

Consumer preference for branch delivery may be declining, but it remains an essential delivery channel. We examine some of the trends in branch design—and the approaches and tools necessary to keep the branch relevant to future customers.



Tomorrow's Branch:

Designing Better Relationships

BY PAUL SEIBERT

AT FIRST GLANCE, it may appear that the branch is in a state of deterioration. Consumer preference for branch delivery, for example, has declined by 39 percent since 2007, according to the 2010 ABA Bank Preference study.

But other evidence is contradictory. Look at these three recent news items: Huntington National Bank (assets: \$51 billion), Columbus, Ohio, plans to spend \$70 million on developing a new branch prototype. Chase Bank USA (assets: \$91 billion), Newark, Del., has allocated an estimated \$1 billion to rebrand its recently acquired Washington Mutual branches. U.S. banks in general plan to spend over \$4 billion during the next two to three years on branch remodeling.

If the branch is dying, why are banks investing so much money on developing or rebranding branch offices?

It may be true that new bank technologies/delivery channels are coming out almost every week, but the fact remains: A well-conceived branded branch can build critical customer relationships in ways that are unattainable through virtual means.

“Banks need to become channel agnostics—every channel is equally important, branches are just one,” writes Brett King, author of “Bank 2.0” in a recent *ABA Banking Journal* article. “The objective must be about deepening the relationship.”

“Over the next five to ten years I would place my bets on branches driving the highest profits,” says David J. Cavell, author of “The Branch Is Back; Global Case Studies in 21st Century Banking.” “Today, relationship building is best delivered through the branch as long as three factors are in place: great location, effective branch design and competent staff.”

The evolving brand experience

The one-type-fits-all branch is being replaced with innovative new delivery solutions unique to each bank’s brand and supporting delivery model. Twenty years ago, most branches

looked basically the same with the exception of WaMu’s (Washington Mutual’s) “Occasio” branch, which is now dead—at the hands of WaMu’s new owner, Chase Bank. As logical of a move as WaMu’s banking-in-the-round model appeared, it did not support business banking or provide the privacy needed for consulting or selling high-value products and services—and it represented a failed brand. As Charles Scharf, CEO of Chase Retail Banking puts it, “Traditional branches are superior in every way. They might be boring, but they’re practical.”

There are as many branch branding solutions as there are banks. Mark Weber, president of Weber Marketing Group, a firm specializing in branding and marketing for the financial industry, finds that “Making a branch attractive and different is relatively easy; making it also deliver an accurate and productive brand experience through the environment and exceptional staff actions is the trick that delivers the big payback.”

Creating an honest, sustainable and profitable brand translation in a branch starts with a *strong brand*. Cavell observes that “many institutions do not have a solid brand value proposition upon which to build a physical customer experience and this is one of the reasons why so many branch prototypes fail.”

For an example of stunning success in the use of branches, look no farther than Umpqua Bank (assets: \$9.3 billion), Roseburg, Ore. Headed by Ray Davis, president and CEO and author of “Leading for Growth: How Umpqua Bank Got Cool and Created a Culture of Greatness,” this industry-innovator has built a highly successful organization and physical brand image that is out-performing regional competitors.

In 1994, Umpqua had just six branches. The financial institution was surrounded by big banks

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(above)
An evening exterior shot of the new branch concept for North Cascades National Bank (assets: \$335 million), Chelan, Wash. Visible is the branch’s clear and bold brand color.



(right)
A view of the lobby interior shows a traditional teller line, with the brand color and logo visible together with a back-lit iconic community reference.



The new branch prototype for Huntington National Bank (assets: \$51 billion), Columbus, Ohio (below). The prototype allows staff expression via a lobby chalkboard. The in-store version (left) expresses a strong brand color and also provides private space to discuss high-value products and services.



with more resources. It wanted to become a viable competitor and aggressively pursue profitable growth. Many bankers laughed when Davis sent his staff to Ritz-Carlton to learn how to deliver premier service; required phones be answered with “World’s Greatest Bank;” and rolled out branches that looked, felt and acted more like sophisticated retail stores. Today these same bankers are seeking to emulate Umpqua’s continuing success. “Our branches cause consumers and business owners to rethink their relationship with a financial institution, to understand that we stand for something more than a bank.” states Lani Hayward, executive vice president, creative strategies, at Umpqua.

Umpqua store design is influenced by four social trends:

- Local first: People adopting “think globally/act locally.”
- Slow down: Customers are hungry for balance in their lives and value a business that provides them a break from their hectic routine.
- People as a new luxury: As more customers are forced online, they appreciate real people providing real service.
- Less transactional/more consultative: Customers realize that managing complex aspects of their lives requires expertise they don’t have.

Umpqua branches are composed of brand delivery elements including a “discover wall” to communicate high-value products and services, strong upbeat architectural graphics, and retail displays that offer products and services in concrete form. The space focuses on customer engagement and development by positioning “universal associates” to connect with customers as they move through the branch. Creating the “third place,” as coined by Starbucks, has been illusive for most institutions. Umpqua, on the other hand, has been successful by building community areas into their lobbies (rather than into a back room), connecting with each community’s interests, and providing regular local events that draw the community in.

Umpqua is relentless in evolving its brand experience. Hayward shares that “as technology provides new tools, we will build an authentic brand experience around it. Our goal is to create a seamless and customized link through all delivery channels.” In the bank’s newest branches, it is using technology to make information gathering and comparisons more interesting and engaging. “Ask The Expert” video conferencing will provide a high level of consultancy on demand. Video messaging will be used to constantly refresh the environment with brand images, promote products and services and connect with each community at the branch level.

Does all this innovation and personalizing branches to the neighborhood level pay off for Umpqua? Apparently so, as the bank consistently experiences growth and share-of-wallet two to three times that of competitor branches.

Branded branches help expansion

In 2005 North Cascades National Bank (NCNB), Chelan, Wash., wanted to expand into new markets and enhance penetration in existing communities. CEO Scott Anderson says, “We had six different branches in terms of appearance, signage and the customer and staff experience. We knew that we needed to create a uniquely NCNB experience that was modern, clean, crisp, relevant and contemporary—but not over the top—to

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make it inviting and comfortable.” The bank’s brand concept gave it what it needed to take the brand on the road. “It simplified and empowered our message: ‘North of the Expected.’”

The new concept has proven successful for NCNB, which has \$335 million in assets, as it expanded into new markets and accelerated growth. The primary brand features are a high-energy green color used in the logo, as exterior feature panels, and brought into the interior on brand walls. Inside the branches, elements of wood, stone, and dark metal are used to create a warm environment where customers can meet with staff and enjoy a cup of coffee while sitting by the fire. Anderson shares that, “Today, our branches offer customers a different banking experience, our staff have a cool place to work, and we continue to grow. We made the right decision to risk a strong brand image and evolve our culture.”

off five elements: bright and optimistic colors; efficient and bright LED lighting; messaging with a welcoming wall to engage the community; a cultural DNA of “Simply the Best Service;” and deep localization.

Trends and projections

Branching is expensive and especially today, banks need to maximize the return-on-investment (ROI) of every location. Industry observation suggests there are a number of contemporary branding and design trends that should be considered collectively to achieve suitable ROI when planning future branch delivery models. Although hundreds of pages could be written about each trend, what follows is a brief review.

1. Branch size

One-type-fits-all is dead. Branch size should match individual market opportunities, evolution and profitability, and take into consideration how each branch impacts the others in terms of market penetration. This requires geographic/demographic and financial-product-use projection analysis coupled with profitability projections and regression analysis. This means a regional financial center may be the right answer for Bank of America, a community store may be perfect for Umpqua, in-store supermarket branches to supplement existing branches for Huntington Bank.

2. Branch efficiency

Average branch square footage per staff person has dropped by about 30 percent over the past 15 years to range between 275 and 350 square feet and 100 to 175 square feet in in-store branches. Retail efficiency (the amount of space available for customer engagement versus back office) is improving from the previous average of 65 percent toward a more profitable 85 percent. And, technology is allowing staff to evolve from process workers to knowledge workers, reducing staff numbers and support areas.

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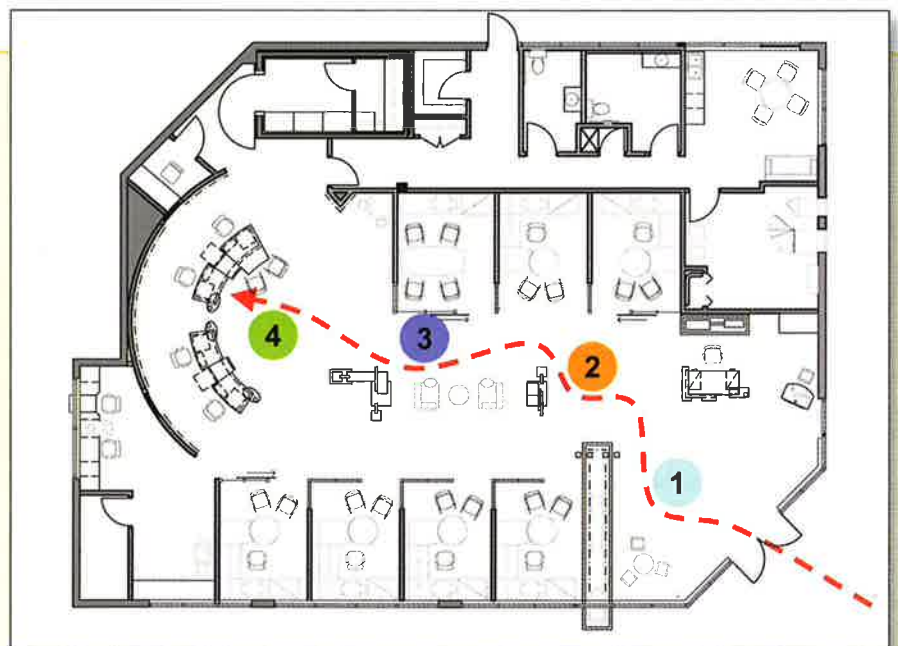
Welcome to the branch

Huntington Bank is renovating and brand-wrapping over 600 branches. “While a portion of this significant sum is for deferred maintenance and bringing consistency to signage and messaging systems, the majority will be spent on making branches more visible and creating a new brand image and customer

experience built around the simple but powerful idea of ‘Welcome,’” says David Clifton, executive vice president and chief customer and marketing officer. “The first mall and in-store branches have been rolled out and more development is planned as we build our delivery team.” He has recently recruited well known branding and delivery channel experts from other banks across the country.

Clifton says, “Our customers like to stay close to their money; 70 percent visit a branch at least once a month. While technology is an essential part of the delivery equation, branches are the most important gateway to our customers.” Their new branch design keys

A diagram of a branch bank utilizing security design features based on the SafeCatch program. Each customer is immediately greeted as they enter the branch. (1) Potential robbers use this point to case the branch. While doing so they express suspicious behavior that can be recognized by trained staff. (2) The point in the customer path where a hidden camera is located perpendicular to the traffic flow—to enable photos to be taken of potential robbers before they lower their head and hat. (3) The point where customers are approached and greeted by staff. Potential robbers are usually scared off by this nonthreatening greeting. (4) The teller area is designed so that staff can make a quick exit out of sight to report a suspicious person. There is also a clear path out of the branch for easy and safe escapes.





An interior view of a financial institution designed on the principles of the SafeCatch program. Note that the teller area is partially blocked from view from the front of the lobby. This makes it more difficult for potential robbers to case the building. Note that this institution takes advantage of the lobby space to merchandize nonbank products—in this case, small pottery and glassware crafted by local artists.

3. Privacy

One of Chase's issues with the WaMu model was lack of privacy for customers. Many institutions are returning to enclosed offices. To thwart the instinct of staff to camp out in their offices, banks are opening walls with sliding doors and requiring staff to rotate through all branch positions and engage customers in the lobby.

4. Selling nonbank products

Deutsche Bank Trust Company Americas (assets: \$42 billion), New York, and Umpqua Bank sell merchandise at some locations. This is often branded sports wear and accessories. One credit union in Vancouver, Canada (pictured above), is selling small glassware and pottery by locally known artists—an action that helps the financial institution connect to customer's interests and makes the relationship more tangible and memorable.

5. Offering products and services in concrete form

Umpqua Bank and Deutsche Bank have concreted (some people say "commoditized") some of their products and services to make them easier to understand in the mind of the shopper. You concrete a product or service by making it real or tangible—such as by placing the product or service in a box. As Hayward puts it, "commoditization makes illusive financial products more tangible. The packaging alone can make people want to know about what's inside." Cavell observes that, "Making your offerings tangible can spark conversation and be part of a relationship development scenario."

6. People vs. machines

In terms of process efficiency, branch teller transactions are redundant. Bank of America (BoFA) is betting in large part that ATMs and other remote banking technologies will replace the need for a number of community branches. Maybe BoFA is ahead of the curve, but the vast majority of banks that have gone through an analysis of what consumers want disagree. Clifton concurs, "Tellers are the front line of the brand." Hay-

ward's experience is, "If there is a problem and a customer is engaged with a smile and a solution, the bond can be made even stronger. Neither technology nor conference phones can accomplish this today."

7. Color

Until recently, most financial institutions were colorized to be subtle backgrounds to commerce—often physiological downers. Today the trend is toward more use of upbeat colors, contrast and interesting materials to frame the brand experience and provide a background for more "forward" staff and messaging systems. This trend also influences brand and logo colors, and how they are expressed through all delivery channels.

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8. Floor layout

Placing the "milk" (cash and deposit functions) at the back of the store remains the most effective layout strategy, as it provides a draw around which to engineer the customer path and engagement with staff, information and technologies. As transactions continue to decrease, new customer experience relationships will evolve. This will require branches to be built with internal flexibility, limiting columns and structural walls, and providing open space to operate an ever-changing financial theater.

9. Cost and speed-to-market

The cost of building a branch has remained constant since 2008, except in the Southwest and California where it has declined by 10 to 15 percent. Bob Saunders, principal with Momentum Inc., a design/build firm working with banks across the nation observes that, "Today, developing a freestanding 3,500 square foot branch costs between \$1.5 to \$2 million all-in, and a 2,500 square-foot strip mall branch between \$650 and \$1 million, plus land, depending on the level of technology integration and retail fit and finish."

Innovation in branch design can suggest innovation in financial services and customer success by association.

The trend is toward greater speed in developing new branches. Umpqua Bank's neighborhood store strategy personalizes branches to fit small target markets. It can be accommodated in 1,500 square feet and can be built in 45 to 60 days, compared to the industry average of 120 days in leased space, reducing the bank's construction costs and time by up to 50 percent. Cavell has observed branch performance around the world and believes, "Many new branch concepts are over engineered and too costly. We seem to create environments that we believe customers should have, rather than find out what they want." Cost must match timely market payback.

10. Young, Gen Y and echo boomers

Bryan Sims, CEO of Brass MEDIA Inc., a media company that helps connect the financial industry with young adults, observes that, "Most institutions are making a big mistake about youth and banking. While youth want virtual delivery channels they also want a trusting relationship as they get older. Few banks take the time to show young customers how to use technologies or explain why appropriate products and services are relevant to them." Sims advises, "Take time to help young people today, it will pay back later through stickier online product adoption." This means setting up a branch to allow training at a workstation with a swivel screen and keyboard, a kiosk that can be shared, or a Microsoft Surface unit positioned for easy access.

11. Security

The trend is toward "softer" security that doesn't detract from the customer experience. An example of this approach is SafeCatch, developed on an educational, nonprofit basis by Larry Carr, an FBI special agent. The system is designed to reduce robbery while encouraging customer development.

When originally introduced in 2007, it was rejected by the security industry because it did not involve physical deterrents such as mantraps, bullet resistant glass, guards or monitoring systems. Instead, the system emphasizes a change in staff behavior and improved branch design to thwart bank robberies.

A handful of banks, especially in the Northwest, have experimented with SafeCatch principles and have reported reductions in robbery and fraud up to 70 percent—while increasing branch revenue.

Branch design companies have started to develop their own proprietary architectural systems based on SafeCatch principles. The cost is low in terms of staff training and zero in terms of branch design integration if incorporated early in the prototype process.

12. Cafes

Few things are as physically welcoming as the offer of a cup of coffee, a bottle of water or food. This is a type of "near brand ingestion," in which the sensual effect of eating food or drinking liquid helps to reinforce the impact and memory of the brand. In pursuit of innovation, banks have tried everything from a drinking fountain in the corner to full food service (the

latter meeting near constant failure). The problems are staffing, cleanliness, prep space, smell, codes and licenses, and use of prime lobby space.

The best of both worlds is to locate near a Starbucks or local premier coffee vendor and provide limited availability in the branch.

13. Sustainability

Five years ago "going green" was a significant brand differentiator. Today, most customers expect banks to be good corporate citizens and neighbors and integrate green into their branches. The question for most banks is how important is green to what we stand for and our customers' values. It may be different from city to city.

Should we go for Leadership in Energy and Environmental Design (LEED) silver, gold or platinum and how should green initiatives be extended to our products and services? The cost for LEED certification can add between 5 percent and 15 percent to construction cost. In a sensitive market, it is a mandatory inclusion in the brand model.

14. Technology integration

Is technology a brand component? If it is, to what degree should it be expressed in a branch? Video messaging, interactive surfaces, video conference and self-services kiosks are expected delivery channel interfaces. The impact of these technologies can be elevated as a brand component by the way they are presented in terms of location prominence, signage, level of surrounding design and use of materials.

If technology is a brand component, *change will be a constant that must be engineered into each branch.*

15. Innovation

Citibank's innovation lab in Manhattan presents the latest advances in retail branch design. Umpqua Bank has been a leader in branch innovation for over a decade. These and other institutions understand that *innovation in branch design can suggest innovation in financial services and customer success by association.* It also suggests that pursuing innovation and constantly engaging in the creative branch design process has a significant brand and marketing value beyond enhancing the customer experience and increasing profitability.

Weber sums up the value of a well-branded branch, "Inside every branch you own the most powerful and controllable brand experience available; a captive stage to deliver a rich brand experience that ensures you remain relevant to target customers as their financial needs and preferences evolve."

In other words, the branch is dead—long live the branch! ■

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