Branching OUT
Banks have changed their tune. Back in the 80s, they told us we’d soon do most of our banking at ATMs, tellers would become scarce, and if you wanted to talk to a banker it would cost you extra.

In the 90s the internet hit and they told us we’d all be banking online: paying our bills, simultaneously balancing our checkbooks and a cup of coffee at home in front of a computer screen. No more driving to the branch, standing in line, waiting on this side of the velvet ropes.

Then a funny thing happened. Banks remembered that people like to work with other people. They realized that financial products are all pretty much the same. They also realized that service—last seen in a recurring role in a bank about 1979—could be a differentiator. Cha-ching!

Branch building took off. Ten years ago there were some 82,302 federally insured branches in the U.S. according to the Federal Deposit Insurance Corporation. Last year there were 94,559.

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The boom in branch construction is all about survival. Up to 90% of customer relationships are formed—and lost—in branches, according to consultants Booz Allen. Online banking isn’t growing as fast as banks expected, either. Industry analysts say the reason is the “trust gap.” Thanks to identity theft, phishing, and a majority of people inexperienced or uncomfortable with online financial transactions, online banking isn’t growing as fast as it might.

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So what kind of bank spaces engender trust between bankers and customers? How should retail branches be designed? How can the physical branch space help customers and banks work together better? These are key questions researchers, designers and innovative bankers are working on now.

“Banks are very good at identifying the best location for a branch, but they’re not sure what to do with the design of the branch building,” says Andrew Kim, a principal researcher with the Workplace Futures group at Steelcase. He was part of a team that recently completed a 15-month study of the retail banking industry.

They spent seven months closely observing the workings of 30 different branches in the U.S., Canada, Germany, Italy, and Spain. The study included a mix of community, regional and national institutions, both urban and rural.

“There’s a huge shift in the world of banking. If they don’t want to become a commodity, the only way to differentiate themselves is with the customer experience,” says Patricia Kammer, also a principal researcher on the project.

If you’re thinking it’s mostly older folks stopping at bank branches for a free cup of coffee and a newspaper, think again. “We thought younger customers would make the shift to more online banking, but we learned that they’re more apt to visit the branch. They have less money than older, more established customers, and they like the sense of security that comes from handing over the money to the bank. They also have more time, and it’s easier for them to go inside since they don’t have kids tagging along,” says Kim.

Young people in particular could benefit from improved financial literacy. Personal finance isn’t regularly taught by schools or parents, “and financial information is intimidating to a lot of people. Explaining how CDs work, how mutual funds work, what to do with your 401k, a lot...
of people are mystified. What do I do?,” says Steve Meier, principal at Gensler in Chicago, and a leader of their financial services practice.

So they frequently turn to financial institutions for help. “They get their first job and maybe they’re not comfortable with direct deposit. Or they have questions about a loan or their first mortgage or something that’s complicated. They can get information online, but there are times when people want to talk to a human,” says Karen Church, CEO of ELGA Credit Union in Burton, MI. ELGA has many branches serving 38,000 members.

Church knows when a customer walks into a branch office, so does opportunity. “You want them to come in. We have a much better opportunity to influence them to use other products. If they use just one channel—online, or the ATM, or the drive-thru—we may miss the opportunity on the loan or on the investment side of things,” says Church.

But many banks don’t quite know how to change hundreds of years of branch design based on imposing edifices and a somewhat intimidating aesthetic. Simply changing the look isn’t enough.

“As we observed customers, we saw that sometimes they didn’t know where to go inside the branch. Their first course of action was to go up to the teller window, and often they were told, ‘no, you have to go over there’. Meanwhile, people that came along with the customer—kids, parents, friends, other family members—would be looking for a place for respite,” says Kammer.

“People have different reasons for visiting a branch, and they engage in a variety of behaviors there. So what we’re really talking about is customer experience design, which is something a number of institutions are thinking about.”

ELGA Credit Union is a good example. They’ve opened one branch in a supermarket that features teller kiosks. “It’s just 400 square feet, and it’s completely open. The member can walk around. It’s very inviting, and helps build that trust,” says Church.

Engaging the Customer

In its newest, full-size branch, ELGA is taking another innovative approach called dialogue banking. Credit union tellers meet and greet members at the door, and have a rapport-building dialogue with the customer as they walk back to the teller’s station, a round table called a “pod.” It’s a stand-up worksurface, six feet across, and the customer gets half the space. This approach reduces the perceived sense of barrier between customer and employee, and gives the customer a comfortable place to conduct business. Private offices are also available for, say, a conversation about a loan.

“It’s really interesting to see the look on the faces of some of the members,” says Church. “They wonder, ‘what’s going on here? Why are you standing here?’”

ELGA staffers receive training that helps them identify different interpersonal styles and how to respond to the customer based on their style. “It’s a balance. You can’t spend five or ten minutes talking about social things, especially if you have people waiting. The social conversation is generally from the door to your station.”

Staff education is also an important part of the approach taken by Umpqua Bank, a chain based in Portland, OR. They

Branch Business

Even though it’s easier to bank online or drive up to an ATM, customers still visit branch offices. According to the WorkSpace Futures study, here’s why:

**Check cashing.** The basic “transaction” type of business. Until recently, banks looked at these transactions as a high cost part of business, which they are. But they are also opportunities to acquire new customers and increase business with existing ones.

**Complaints.** Customers often prefer to deal face-to-face with someone when they have a problem.

**Anxiety about personal finances** often influences a customer visit, and a meeting with someone who can help.

**Social interaction** with bank employees is something many customers enjoy.

**Avoiding technology.** Many customers go inside the branch because they’re uncomfortable using ATMs, online banking, and other automated services.

**Consultation.** Customers often make appointments to meet with a financial consultant.
helped pioneer the concept of a bank “store” in the mid-90s and are nationally recognized innovators in branch banking.

Umpqua employees are trained at the bank’s own university and through a program offered by the Ritz-Carlton hotel chain. Every bank worker is a “universal associate” and trained in all bank tasks. In an industry where employee turnover approaches 40%, about the same as the fast food industry, Umpqua’s is just over half of that. “The thing that will differentiate us is our people. How they’re trained, how they operate in the store,” says Lani Hayward, executive vice president, creative services at Umpqua.

Just as Umpqua employees are focused on serving customers, so too are the branch offices. They’re dramatically different from traditional bank branches and look and feel more like a hotel lobby, a place where customers feel welcome to hang out, relax in comfortable lounge chairs, use the free wi-fi access, and enjoy a cup of Umpqua brand coffee.

Last year the bank opened up a 1,500 sq. ft. store, about half the size of their average store. LCD screens, not brochures, offer banking information. A touch screen lets customers select information they’re interested in and print it. In the middle of the space is a product display of goods from an area merchant. A different business is featured each month. Customers can buy the T-shirts, lamps, office supplies, or whatever product is featured that month at the store, or get directions to the merchant location.

Booths invite people to sit and chat. “Banks may not need to be as large as they have been in the past. This store is full service, it has fun accoutrements, but it’s smaller. It could be the bank of the future,” says Hayward.

Umpqua has opened three such smaller stores. They are built in just 45 days, much faster than the 120 days banks typically take to build a branch.

In November the bank opened a branch it calls its innovation lab. Located in Portland’s South Waterfront neighborhood, a new development with high density residential spaces, the 3,700 sq. ft. store showcases Umpqua’s latest thinking on what a retail bank can be.

A large, rectangular conference table with chairs, called the community table, sits inside the door. Customers are invited to meet, work, use the laptop computers imbedded in the table, and enjoy the 50” high definition displays of neighborhood images. A coffee shop dishes complimentary cappuccinos, the interactive touch screen has banking information, and there’s even video conferencing for an “ask the expert” system if the customer needs additional financial help.

Hayward says the space will change every quarter. “New technology may be added, the screens will change. We’re testing everything from different kinds of music to partnerships with retailers large and small. It’s all about creating the customer experience.”

“Banks have noticed the whole idea of the “third place,”” says Gensler’s Meier, “another place to hang out. They’ve paid attention to what’s gone on at Starbuck’s and other retailers and they’re learning from that and looking at it. Not so much to become a third place, but they say ‘we need some of that stickiness.’”

People might not recognize all of the interior elements, but they know how they feel: ‘That was kind of cool!’
He says translating those ideas into actual banking spaces though, takes time. “Banks have been afraid to step out of the box and do more retail related spaces, to completely focus on the customer experience. We share with them how other retailers have approached this, what they ought to think about and use. They realize they have a number of channels—telephone, online, etc.—but to generate a deeper relationship, which is really about leveraging the relationship into a broader offering of products, they need personal contact.”

Branching Ideas

The best personal spaces keep the user in mind, in this case, the customer and banker. To develop compelling spaces for banks and credit unions, the findings from the WorkSpace Futures research led to the development of design principles for banking spaces. Sketches and conceptual plans were developed. Design charrettes with industrial designers, application specialists and architects further refined the thinking and led to 240 products and application concepts.

For example, a thought starter application for a welcome zone includes a dual height reception counter to support standing or wheelchair-bound customers. Lounge seating, a coffee bar, and low tables form a welcoming place. Chairs are raised to make it easy for all ages to use them.

The nearby enclosed room allows private conversations for resolving issues or complaints. The proximity is key: the customer’s issue is not passed around, but addressed quickly.

A second approach makes a centerpiece of the coffee bar. Many banks place a coffee cart in the corner, out of the customer’s path. Here, it’s part of the welcome.

A reception desk in a bank can’t always be staffed. Workers have to serve other customers, people get sick, there’s a reduction in staff, etc. So the reception area should be planned to work without being staffed. Technology, access to information, places for respite seekers, tagalongs and sidekicks, should be obvious and convenient.

A place to transition between activities is also important to customers. A step outside the main traffic pattern, an “orientation bench” lets customers organize their stuff and collect their thoughts, not to mention find their car keys on the way out.

Tellers have 90% of the interaction with customers; making that interaction as comfortable and productive as possible can build trust and awareness about the customer’s situation and how the bank can help them.

For starters, who said transactions always have to occur while you’re standing up? “In one of the banks we visited, customers who were not physically disabled often used the ADA-height teller window because they could sit

“The opportunity to connect with people, to create a sense of community, starts right at the entrance. Many banks and credit unions are doing photo collages, message boards, even displaying some of the products and services from other local businesses, to create a space that feels like it’s part of the community,” says Kammer, Steelcase WorkSpace Futures.
down while conducting their business,” says Kim.

The WorkSpace Futures team suggests a strategy for teller/customer workspaces that supports alternative postures: sitting down, standing up, or leaning. Another recommendation is to shorten the perceived wait time by offering places where customers can perch or sit while waiting in line.

People carry lots of stuff: purses, briefcases, umbrellas, purchases from other stores. Traditional teller stations have ledges with barely enough room to rest a cell phone. So customers end up trying to stack and balance things on the ledge, or putting them on the floor. Neither is customer-friendly.

“When you think about the branch as a retail space, your perspective changes.

It’s not about hierarchy, it’s about people working together. It’s about equal access to information, so the teller can swing the screen around and show the customer their account information,” says Kim.

Banks need flexibility in branch design, too. “Architectural solutions and custom millwork lock you in. Banks are building branches faster, and retrofitting old spaces. They always want to squeeze in more workers, or they need fewer, depending on business levels. Panel systems provide that flexibility,” says Kammer. Designers can also integrate millwork, LED lighting, and different materials and finishes in a teller system.

“Those specifications change how the customer perceives the bank and the brand,” says Kammer.

“All of these things are important elements, part of the means to engage people. People might not recognize all of the interior elements of the space, but they know how they feel: ‘That was kind of cool. I like that experience. I’m not sure what it was, but I like that.’ It’s a holistic experience, so you’ve got to pay attention to every detail,” says Meier.

Customer experience details. Therein lies success. In 1994, Umpqua had just six branches and $140 million in assets. Since introducing its innovative customer experience strategy, its grown to 147 locations, over $7 billion in assets, and the 34th spot on Fortune Magazine’s list of the “100 Best Companies to Work For.”

Umpqua customers actually show off their bank branches. “I kid you not: customers will have friends or relatives in town and they’ll bring them by to show them the bank,” says Hayward. “It’s a combination of ‘Look at my bank: isn’t it neat?’ and introducing a friend.”

“There are relationships being built here. Our associates know our customers in a very intimate way. They know their families.”

“People have to have face-to-face interaction, they prefer it. There’s remote banking available, but there is definitely a need to point to a place and say, ‘That is where my bank is, that’s where my money is, and I can get help if I need it.’”