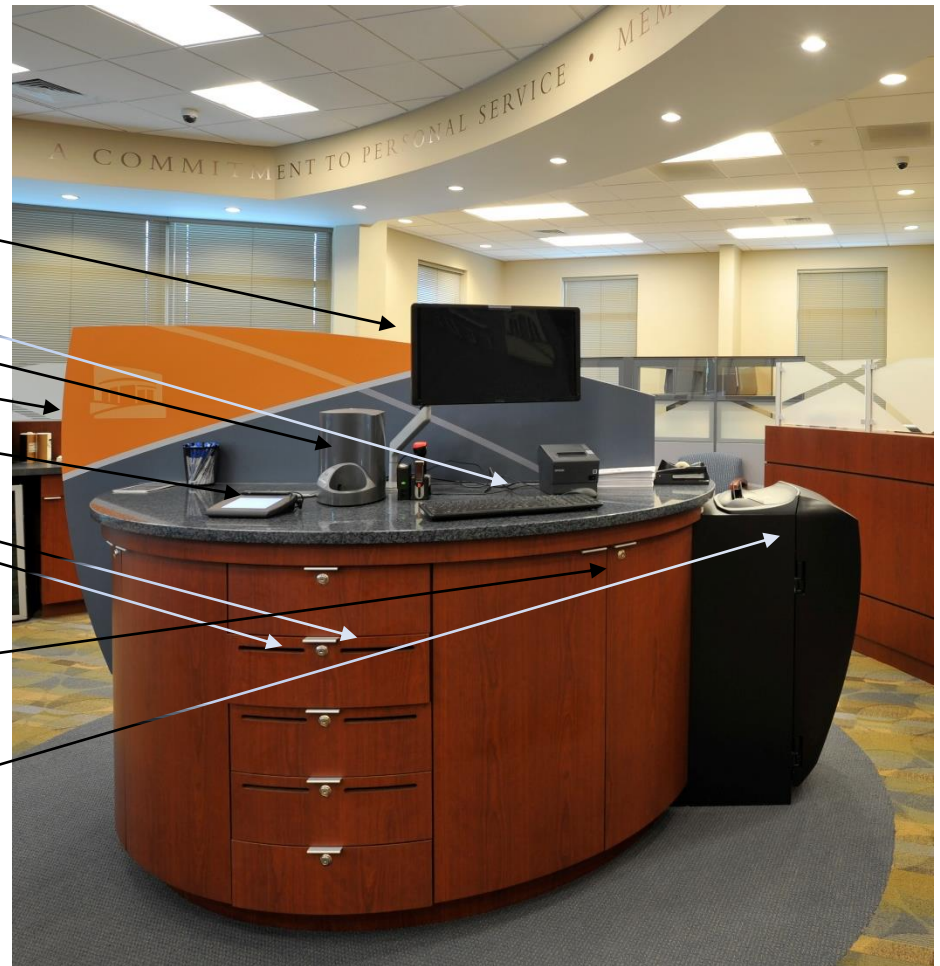
Electronic Signature Pad

Drawers (Slotted for work)

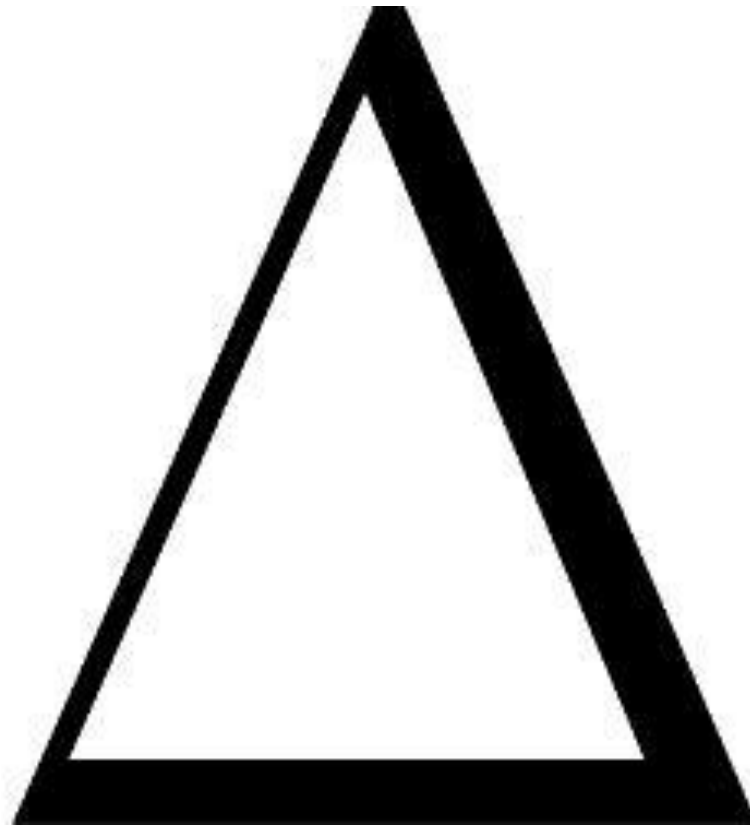
Form Pockets (not shown)

Trash Receptacle

Cash Dispenser



What have we learned?



Change is Inevitable

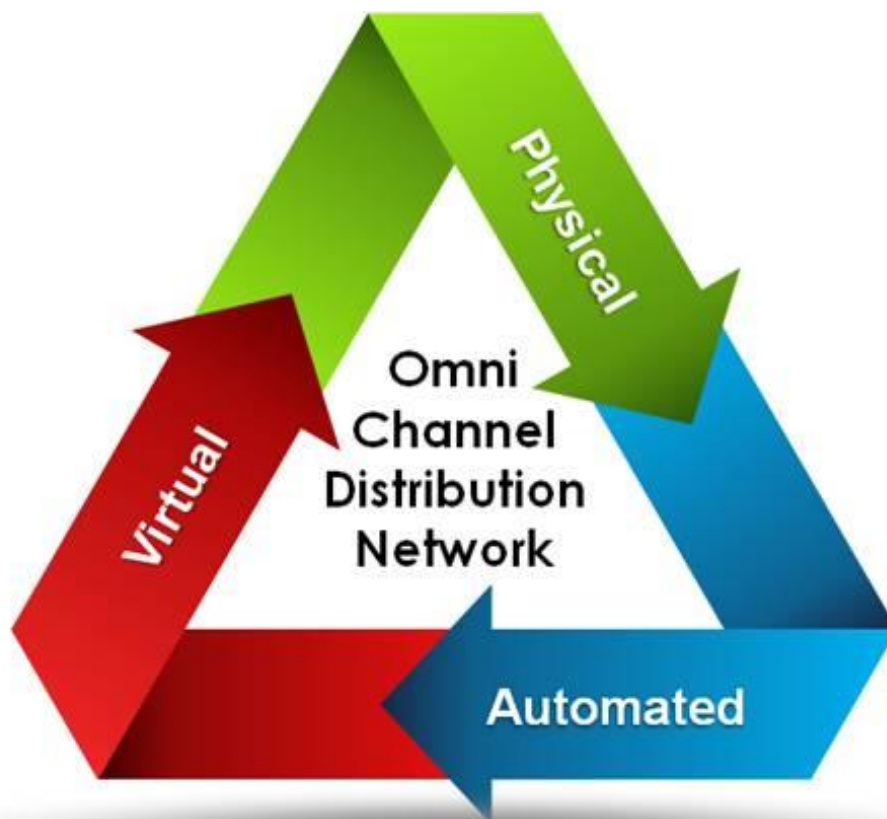
Embrace It or Lose Business

Service and convenience are defined by the customer



Channel proliferation, not migration, describes consumer response to technology

Omni-channel delivery addresses consumer demands

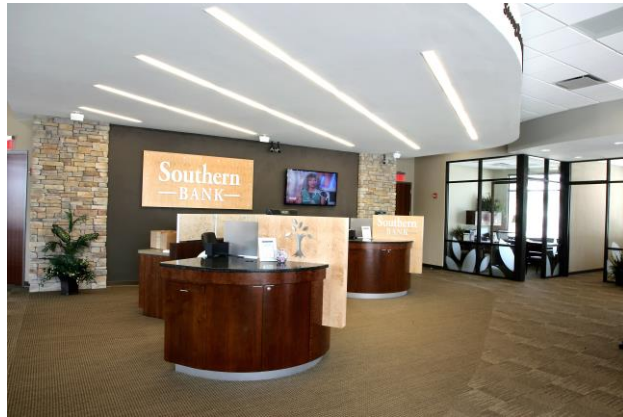




Branches provide:

- Sales
- Service
- Identity
- Convenience
- Density





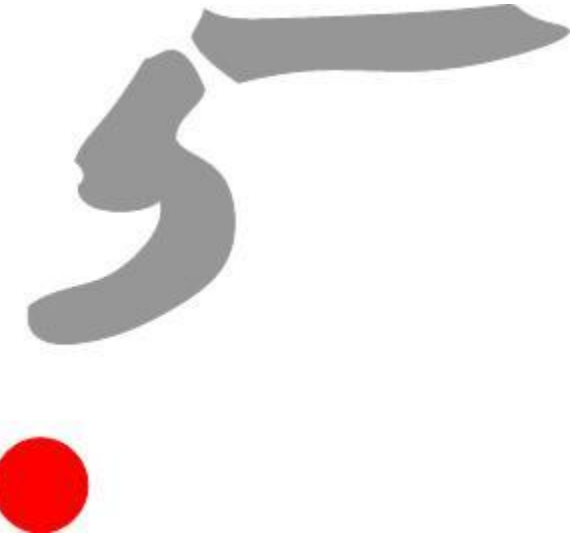
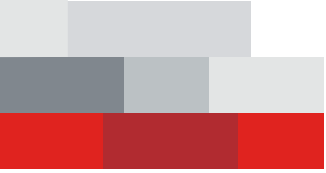
- Delivery systems balance efficiency and service on the customer's terms
- Universal bankers establish and deepen customer relationships



- The right mix of delivery channels is unique to each institution
- How are your branches performing?
- How are you reaching your audience?
- What opportunities do you have?
 - Existing markets
 - New markets
- What do your customers want? Expect?

“A goal without a plan is a wish.”

Plan your course and take action!



The Five Levels...

-Strategic Consulting
-Real Estate
-Integrated Design
-Construction Management
-Branding

Exclusively for Financial Institutions