



Branched Out Fewer Branches—Newly Designed— Are a Sign of the Times

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Section 1—Point of view

Point of view

The current number of branches is not sustainable. As a result, leading financial institutions are reducing their physical branch networks and reengineering the model.

The growth rate in physical branches and their cost structure are unsustainable. New alternative banking channels are creating an impetus for change.

The number of physical branches in the United States has increased almost 300 percent since 1970, despite an approximate 50 percent contraction in the total number of financial institutions.¹

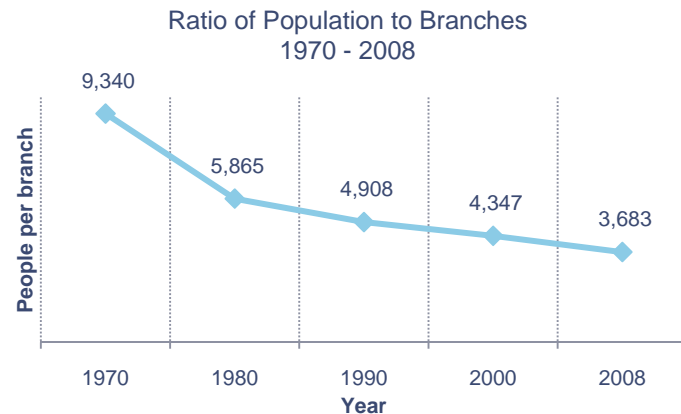
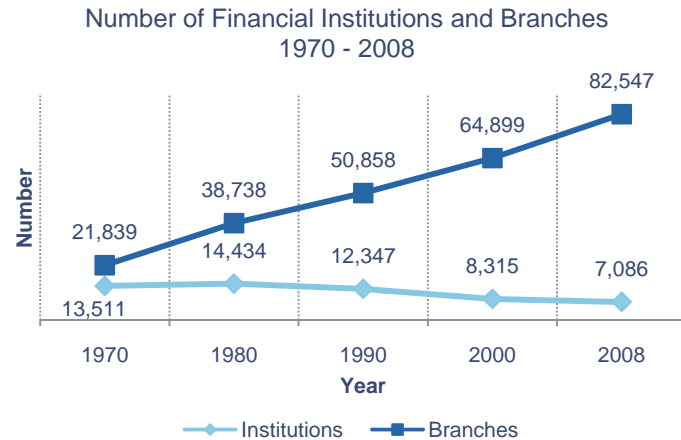
This expansion has outpaced population growth, leading to a declining ratio of population to branches. One bank branch now serves only about 40 percent of the customers served in 1970 (3,683 customers vs. 9,340).²

Alternative banking channels have matured over the past decade, along with increased customer demand for these alternatives. As a result, leading financial institutions are reexamining their physical branch strategies. Failure to radically rethink branch strategies will saddle banks with an unsustainable cost structure and significantly reduce profitability. Banks are approaching this redesign by:

- Redefining the role of the branch network
- Reducing the number of branches in the network
- Redefining the role of individual branches, including examining the services provided in the branches and revisiting the physical square footage required to provide branch customers with an optimal brand experience
- Delivering services through alternative channels

¹ FDIC

² FDIC and US Census Bureau



Point of view

The adoption of delivery channels like online and video conferencing is migrating transactions and sales out of branches, upending customers' traditional preference for the branch.

The branch is still valuable as a point of contact with customers. However, its relevance as a transaction processor is declining. In fact, many Gen Y customers prefer a video conference over a visit to the branch.

Personalized service, convenience, and ease of use are key factors that customers consider when selecting a financial institution.¹ For the majority of customers, branches still constitute the preferred channel for opening a new account. Furthermore, bank customers still prefer to interact in person for obtaining complex services and products or when resolving issues. Thirty-eight percent of customers cite the branch as their overall preferred means of interaction with the bank, and repeat customers constitute 40 percent of monthly branch traffic.²

The availability of alternative delivery channels is shifting the way customers consume financial services. Customers have increased adoption of new delivery channels:

- Twenty-nine percent of customers cite ATMs/kiosks as their first or second channel of choice³
- Eleven percent of customers cite online banking as their preferred channel⁴

Customers now have higher expectations of their banks. They demand certain services in person and other services at a time and place that is convenient for them. "Forty percent of Generation Y (defined as those born between 1980 and 1992) are interested in interacting with an advisor via video conferencing, versus 16% of older generations. One-third of Generation Y...would be open to dealing with a bank exclusively via video and virtual channels."⁵ This means that customers now require less support from tellers and bank advisors, are increasingly performing self-service transactions within branches, and are both willing and able to complete transactions using alternate channels.

As a result:

- Total customer traffic in branches has decreased
- The number of branch teller transactions has decreased
- Revenue directly attributable to branch operations has declined⁶

¹ PricewaterhouseCoopers LLP. "Banking on change—Technology and operations excellence in the post-financial crisis world." September 2009

² PricewaterhouseCoopers LLP. "Future bank perspective—Customer experience in the branch and more." June 2009

³ Based on experience of PwC Advisory practice

⁴ IDC Financial Insights. "Business Strategy: Results from the 2009 U.S. Consumer Channel Preference Survey." Doc #FIN222840. April 2010

⁵ Bank Systems and Technology. "Getting Through to Gen Y." May 2010

⁶ Celent. "Do Banks Want Customers in Their Branches? The RDC Branch Renewal Paradox." March 2008

Point of view

Technological innovations have reduced the need for branches to provide certain capabilities in person.

The vast majority of teller transactions—90 percent—involve checks.¹ Online channels, remote capture, ATMs, self-service kiosks, and digital payments have the capacity to replace 70 percent of simple teller transactions at a cost that is three to five times lower than traditional processing methods.²

With consumers leveraging self-service channels and writing fewer checks, many branch capabilities no longer require in-person delivery. The technological advancements listed below have contributed to the decrease in branch transactions in recent years:

Online banking—Bank transactions began to migrate online as the functionality of the Web, and now mobile devices, matured. This is particularly true of checking balances and transaction history, transferring funds between accounts, and paying bills. Online channels have automated paper-based transactions, the form of transaction that is most pervasive in the branch.

ATMs and self-service kiosks—ATMs and self-service kiosks have, over time, incorporated advanced features that can deliver personalized experience to banking customers. The following transactions are now commonly completed using either ATMs or self-service kiosks:

- Banking transactions such as check cashing, check imaging, statement rendering, and envelope-less deposits
- Value-added services such as cross-selling, advertising, stamp sales, phone card sales, ticket sales, and coupons

Remote deposit capture—Sixty percent of institutions deploying remote deposit capture (RDC) technology have achieved a measurable decrease in branch transaction volume.³

Digital payments, debit, and credit cards—The increase in the number of transactions completed using neither cash nor checks has increased significantly over the past few years. These transactions also reduce transaction volume in bank branches.

¹ Celent. "Do Banks Want Customers in Their Branches? The RDC Branch Renewal Paradox." March 2008

² Based on the experience of PwC's Financial Services Advisory practice

³ Celent. "Do Banks Want Customers in Their Branches? The RDC Branch Renewal Paradox." March 2008

Point of view

Banks should undertake a holistic review of their branch networks to improve revenue and maintain margins.

The cost structure of the traditional branch has remained largely unchanged for decades.

A 3,500 square-foot stand-alone branch in the United States costs approximately \$2.7 million to build and equip. Ongoing costs associated with customer service personnel, administrative support, utilities, and supplies have grown. Additionally, we expect impending financial regulation to place increased pressure on banks' cost structures, of which the branch network comprises a significant portion. Branches must generate enough revenue to cover operating costs and recover the original investment in a relatively short time frame.¹

Renewed pressure to improve revenue generation and reduce the cost of the entire branch network and per-branch costs has led some financial institutions to reduce and optimize their branch networks by closing unprofitable branches.² These financial institutions deploy a hub-and-spoke strategy in which full-service branches support smaller, self-service branches, saturating local markets. This strategy can reduce costs by reducing the initial investment in branch infrastructure and lowering operating costs by employing fewer tellers and other bank personnel.

New products are needed which increase customer engagement and attribute incremental revenue to branch interactions.

A holistic branch network review cannot focus solely on costs. In the same way that branches have traditionally fueled revenue growth by supporting account opening, branch networks can improve revenue and maintain margins. Factors to be considered include customer demographics and demands (micro-market data), cost structure, geography, and technology. These factors drive the types and mix of products and services offered in the branch, technologies deployed, and the mix of self serve and in-person services needed to optimize the customer experience and return on investment. A tailored branch network strategy that aligns with the market and the bank's overall business strategy facilitates this change. Successful reviews have yielded improved margins of up to 40 bps per branch.³ The review must also examine product mix. According to PwC's 2009 *Financial State of the US Household* survey, which asked a representative sample of US consumers a series of questions related to their current financial situation: 36% of households answered they plan to save at least 7% of their income within the next 5–10 years. This factor should result in an increased appetite for financial products and services based on savings (as opposed to lending), such as wealth management and insurance.⁴ For example, comprehensive financial planning can be offered for a fee, resulting in increased product sales, customer retention, and word-of-mouth marketing. Wealth management products such as investments and insurance can be sold via innovative models, including video conferencing with remote experts in these fields.

¹ Tower Group. "What Ever Happened to the 'Branch of the Future'? A Global Perspective." March 2009

² Robin Sidel. "Banks Begin to Withdraw From Their Branch Boom." *Wall Street Journal*. March 3, 2010

³ Novantas, Inc., analysis

⁴ "The New Rule of 10%: The Coming Pension Crisis, Higher Savings Rates, and Fundamental Changes in the US Financial Services Industry," www.pwc.com/fsri

Point of view

The forces required for a dramatic change in branch capabilities are converging.

The evolution of other industries, such as the grocery industry, took place over a protracted period of time. In these cases, several factors needed to combine forces to facilitate widespread adoption of advancements.

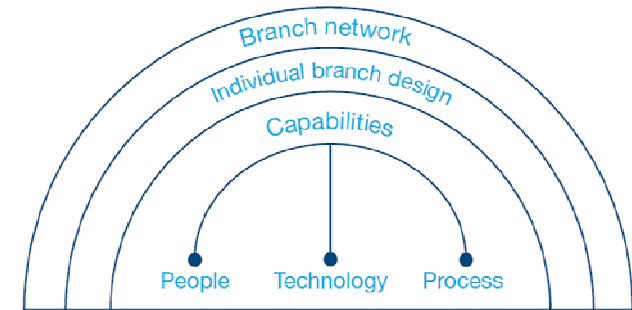
Industry	Grocery stores	Banking
Innovation	<ul style="list-style-type: none"> Implementation of UPC bar codes and scanners at point of sale 	<ul style="list-style-type: none"> Branch becomes point of engagement by delivering high-value interactions and deemphasizing low-value transactions
Prerequisite technology and/or operating model	<ul style="list-style-type: none"> UPC codes on all manufactured products and a system to handle products without codes such as produce It took 22 years from when the first patent was issued until the first scanner was installed in production Another 20 years elapsed before the technology was fully adopted across the industry 	<ul style="list-style-type: none"> Greeters in the branch to direct customers to specific area based on transaction type Network speed sufficient to deliver two-way video connection to centralized specialists Technology that delivers consistent processes across all channels Advanced functionality of assisted self-service kiosks
Drivers of widespread adoption	<ul style="list-style-type: none"> Industry needed to invest to retool checkout process and inventory systems Consumers feared fraudulent pricing (different price at checkout than displayed on shelf) Consumer fears nearly led to congressional action 	<ul style="list-style-type: none"> Acceptance of assisted self-service (e.g., grocery stores and airline check-in) Adoption of customer needs identification vs. simply taking orders Willingness to accept advice and perform transactions with specialists made available via video conference
Result	<ul style="list-style-type: none"> Improved inventory management Accuracy at point of sale Product optimization by grocers and manufacturers Customer loyalty programs Ability to offer more efficient self-service 	<ul style="list-style-type: none"> Fewer interactions with tellers and bank personnel due to self-service channels Greater value per remaining interaction in the branch Branch interactions cement relationships and contribute to sales

Point of view

To remain viable, the branch network will need to deliver more value than it currently does in most organizations.

Changes in customer preferences and demographics, along with the adoption of alternative channels for transactions, put significant pressure on branch margins. The future branch will require profound changes to current operating models, infrastructure, and design, and should be part of an optimized network of branches that increases cost efficiency while generating new revenue flows. In order to be successful, the future branch strategy should also include selection of locations, as well as the business and technology architectures, that facilitate effective and personalized experiences.

Equally important will be the product mix offered by the branch. According to PwC's 2009 Financial State of the US Household survey, 46% of those surveyed indicated they would be interested in purchasing banking products and services, including 24% for guaranteed-return investment products, 16% for customized products, 15% for insurance products, 14% for access to investment research and reports, 13% for wealth management services, and 11% for banking support/advice.¹



Banks should determine:

- Which customer segments are the most profitable?
- What products and services resonate best with target clients?
- How to most cost effectively deliver these products and services

Banks should leverage their annual branch upgrade and maintenance budget to execute the branch design rollout over a specified time frame in order to minimize incremental costs. Individual branch design will be influenced by the branch capabilities and micro-market needs, not defined by a specific visual design.

The movement toward the branch of the future requires changes across the following:

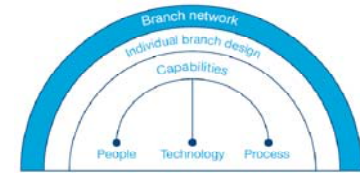
- Successful implementation of new technology
- Employees who adapt to new expectations and become champions for the change
- Customers who accept and embrace new ways of interacting with their bank

Banks should establish a target operating model, informed by experience and perspective, to guide the transition. They should also establish intermediate milestones against which success can be measured.

¹ Source: "The New Rule of 10%: The Coming Pension Crisis, Higher Savings Rates, and Fundamental Changes in the US Financial Services Industry," www.pwc.com/fsri

Point of view

The branch network will continue to evolve to achieve the distinct needs and expectations of the customers and shareholders it serves.



Vision of the future branch

1. Branch network

Change in number and strategy of branches

- Decrease in total number of branches
- Remaining branches strategically located and customized to serve specific customer segments/needs

Network model

- Network effect created by arrangement of diverse branch models in a web reinforces convenience and relationships while minimizing brick-and-mortar investment
- Branch models range from relationship hubs to compact self-service branches to (potentially) shared/franchised branch models to temporary event centers
- Network coverage is designed to capture a unique advantage within micro-markets
- Integration of alternative channels into the network schema creates seamless interaction with the customer

Key drivers

Location will be critical

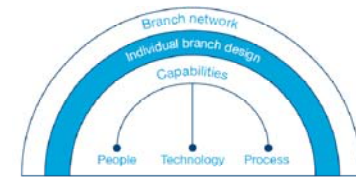
- Given that customers frequently select a bank based on the proximity of a branch to their home or work, branch placement considerations will be preeminent
- The socioeconomic demographics of the potential branch location will determine its design and profitability (one size does not fit all)

The network model should be flexible

- The network strategy must be able to adapt to changes in branch transaction volume mix as consumers increasingly use self-service channels
- The branch network footprint must be capable of adapting to population movements and growth patterns

Point of view

Each branch will need to deliver an experience tailored both to its market and to its position within the branch network.



Vision of the future branch

2. Individual branch design

Key features

- Distinct personality reflective of customer base delivered via six to eight branch design templates
- Digital marketing and signage facilitate branch navigation while introducing opportunities not previously contemplated by the customer
- Interactive design encourages customer engagement with both technology and branch personnel
- Self-service (assisted and non-assisted) emphasized for routine transactions
- Connectivity with specialists delivered via interactive video

Main objectives

- Designed to deliver privacy, safety, and sense of security across all interactions
- Education tools displayed prominently
- Functionality enhanced by design, not vice versa
- Features/functionality determined by micro-market demographics

Key drivers

Within the branch

- Customized branch designs are imperative to serve the needs of an increasingly diverse customer base
- If walking into a branch for the first time is intimidating or confusing, the customer will avoid returning

Outside the branch

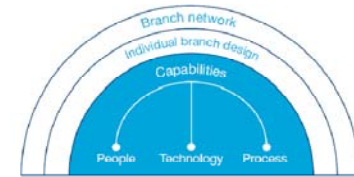
- Introduction of self-service and interactive video in the branch lead to adoption of new technologies outside the branch

Key takeaway

- Branches offering the key products/services demanded by the local micro-market will be most successful
- Consistency of branch design is important in order to provide customers with a reliable experience across branches and to enhance their self-service experience

Point of view

Even in a self-service world, branch employees still play a significant role.



Vision of the future branch

3. Capabilities

3.1 People

Roles and responsibilities

- Knowledgeable on broad range of products and needs (such as savings, retirement, and debt management)
- Focus shifts to identifying needs and solving problems instead of processing transactions
- Branch personnel are multi-skilled and multi-tasking
- Virtual interaction with representatives via video conferencing and advanced automated help functions ease the need to house specialized personnel in branches
- Advanced automated help functions enhance service delivery

Training and education

- Online scenario-based training reinforces product, sales, and compliance knowledge
- Training customized to needs of branch employees based on diagnostic measures of sales and service behavior

Organizational design

- Niche branches require small staff with high degree of autonomy
- Employee processes that are intuitive and technology enabled reduce oversight requirements
- Performance measurement expands to include contribution to customer behaviors (independent of channel) that drive profits
- Incentives aligned to customer engagement as measured by discrete customer behaviors

Key drivers

Better servicing of customers

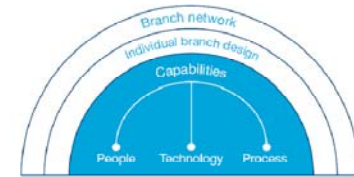
- With self-service capabilities infiltrating the branch, branch employees are free to focus on the customer and to identify cross-sell opportunities that meet customer demands

Customer relationships remain crucial

- Banks should recognize that branches still constitute the preferred channel for opening a new account, which is a key driver of revenue
- The power of in-person interactions to build customer confidence will remain for the foreseeable future
- The branch's premier role in initiating or expanding customer relationships will not diminish

Point of view

Process becomes paramount, as all branch activities are built around efficient and effective delivery of sales and service.



Vision of the future branch

3. Capabilities

3.2 Process

Sales

- Consultative processes (sales and service) delivered in person and via warm handoff to remote video-enabled personnel
- Consultative sales approach taught and reinforced by processes and applications
- Branch personnel advise customers across broad issues
- Messaging via coordinated strategy across channels
- Intelligent applications allow branch personnel to access current product information seamlessly, increasing sales effectiveness

Transactions

- The future branch brings more comprehensive self-service opportunities into the branch, freeing up branch personnel for sales and more complex transactions
- Teller-assisted (vs. teller-enabled) processing encouraged
- Transaction preparation available via mobile device or tablet computer reduces seat time for complex interactions (such as new account opening)
- Paperless environment ensures compliance and reduces overall cost
- Education delivered to increase adoption of simple self-service activities

Customer experience

- Customer capture enabled by card swipe and near-field radio frequency identification (RFID) technology
- Branch personnel trained to know the customer relationship and to sell to specific customer needs

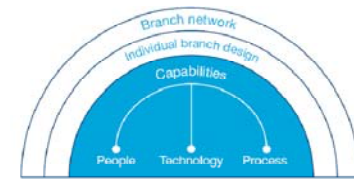
Key drivers

Changes in technology

- Digitization and electrification-enabling technology make paper a burden instead of a benefit
- Technology advances allow for behavior-based customer segmentation to support customized sales and service
- Customer adoption of alternative channels facilitates comfort with self-service in the branch (and vice versa)
- Improvements in connectivity allow for use of interactive video and video conferencing
- Prevalence of mobile and tablet computers free the customer and the branch employee from being “tethered” to one area within the branch
- Advances in near-field communication (NFC) and radio frequency identification create potential for customer identification, although privacy concerns may slow adoption
- Ease of data transfer and account setup enables cross-sell opportunities by seamlessly moving customers from the traditional teller window to the platform

Point of view

The technology infrastructure must change to generate nimble and relevant interactions in the branch.



Vision of the future branch

3. Capabilities

3.3 Technology

Data

- Real-time, truly integrated customer relationship management
- Measurement of leading indicators of customer satisfaction and value
- Customer segmentation driven by behavior, not demographics
- Data analyzed in real time to improve process and operational efficiency
- Access to relevant customer data increases engagement level

Applications

- Applications driving sales and service prompts that are relevant to the customer
- Banking experience delivered via a standard infrastructure and technology components enabling cross-channel experiences
- Integrated architecture enabling customer transactions to persist across all channels
- Service oriented architecture (SOA)
- Personalization and customization built on standardized architecture to deliver differentiation
- Problem resolution capabilities managed via case management, driven by business rules and available to all channels

Key drivers

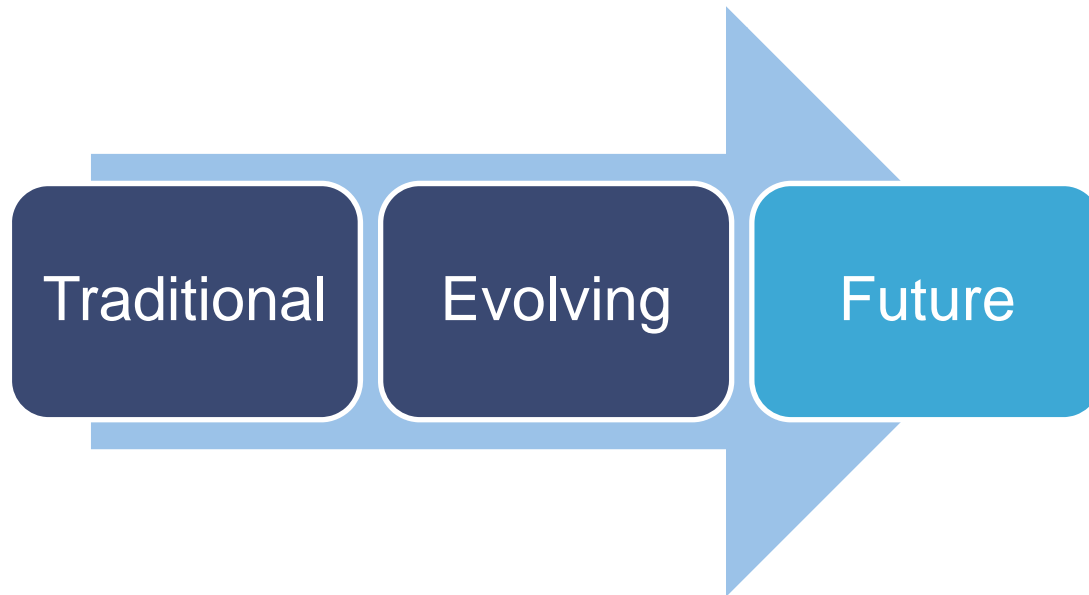
- The technology infrastructure can be built from a standard set of “pipes” that can be used to “plug and play” with any physical branch design, reducing total cost of ownership
- Powerful data management capabilities can deliver near real-time customer segmentation and sales/service prompts within the time window of a branch transaction
- Financial institutions have made sufficient investment in SOA-based architecture to reap benefits in the branch network
- Workflow and decisioning engines are finally coming of age after years of discussion

Section 2—Competitive intelligence

Competitive intelligence

Many institutions are piloting key aspects of the branch of the future with great success and plan to evolve their branch networks in that direction. No institution has fully implemented this strategy.

The branch network strategy of today's institutions generally falls into either the traditional or evolving category.



Competitive intelligence

Banks are rethinking their branch network and individual branch design, emphasizing flexibility and functionality.

Evolution of branch characteristics		
	Traditional branch	Evolving branch
1. Branch network	<p>Common practices:</p> <ul style="list-style-type: none"> ▪ Branch placement driven by organic growth, demographic movement, and acquisition 	<p>Common practices:</p> <ul style="list-style-type: none"> ▪ Branch locations rationalized and resized due to merger cost takeout <p>Emerging practices:</p> <ul style="list-style-type: none"> ▪ Tailored to demand/volume <p>Leading-edge practices:</p> <ul style="list-style-type: none"> ▪ Strategies such as hub-and-spoke clusters redistribute capabilities
2. Individual branch design	<p>Common practices:</p> <ul style="list-style-type: none"> ▪ Segregated functional areas (e.g., platform, teller) ▪ Proportionately more space allocated to teller transaction queue ▪ Significant open space and formal appearance 	<p>Common:</p> <ul style="list-style-type: none"> ▪ Greeters <p>Emerging practices:</p> <ul style="list-style-type: none"> ▪ Welcoming design/signage ▪ Focus on customer traffic flow <p>Leading-edge practices:</p> <ul style="list-style-type: none"> ▪ Delivery of some service lines in multiuse space ▪ Segregated functional areas based on specific customer segments (retail, small business, non-customer)

Competitive intelligence

The transition from traditional to evolving branch is challenging because of large gaps in people-related capabilities between the two.

Evolution of branch characteristics		
	Traditional branch	Evolving branch
3. Capabilities		
3.1 People		
Roles and responsibilities	Common practices: <ul style="list-style-type: none"> Two primary functions: teller and platform Traditional bank and customer interaction 	Common practices: <ul style="list-style-type: none"> Greeter to direct customers Leading-edge practices: <ul style="list-style-type: none"> Tellers assume larger role, with increased knowledge and sales skills
Training and education	Declining practices: <ul style="list-style-type: none"> One-time training for majority of personnel Common practices: <ul style="list-style-type: none"> On-the-job training for more complex tasks and products 	Leading-edge practices: <ul style="list-style-type: none"> Training delivered online and scenario-based to minimize staffing disruptions Intelligent search engines for online answers
Organizational design	Declining practices: <ul style="list-style-type: none"> Tellers receive minimal incentive pay Staffing model supports full-time employment resulting in long teller lines Common practices: <ul style="list-style-type: none"> Little authority to deviate from specified procedures Measurement of total deposits High turnover on the teller line 	Common practices: <ul style="list-style-type: none"> Authority delegated to regional management structure, although policies can negate flexibility Leading-edge practices: <ul style="list-style-type: none"> Measurement includes customer satisfaction and transaction migration Increased variable pay for teller and platform, tied primarily to cross-sell activities Rare practices: <ul style="list-style-type: none"> Employee productivity measures and models introduced to drive coaching and staffing levels

Competitive intelligence

Banks have demonstrated a willingness to consider improvements to their sales and service models, but execution has been sporadic.

Evolution of branch characteristics		
	Traditional branch	Evolving branch
3. Capabilities		
3.2 Process		
Sales	Common practices: <ul style="list-style-type: none"> ▪ Reliance on customers approaching bank with questions/ issues ▪ Marketing focused on mail and media advertisement ▪ Product promotions and incentives drive new customer traffic ▪ Channel delivers siloed processes and products 	Common practices: <ul style="list-style-type: none"> ▪ Dedicated advisors assigned to branches for investments and mortgages Leading-edge practices: <ul style="list-style-type: none"> ▪ Systematic sales process executed across franchise ▪ Personnel trained and incentivized to establish/deepen customer relationship ▪ Technology enables the capture of customer data
Transactions	Declining practices: <ul style="list-style-type: none"> ▪ Paper-centric and manual ▪ Self-service capabilities not reinforced in branch Common practices: <ul style="list-style-type: none"> ▪ Heavy reliance on couriers to move work to operation centers 	Common practices: <ul style="list-style-type: none"> ▪ Self-service capabilities encouraged through in-branch demonstrations Leading-edge practices: <ul style="list-style-type: none"> ▪ Paper reduction via digitization and electronification ▪ Processes and decisions automated
Customer experience	Common practices: <ul style="list-style-type: none"> ▪ Visit due to necessity (e.g., account opening, transacting, service issues, signatures) ▪ In-branch customer messaging delivered via batch analytics and simple segmentation ▪ Visit fulfills social as well as business needs 	Common practices: <ul style="list-style-type: none"> ▪ Experience improvement in perceived wait time and greeters Leading-edge practices: <ul style="list-style-type: none"> ▪ Workarounds utilized to minimize negative impact of channel silos ▪ Some indicator of customer value presented to tellers or bankers on their screen Rare practices: <ul style="list-style-type: none"> ▪ In-branch customer messaging based on real-time customer events across all channels

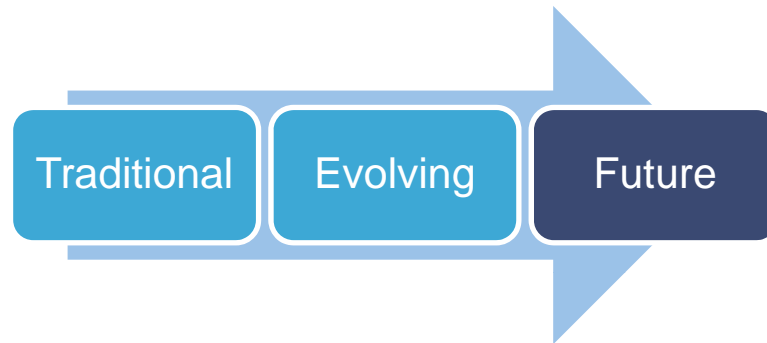
Competitive intelligence

Data and system capabilities are impeding the ability of banks to achieve their future vision.

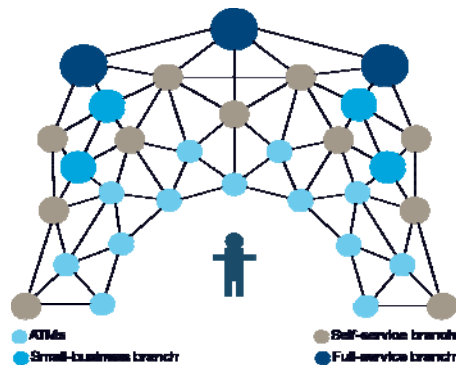
Evolution of branch characteristics		
	Traditional branch	Evolving branch
3. Capabilities 3.3 Technology		
Data	<p>Common practices:</p> <ul style="list-style-type: none"> ▪ Tied to system instead of the customer or related process ▪ Duplicated and not always consistent data across applications ▪ Low level of data integrity other than transactional data 	<p>Leading-edge practices:</p> <ul style="list-style-type: none"> ▪ Integrated customer relationship management across products, but not across channels <p>Rare practices:</p> <ul style="list-style-type: none"> ▪ Customer-centric process measures introduced, including satisfaction, seat time, and first-delivery accuracy
Applications	<p>Common practices:</p> <ul style="list-style-type: none"> ▪ Siloed systems designed exclusively for branches ▪ Hardcoded values and interfaces ▪ Lack of flexibility in integrating third-party applications ▪ Slow speed to market; long lead time for system changes 	<p>Leading-edge practices:</p> <ul style="list-style-type: none"> ▪ Selective use of workflow and rules engines ▪ Implementation of select processes via SOA components (e.g., credit decision, check balance) <p>Rare practices:</p> <ul style="list-style-type: none"> ▪ Problem resolution capabilities managed via case management tool shared across channels ▪ Parameter-driven applications

Section 3—A framework for response

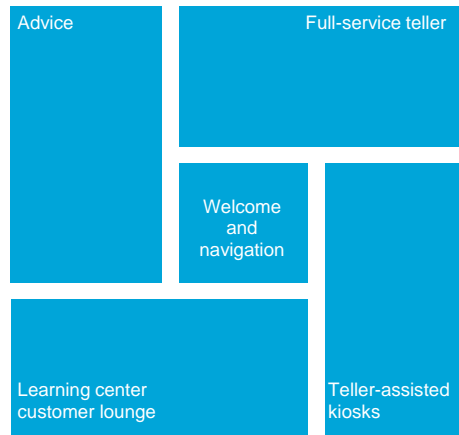
A framework for response—designing the branch network of the future
 The future branch strategy should be implemented throughout the branch network and within the design of each individual branch, and reinforced by capabilities of people, process, and technology.



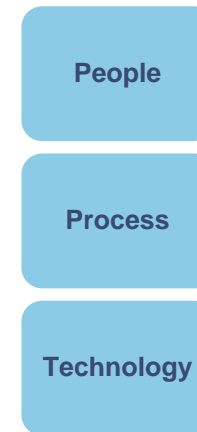
1. Branch network



2. Individual branch design

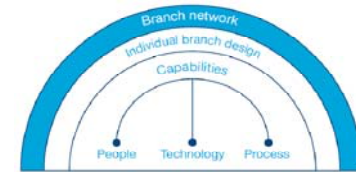


3. Capabilities



A framework for response—designing the branch network of the future

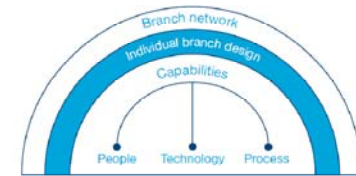
Branch network



Action items	Success factors
1. Branch network <ul style="list-style-type: none"> ▪ Predictive modeling of demographic trends, customer behavior/needs, and usage patterns. ▪ Branch location analysis that considers travel patterns to/from work, shopping, socioeconomic factors surrounding the branch, and leisure activities. ▪ Balance of branch types within network, including: <ul style="list-style-type: none"> - Sales-focused customer relationship hubs - Compact, self-service-only locations - High-transaction locations for small business - Mobile temporary locations for special events - Self-service and teller-assisted components made available in franchise/shared branches ▪ Network schedule strategy to maximize after-hours and weekend availability while minimizing cost. 	Performance <ul style="list-style-type: none"> ▪ Metrics should be geared to expectations of each unique branch location.
	Customer experience <ul style="list-style-type: none"> ▪ Change can be uncomfortable, even if it is good. A communication and adoption plan should be established to ensure a successful transition. ▪ Extended-hours offerings of self-service capabilities should be supplemented by robust security.
	Regulatory, tax, legal <ul style="list-style-type: none"> ▪ By tailoring the branch network to the needs of specific demographics, underserved communities can be served more effectively.
	Organizational design <ul style="list-style-type: none"> ▪ Delegation of authority should be tailored to the needs of individual branches in the network.
Talent <ul style="list-style-type: none"> ▪ The talent pool for each potential branch location should be considered in evaluating the probability of success in delivering a demographically relevant experience. 	

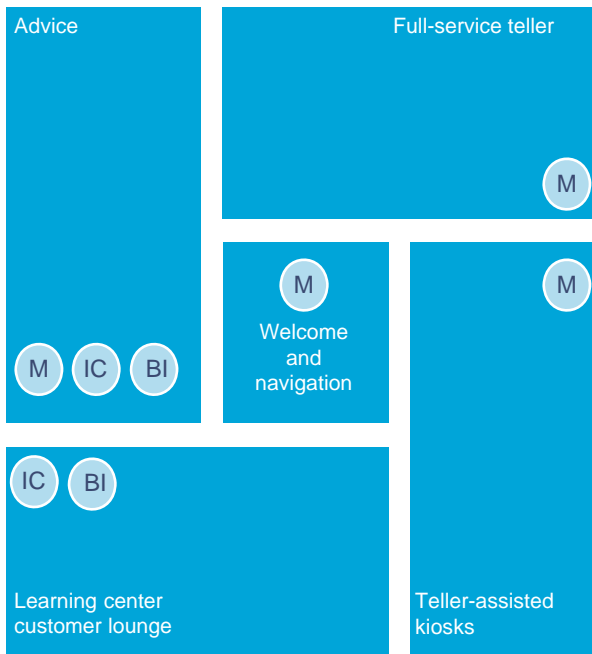
A framework for response—designing the branch network of the future

Individual branch design



Individual branch design for the branch of the future will facilitate effective and personalized interactions through the following:

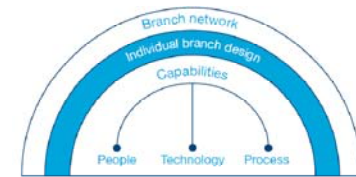
2. Individual branch design



- M Mobile**
 - Geolocation software to direct customers to branches
 - Near-field communication (NFC) to identify customer
 - Online capabilities allow customer to pre-fill forms and applications
- IC Interaction center**
 - Phone, text, chat, video
 - Specialists in products (such as investments and mortgage insurance)
 - Product presentations/education
 - Provide assistance with complex transactions
- BI Business intelligence**
 - Sales and service leads
 - Proactive staffing models
 - Marketing messages

A framework for response—designing the branch network of the future

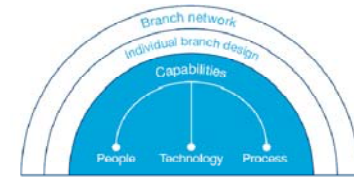
Individual branch design



Action items		Success factors	
2. Individual branch design <ul style="list-style-type: none"> ▪ Branch design selected to meet the specific needs of the community (e.g., business vs. consumer mix, ethnic, or cultural elements) ▪ Intuitive signage design incorporating digital and video elements where appropriate ▪ Human greeter except in self-service-only branches ▪ Modular component design of branch elements and functions to reinforce consistency for employees while providing tailored solutions for customers ▪ High-tech features (video conferencing, RFID) designed to co-exist with low-tech features (reading lounge, family-friendly features) 	Performance	<ul style="list-style-type: none"> ▪ Measurements should be designed to identify most effective elements of branch design to facilitate continuous improvement 	
	Customer experience	<ul style="list-style-type: none"> ▪ Brand elements should reinforce key themes across branch design variations to produce familiar and comfortable interactions across branches ▪ Intuitive signage can lead to increased sales by decreasing customer confusion during branch visits ▪ Recognition of customers via RFID/NFC can lead to customization of the experience but may cause customer apprehension 	
	Regulatory, tax, legal	<ul style="list-style-type: none"> ▪ Modular design reinforces consistency of processes to ensure compliance despite variations in branch design 	
	Organizational design	<ul style="list-style-type: none"> ▪ Management structure should be geared toward the needs of each unique branch design, with roles and related compensation structure clearly defined 	
	Talent	<ul style="list-style-type: none"> ▪ Modular design should allow employees to be productive across multiple branch types 	

A framework for response—designing the branch network of the future

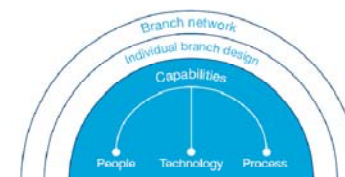
Capabilities—people



Action items	Success factors
<p>3. Capabilities</p> <p>3.1 People</p> <ul style="list-style-type: none"> Customer segmentation driven by indicators that deliver useful predictive clues of customer needs and expectations Training in determining the level of customer interaction needed for successful adoption of the self-service options Sales methodology that employs “plays” to simulate customer interactions in full-service, teller-assisted, and self-service modes Service methodology that supports comfortable interactions and facilitates probing dialogue Real-time performance feedback loops that include metrics, customer feedback (captured in real time via mobile devices), coaching, and predictive training needs Compensation systems that reward customer acquisition, relationship deepening, sales, and customer satisfaction across all employee roles 	<p>Performance</p> <ul style="list-style-type: none"> Sales and service metrics should include leading indicators of customer growth and retention Performance metrics should be intuitive and reinforce discrete employee behaviors that lead to achieving goals
	<p>Customer experience</p> <ul style="list-style-type: none"> Successful customer self-service experience will depend on the enthusiasm, training, and comfort that employees have with the new model
	<p>Regulatory, tax, legal</p> <ul style="list-style-type: none"> Employee playbook and training should reinforce compliance requirements
	<p>Organizational design</p> <ul style="list-style-type: none"> Employees should be empowered to escalate issues and not be burdened by overhead processes that do not support customer interaction Employees with broad skills will manage teller-assisted branches with minimal staff
	<p>Talent</p> <ul style="list-style-type: none"> The new role of employees will demand new skills and will likely require retraining existing employees, especially tellers Overall pay will change with a greater variable proportion based on performance Turnover is expected to decrease after an initial transition period

A framework for response—designing the branch network of the future

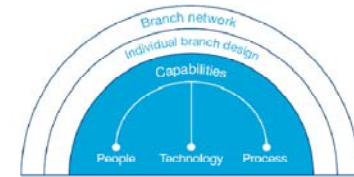
Capabilities—process



Action items	Success factors
<p>3. Capabilities</p> <p>3.2 Process</p> <ul style="list-style-type: none"> ▪ Unique customer experience is based on explicit customization by the customer and is personalized based on the bank’s knowledge of the customer ▪ Paperless processes enabled by workflow and rules-driven decision engines to eliminate manual work and increase compliance ▪ Mobile and wireless technology to allow customers to prepare before meeting an employee (such as pre-filling an application) ▪ Digitization, including image capture and electronic signature capture, to increase automation while providing enhanced security and greater traceability ▪ Location awareness to drive traffic into the branch by tailoring offers based on a customer's location ▪ Video conferencing and interactive video facilitate engagement with experts in fields such as financial planning, investing, and debt management 	<p>Performance</p> <ul style="list-style-type: none"> ▪ Measurements should assess effectiveness in real time to allow for adjustments if needed ▪ Measurements should strike a balance between customer channel preferences and efficiency/cost effectiveness of deflecting transactions to the lowest-cost channels
	<p>Customer experience</p> <ul style="list-style-type: none"> ▪ The customer’s increased use of self-service should be driven by the perceived value created and not by lack of choice
	<p>Regulatory, tax, legal</p> <ul style="list-style-type: none"> ▪ A paperless branch will increase accuracy and customer security, as well as provide enhanced traceability ▪ Increased self-service and automation should support compliance in all steps of the process
	<p>Organizational design</p> <ul style="list-style-type: none"> ▪ Required escalation for management approval should be limited and automated to reduce customer delays
	<p>Talent</p> <ul style="list-style-type: none"> ▪ As branches will not be dependent upon traffic driven by routine transactions, the branch team must become more focused on using their relationships within the community to drive traffic and sales

A framework for response—designing the branch network of the future

Capabilities—technology



Action items	Success factors
<p>3. Capabilities</p> <p>3.3 Technology</p> <ul style="list-style-type: none"> ▪ Integrated technology architecture with reusable components that can be leveraged across service channels and processes ▪ Full image enablement for capture, distribution, and management all of paper, including checks ▪ Assisted self-service kiosks through which a teller can support multiple customers at once and identify customer needs ▪ Customer identification methods, including geolocation, NFC, or RFID ▪ Cash recyclers and dispensers to simplify management of cash levels, decrease losses, and reduce heads-down teller time to allow the teller to be more aware of the customers' needs ▪ Focus on key capabilities, including: <ul style="list-style-type: none"> - Problem resolution/case management - Customer and account personalization/customization - Authentication services - Credit decision engines - Rules management and workflow - Standardized account booking ▪ Customizable application program interfaces (APIs) 	<p>Performance</p> <ul style="list-style-type: none"> ▪ Increased use of technology should be supported by an infrastructure that ensures consistent availability and accuracy <p>Customer experience</p> <ul style="list-style-type: none"> ▪ Workaround processes should be automated via workflow and business rules while transitioning from disparate systems to a consistent infrastructure. Not doing so will exact a high cost on operations and result in failed customer experiences. <p>Regulatory, tax, legal</p> <ul style="list-style-type: none"> ▪ Core systems should be evaluated (and potentially replaced) to achieve the dual benefit of process integration and agility to operate in a regulatory environment in which compliance monitoring and reporting are becoming central to operations <p>Organizational design</p> <ul style="list-style-type: none"> ▪ The technology, business analytics, project management, and change management teams should be organized and incentivized to deliver consistency in operations and innovative ideas <p>Talent</p> <ul style="list-style-type: none"> ▪ Enhanced skills will be required of the execution team to facilitate successful execution of new technologies

Section 4—How PwC can help

How PwC can help Client needs and issues

We look across the entire organization—focusing on strategy, structure, people, process, and technology—to help our clients improve business processes, transform organizations, and implement technologies needed to run the business.

Client needs	Issues we help clients address
Build effective organizations	<ul style="list-style-type: none"> ▪ Rethinking strategy in terms of markets, geographies, channels, and clients ▪ Restructuring organizational models in terms of structures, policies, and roles ▪ Establishing effective strategic sourcing and procurement ▪ Realizing competitive advantage through effective sales operations and inventory planning ▪ Transforming the close and consolidation process to work for rather than against you
Manage risk, regulation, and financial reporting	<ul style="list-style-type: none"> ▪ Building a risk-resilient organization ▪ Managing enterprise resource planning (ERP) investment and project execution risk ▪ Safeguarding the currency of business; keeping sensitive data out of the wrong hands ▪ Affirming capital project governance and accountability ▪ Assessing and mitigating corruption risk in your global business operations ▪ Accounting and financial reporting ▪ Third-party assurance ▪ Taxation
Reduce costs	<ul style="list-style-type: none"> ▪ Driving efficiency through shared services ▪ Redesigning finance to realize efficiency and competitive advantage ▪ Taking control of cost through effective spend management and cash forecasting practices ▪ Driving sustainable cost reduction
Leverage talent	<ul style="list-style-type: none"> ▪ Defining and implementing an effective HR organization ▪ Rethinking pivotal talent
Innovate and grow profitably	<ul style="list-style-type: none"> ▪ Reshaping the IT function into a source of innovation ▪ Transforming business information to drive insight and fact-based decision making ▪ Evaluating acquisition and divestiture strategies to position for the future ▪ Realizing deal synergy and value ▪ Developing sustainability programs that add value



How PwC can help Our Financial Services practice



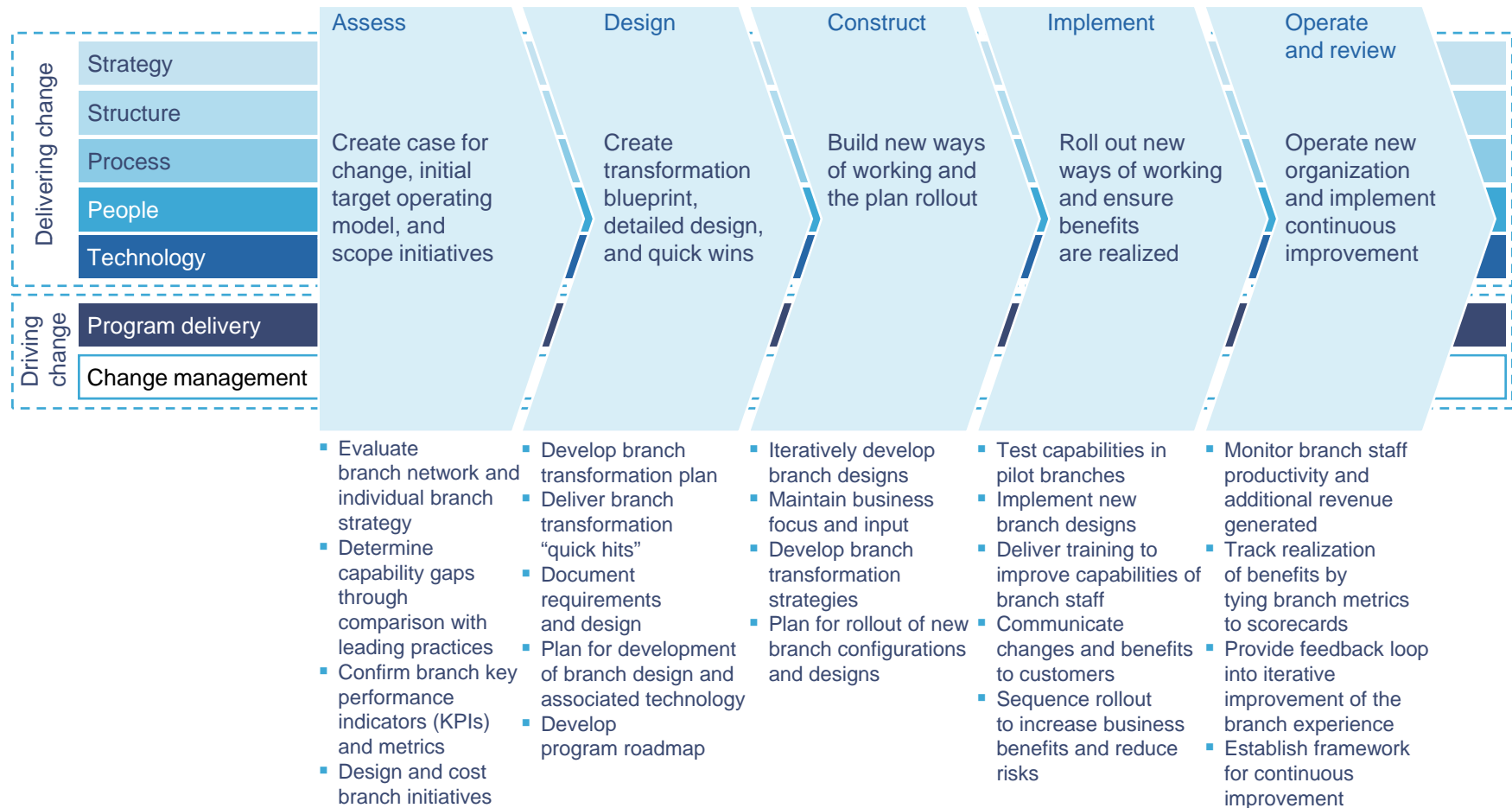
How PwC can help

PwC is distinguished by the depth and reach of its global network of professionals.

Experience	<p>Overall program assessment and support—Leverage of our global Financial Services team to assess the branch transformation program end-to-end and to support program management and execution.</p> <ul style="list-style-type: none">▪ For several leading financial institutions, created and ran program management offices (PMOs) and provided subject matter specialists (SMSs) to support initiatives related to branch transformation and technology refresh as well as standardization in branches <p>Specific experience in bank branches—Branch transformation, teller refresh, and self-service.</p> <ul style="list-style-type: none">▪ For a global retail bank, defined new operating model and executed pilot test in branches to increase service efficiency by 15 percent, customer satisfaction by 10 percent, and self-service delivery of transactions by 40 percent▪ For a global financial institution, redesigned branch processes to reduce teller full time equivalents (FTEs) by 15 percent and achieve a decreased average queue time▪ For a global financial institution, designed the technology and process components for branches to open a flagship branch serving as a showcase of the new directions in branch design and a test bed of new technologies▪ For a top 10 US bank, developed environmental design strategy as well as branch-specific design layouts to launch successful pilot experiences
Expertise	<p>Retail banking expertise—Our team can assess and define retail banking processes to improve their efficiencies.</p> <ul style="list-style-type: none">▪ For a top 20 US bank, assessed 67 branch processes to document and streamline their use cases, activity flows, and the organizational factors involved in them▪ For a global financial institution, selected over 20 key retail banking processes with the greatest enhancement potential and performed a detailed review of process steps, costs, and performance metrics <p>Deep technology expertise—Our team can assess and leverage technology to achieve process efficiencies and support the efforts of the IT departments to deploy technology platforms to the branches.</p> <ul style="list-style-type: none">▪ For a top 20 US bank, redefined banking processes to allow the integration of image capture at branches, setting the stage for an aggressive rollout of image capture technology that will reduce transaction errors and costs▪ For a top 10 US bank, developed paperless transactions to eliminate data entry errors, reduce transaction time by 50 percent, and reduce back-office processing by 25 percent▪ For several leading US financial institutions, provided technology expertise to support efforts to develop and roll out a common workstation platform for tellers and improve IT infrastructure support for branches

How PwC can help

PwC provides a holistic approach to the branch network and individual branch design.



How PwC can help
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Appendix A—Select qualifications

Select qualifications

Branch image capture and teller refresh—top 20 US bank

Issues	The client needed to incorporate image capture into a teller refresh application rollout, with full paper truncation in the branches and a teller application integrated into the image environment to transform its business model.
Approach	<ul style="list-style-type: none">▪ PwC defined the target front- and back-office environment through business modeling work sessions with all stakeholders. This established the target transaction set based on vendor capabilities and image processing functionality.▪ PwC selected and helped to implement a process flow tool allowing for dynamic representation of distinct processes▪ PwC collaborated to develop 67 distinct branch processes along with their use cases, activity flows, and organizational diagrams to represent the specific movement through a transaction from user to system and front to back office
Benefits	<ul style="list-style-type: none">▪ Client is moving toward an aggressive implementation of branch image capture▪ Client is positioned to achieve benefits for additional referral opportunities, enhancements to customer-facing transaction times, and more streamlined access to internal tools▪ Additional cost takeout opportunities are expected to be realized from transportation, storage, and paper-processing reductions across geographies and downstream FTE reduction for error and exception processing

Select qualifications

Branch transformation—top five global retail bank

Issues	Client needed to redefine the bank branch service experience and help customers to migrate channels while optimizing their experience.
Approach	<ul style="list-style-type: none">▪ PwC assessed the implications of the current-state operating model to employees and customers while developing a hypothesis on future-state operating models and service options.▪ PwC worked with management to select two future operating models to pilot and validate with customers.
Benefits	<ul style="list-style-type: none">▪ Increased service efficiency in the pilot branches by 15 percent▪ Increased “head up” time during the transaction by 40 percent▪ Increased self-service delivery in the branches for the targeted transactions by 40 percent▪ Increased customer satisfaction by 10 percent in the pilot branches

Select qualifications

Branch transformation—global financial institution

Issues	Client needed to define its future branches and refresh existing branches while managing the process and technology implementation for a new flagship branch in Manhattan.
Approach	<ul style="list-style-type: none">▪ PwC developed a phased pilot process linked to corporate methodology standards and managed testing of the methodology with live technology pilots—digital marketing and messaging and online kiosk in branches.▪ PwC facilitated detailed work sessions to identify potential technology solutions to support future branch designs, and worked with the business and other technology partners to prioritize the technology solutions.▪ PwC managed the design, testing, and implementation of processes for a new flagship branch.▪ PwC designed the technology and process components used for new branches and to refresh a select set of existing branches.
Benefits	<ul style="list-style-type: none">▪ Successful opening of flagship branch▪ Future-state design for new and refreshed branches▪ Successful pilots of technologies for branches

Select qualifications

Branch transformation—global financial institution

Issues	Client needed to improve operations for branch support/administration and also improve the customer experience across 1,700 branches.
Approach	<ul style="list-style-type: none"> ▪ PwC selected over 20 key processes with the greatest monetary or customer experience enhancement potential and performed detailed review of the process steps, costs, and performance metrics ▪ PwC piloted the redesigned processes in selected branches and operational support areas, monitored results, modified the design, and piloted again in a new location.
Benefits	<ul style="list-style-type: none"> ▪ Operational, administrative, and management staff (for areas included) were reduced by 20 percent with no operational or risk impact ▪ Total teller FTEs reduced by 15 percent with decreased average queue time ▪ Increased cross-sell ratio, improved customer satisfaction, and increased number of products per customer

Select qualifications

Branch transformation, program management, vendor selection—top 10 US retail bank

Issues	The client had a 40 percent error rate in its transaction tickets. Customers stated that customer wait time was a key problem at branches.
Approach	PwC implemented a new “ticketless transaction” system utilizing a customer-facing electronic signature pad in lieu of paper at every teller window and assisted in the vendor selection for the electronic signature pad, overall program management, customer and change management focus groups, and validation of the proposed solution.
Benefits	Early results indicate: <ul style="list-style-type: none">▪ A complete reduction in errors▪ Reduced transaction time by up to 50 percent▪ Cross-selling increase by up to 50 percent▪ Reduced back-office processing time by up to 25 percent

Select qualifications

Branch self-service kiosk strategy and execution—top 10 US bank

Issues	The client needed to increase the existing banking center capacity as well as reduce the branches' overall cost-to-serve, but was concerned that the deployment of self-service tellers would negatively impact the customer's experience.
Approach	<ul style="list-style-type: none">▪ PwC conducted employee and customer focus groups to define customer experience requirements and capture the related voice of the employee and voice of the customer▪ PwC assisted the client in the selection of branch pilot locations through the development of environmental design selection criteria and participation in branch site survey reviews and selection. A pilot was initiated to rapidly deploy self-service kiosks to 30 pilot branch locations in the Miami, San Francisco, and Los Angeles markets▪ PwC developed the global branch layout/environmental design strategy as well as branch-specific design layouts (such as queuing lines, signage positioning)▪ PwC developed and executed the branch baseline analysis, constructed the pilot data collection plan, and developed key reports and associated metrics▪ PwC led employee readiness planning initiatives through the development of pilot communication and training plans
Benefits	<ul style="list-style-type: none">▪ Pilots were launched successfully in the selected markets▪ The pilot communication and training plans as well as the role-based employee plays, which outlined new behaviors for branch employees, were developed

Select qualifications

Retail branch and call center technology refresh—leading US financial institution

Issues	The client had to conduct a large-scale rollout across multiple locations and replace several infrastructure components at its branches, regional offices, and call center.
Approach	<ul style="list-style-type: none">▪ PwC validated the business plan for a technology refresh of all retail branches and developed a project plan compliant with the Six Sigma methodology▪ PwC established a PMO that included the shared services technology organization, business users, and retail banking IT organization▪ PwC assisted in the evaluation of desktop operating system strategy (Windows 2000 vs. XP) and the planning for a common desktop implementation that included core applications, optional applications, and business-specific applications▪ PwC developed a dashboard to track the implementation rollout▪ PwC collaborated in the setup of a lab environment for the testing and certification of business-specific applications and the development of detailed application/OS image inventory by workstation type
Benefits	<ul style="list-style-type: none">▪ Introduction of project management methodologies and tracking of project financials for infrastructure support, including distributed servers, application servers, MQ implementation, lab setup (SIT, UAT, and Production), and infrastructure testing▪ Implementation of common desktop configurations for the teller and platform workstations▪ Improved management and tracking of business cases for the numerous key initiatives

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