



Branch of the Future

## Branch Redesign 1-2-3

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**By Deb Stewart**

“Too many.”

“Too big.”

“Not what our customers need (or want).”

Do these phrases come to mind when you think about your branch network? If so, you’re not alone. Another common belief is that smaller banks are at a disadvantage in taking on those challenges. But it turns out, that’s not the case. Here’s why.

Bankers and their partners who are successfully implementing branch transformations in relatively short timeframes are coming away with a wealth of lessons learned. We talked to a number of them about their experiences. These banks range in size from 16 branches to 45 branches. Their geographies span the country. Their target markets

are diverse. And they all took the same three steps:

- 1 Identify the role and opportunity of every branch in the network.
- 2 Look at the real estate through the eyes of a developer.
- 3 Develop the “kit of parts” that can be configured to match varied branch roles and opportunity levels.

Here are some of their thoughts on the keys to succeeding at each of these steps.

**Step #1: Identify the role and opportunity of every branch. One size does not fit all.**

“We advise our clients to start at the market level when they’re looking at their branches,” said John Smith, CEO of [DBSI](#). “Start with how many branches you need in a market based on the opportunity for deposits and loan originations. Then define the role of each—which should remain, which should consolidate, which should be modified—and maybe even where you need a new branch. Understand how each branch relates to the others.”

[First United Bank & Trust](#) (Maryland) began the planning process three years ago. “We added an additional step before beginning our branch-level opportunity assessment,” explained Robin Murray, SVP and director of Retail Banking. “We took a hard look at our target audiences and decided which were really important to our strategy moving forward. This influenced our evaluation of markets and of individual branches. As a result of this upfront planning, we created a five year plan for branch consolidations and future expansion opportunities. We knew our whole plan before we made the first move.”

[Seacoast Bank](#) (Stuart, Florida) also looked at this stage of the process holistically, refining its overall strategy and reassessing its brand right down to the logo. “Data is at the heart of everything we do,” explained Chuck Shaffer, EVP, Community Banking. “The data has led us to reduce our branch footprint, drive much higher levels of

mobile adoption, and create opportunities to introduce traditional teller-heavy customers to alternative technology for account servicing.” Additionally, data became a hands-on tool for branch associates and driver of personalized digital content, providing precise information on customers to ensure the right offer is made at the right moment.”



*Facilities at Seacoast Bank’s Martin Downs Branch encourage side-by-side interaction with bank staff.*

Chris Howe at [Adrenaline](#) suggested that as you assess your network, “start with redefining branch purpose. The answer will be informed by the various initiatives your organization may be undertaking, and will drive new functional requirements necessary for branch design. Various formats can then be explored and defined, which will provide your organization with the flexibility and modularity required to successfully manage the expansion or contraction of your network.”

**In summary:**

- Do your branch assessments in the context of the overall market.

- Confirm your overall retail and segment strategy before assessment begins.
- Data is key, not just to the evaluation of your network but also as an ongoing tool in both your branch and digital channels.
- Think in terms of several standard branch formats as you look toward execution.

## **Step #2: Take a new look at the real estate. See it through the eyes of a developer**

When the assessment is complete, there will be branches you want to close, some you want to relocate, some you want to shrink, and maybe even a new one that you'd like to build. This is an area where amazing creativity is being employed by bankers.

[Extraco Bank](#) (Waco, Texas) has seen its network move from 20 sites to 16 sites over the past three years. During the same period, the bank has opened, closed, and modified branches, and still has four fewer branches in its network. Extraco's network modification approaches have been both creative and effective, having involved:

- Closing branches, leasing back a portion of the storefront to maintain an intelligent ATM.
- Splitting branch space, turning the building into an income generating property. Partners in this scenario have included shared executive office space, small incubators, medical, retail, coffee shops, and others. The appropriate partner will depend on the traffic and other attributes of the real estate.
- Working with cities to convert older bank buildings into something that helps to revitalize the community—or simply sharing space with government offices and realizing tax benefits.

“These changes resulted in more efficient, economical branches,” said James Geeslin, vice chairman of Extraco Banks and CEO of Extraco Consulting. “But they also have resulted in efficient business banking growth with the partners involved in these various scenarios. So we benefit from both reduced costs and enhanced revenue.”

Smith agrees that joint tenancy is a great approach, reducing

expenses and potentially driving in more consumers and revenue. But if that is not feasible in a site, he believes it is absolutely appropriate to “wall off” a portion of the branch to make the space fit the current staffing levels and choreography. “You want every branch to feel inviting,” he said. “Empty space and dark corners don’t send the right message to your customers. So look at all of your options and decide your path forward based on the opportunity in that market and that particular location.”



*The open, flexible plan at this Extraco branch allows customers to work alone or with a universal banker, making the most of a small space.*

### **In summary:**

- Look at all of your options for a closing branch. The purchaser of the building is unlikely to be a bank, so consider maintaining some level of presence as you negotiate the sale.
- There are a myriad of options in how to split your branch spaces and who to partner with. Understand the retail market each branch is in and find those partners.
- It’s okay to wall off a portion of a branch where there is just too much

space.

### **Step #3: Develop your “kit of parts.”**

The result of all of this work is an understanding of market need and level-of-investment for all of the remaining branches in your network. As you approach each branch, you’ll need to determine the appropriate of level and mix of transactional and sales support—what some call the “kit of parts.”

### **Here’s how branch components are changing on the transactional side.**

#### **Welcome desks are transitioning to digital demonstration areas.**

“What has happened to the welcome desk?” Howe asked. “It’s become obsolete. It’s empty with a vase of flowers on it. We advise our clients to begin with understanding the customer journey. Upon entry, a customer should either be immediately engaged with a staff member, or have technology that supports the universal banker. Whether it’s a tablet, digital signage or e-collateral, the technology should accommodate various staffing levels, support channel migration, and provide new opportunities to engage the customer. Every day, we are seeing new digital solutions emerging that are driving a new kit of parts.” said Howe.



*Interactive digital signage provides self-paced learning opportunities to branch customers.*

A key component in both Seacoast and First United's kit is a digital demo area. "Our bankers aren't standing behind a teller line or sitting in an office any longer," Shaffer explained. "The demo area becomes one of our transactional options after we have greeted the customer and determined their need. If they are in to deposit a check we offer the option of doing the transaction with us on one of our demo devices or on their own device using our open WIFI. If the customer would prefer to make the deposit with an employee in a teller capacity or to use the ATM we will help them with that as well. It's all about choice and continuing education."

These areas also become a launch point for sales conversations with educational content included on iPads and other devices. Although available for customers on an unassisted basis, they are more commonly used with a banker discussing the content and its specific application to that customer. "For most consumers, giving them a brochure or letting them know where on your website to get started simply isn't enough, for true mobile on-boarding you have to get them started on the technology while you are there to assist," said Smith.

**Teller lines and cash drawers are changing to teller pods with cash recyclers.** First United has been moving to teller pods as the bank implements a universal associate model. The new designs have included comfortable seating for customers at the pods—and perhaps surprisingly, customers are actually making themselves comfortable. That change is resulting in quality conversations and the opportunity to identify customer needs that the bank had not previously realized.

“We always have a cash recycler near the front of the bank as part of a pod fixture,” Geeslin added. This gives associates complete freedom to service the customer at any open pod in the branch or even from an office.

Extraco has implemented a universal banker model in all branches, regardless of transaction volume, and has realized efficiencies throughout.



*A universal banker at Extraco greets a customer at a teller pod.*



Philosophy in this area varies, with some banks not changing to pods in branches still experiencing significant teller transaction volume. Banks transitioning from a traditional transaction choreography to revised approaches in staffing and technology support are deliberate in making the shift.

**Merchandising is used as education/gamification rather than wait time management.** What is the role of digital merchandising if there is no teller queue? “Our screens are positioned throughout the branch, with content that is specifically crafted to that community and the customers in the branch at that moment,” Murray explained. “We introduce our team members and the history of the branch in the entry zone. We incorporate community messaging in the ATM vestibules and transaction-focused areas of the branch. Interactive content, including our financial health check is displayed in our flex lounge. Content is based on the activity and flow in each zone and is very specific to the audience walking by at that moment.”

**In-lobby ATMs are moving to a number of automated full service options.** Different solutions are in play to extend the traditional ATM role to a full teller function and beyond. Extraco, along with **Flite Banking Centers**, has introduced a video teller solution that fully replicates the human teller experience with additional service functions. The device can act as an advanced function ATM with added capability to talk to a human video teller, scan a driver’s license, do service transactions like reporting a lost card, and much more. “What is unique about this device is its robust integration with our core system,” Geeslin explained. “Jack Henry has been a great partner on this project to build integration. There is no need to rekey information or use a middleware software. This is handled within your existing systems and processes.”

Extraco, Seacoast, and First United have incorporated advanced function ATMs into their choreography with the ability for associate iPads to interact with the devices on issues such as overriding daily

withdrawal limits.

**Drive-up windows and tubes are converting to drive-up ATMs (if at all).** The bankers who spoke to us estimate that drive-up volume has declined at the same rate as in-lobby transactions. Many of their VAT systems have already converted to ATMs with exterior video tellers on the horizon at Extraco.

**Here's how branch components are changing on the sales side: Video experts serve as an option to roving experts.** “When customers walk into a branch today they assume that they can buy any product they see on your website right then and there,” Smith pointed out. So what happens to that sales opportunity when you have to say, “Jim from mortgage will call you to set up an appointment”? With consumer expectations for immediate response you may well lose that sale. “This type of solution is really valuable for expert services—think mortgage, lending, investments, etc.—that tend to float from branch to branch. In many communities travel for these experts is burdensome and really time consuming. Centralize their service offerings, deliver the actual service at every branch, every hour, and every day, and you have some very significant wins,” Smith added.

Video has gone beyond sales at Extraco as they have been using the technology for customer service and more complicated interactions (e.g., disputes) since 2010.



*Customers at Extraco can interact with bank staff via video.*

**Customers and bank staff are transitioning from sitting across the desk to sitting (or standing) side by side.** The way these bankers interact with customers has become more collaborative and more interactive. Stand-up pods with shared surfaces and office configurations with side by side orientations are becoming the norm. Supporting different levels of privacy is key.

**How do you find the right element mix for each branch?**

“The right elements will vary, based on the type of kit-of-part items you’ve created to deliver your strategic intent, your audience, the

amount of volume through your locations, and available space,” said Smith. The opportunity assessment you did as step one will direct spending levels by branch.

### **In summary:**

- Your brand and strategic intent should drive which of these elements goes into your “kit of parts.”
- Creating a more open retail space is ideal. This allows a simple, clean choreography as elements such as pods and self-service devices are incorporated.
- Your branch should facilitate introduction of solutions for customers. But equally important is creating a great onboarding experience with video components, technology demo support, and great design.



*Rabobank’s “interactive kitchen table” brings a warm, inviting atmosphere into the bank.*

So are smaller banks at a disadvantage when it comes to branch network transformation? The answer is no. In fact, smaller banks may have the advantage of creating a consistent customer experience across their franchise in less time. These banks have demonstrated

the ability to rapidly align retail strategy, brand, and customer experience with great financial results. It's time to get started.

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