

BRANCH BANKING

The pace of technological change in the 1990s enabled customers to access personal financial services through numerous channels, notably the internet. Retail banks saw this technological revolution as *the* solution to the cost of running an extensive branch network with thousands of employees. The market braced itself for large-scale branch closures and staff redundancies as these new technologies reduced the need for a physical branch presence.

In 2007, 90% of sales in the UK and 78% of sales in Europe are made through the branch

The expected move by customers away from their local bank branches to alternative channels has not materialised. Customers want to bank in a multi-channel (internet, telephone, postal, branch) way that continues to have the branch at its epicentre. In response retail banks are looking to re-establish the branch at the heart of their businesses and expand their branch networks.

A multi-million pound investment programme to refurbish and modernise branches can only be successful if the right people are in place in the branch to service the customer. Banks are focusing on the best ways of remunerating their staff in a battle to retain and attract the best local talent. Performance-related bonuses are the norm rather than the exception. Branch Managers need to know their customers so that they can meet the needs of the local community. When opening a new branch, employing a strategy of hiring a highly experienced Branch Manager from a competitor will bring the requisite local knowledge and reap dividends.

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Lessons from the retailers

Intelligent use of technology to maximise the impact of the branch:

- Using the Customer Relationship Management (CRM) capabilities of ATM machines to determine what to advertise in the branch window.
- Introducing 'Virtual Branches' with access to a banker via a video link.

Developing an understanding of customers' psychological needs:

- Having internet access points in the branch with staff on hand to assist customers unfamiliar with the technology.
- Seducing the customer by putting a sports car in the branch window, having a bar in the branch or experimenting with the use of smell and different colour schemes.

Following the example of FMCG retailers:

- Offering financial products packaged in physical form.

Hiring strategies that aim to create a mixed team of bankers and ex retailers, who understand how to attract new customers, can provide a competitive edge.

The challenge facing the retail banking industry is to have effective multi-channel integration. For example, banks should have systems that enable a customer who has been told to go to his/her branch the following day by the call centre to be recognised with the problem logged on the branch system. There appears to be no pattern to the way in which customers bank often using all four methods of banking during any one purchase. Direct Channels (Telephony, Internet) make a huge contribution to lead generation but customers still prefer to purchase their financial products in a branch.

Retail banks are investing significant amounts of money growing, modernising or refurbishing their branches so it seems, for now, that the branch is very much here to stay.

Notes for editors*

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