What’s Next for Branches?

Craig Sauer
Reflecting shifts to online and mobile banking and changing consumer preferences, the look, feel, and technology mix of credit union branches are rapidly evolving.

According to the 2018-2019 CUNA Environmental Scan Report (E-Scan), while nearly 60% of traditional banking products are still sold in or through branches, the number of brick-and-mortar hubs has dipped dramatically.

Every year since 2009, branch closings have exceeded branch openings. And during the next five years, look for a 10% to 15% reduction in financial institution branches, the strategic planning report predicts.

Yet, branches still play a “pivotal role in the credit union movement,” according to Mark Sievewright, founder/CEO of Sievewright & Associates, and one of the E-Scan’s contributors.

Consumers still use branches, he says. They just use them differently.

Consumers also have different expectations about branches’ look and feel based on what they see each day at places such as coffee shops, hotels, and fast-food restaurants.

“All of these places have upgraded their look, feel, and function,” says John W. Smith, CEO of DBSI Inc., which provides branch design and other services. “So, if I go into my credit union—where I have my financial assets—and it’s cold, stale, and boring, I’m not getting the right feel. That’s why a lot of branch transformation is taking place today.”

These changes force credit unions to re-evaluate and reimagine their branch operations. Many now opt for fewer, smaller, and technologically advanced models, and those with self-service machines, video banking, digital signage, and other digital screens.

Focus

► Expect more digital screens in branches.
► Technologically advanced branches require new employee roles and skills.
► Board focus: Consumers want more self-service options.
Self-service
Like the rest of the retail business world, credit unions are seeing a big shift toward self-service channels. “When we look at deployment of branches moving forward, let’s look at what’s already happening in airports and in grocery stores. You have many self-service environments,” says Mia Perez, chief administrative officer at $248 million asset Louisiana Federal Credit Union in LaPlace, and chair of the CUNA Marketing & Business Development Council.

According to the research firm Forrester, 79% of consumers prefer self-service options, making it the most popular channel for customer support. “We need to pay attention to the fact that consumers want to do business in digital self-service channels,” she says. “Even in the branches, credit unions have areas where members can come in and do business and not interact with anyone.”

Enabling more self-service options at credit union branches involves three main options:

1. **Higher-functioning ATMs.**
2. **Interactive teller machines** (ITMs) which can connect to remote staff to fulfill transactions.
3. **Kiosks** that are fully integrated with the core banking system.

The level of difficulty in implementation increases from ATMs to kiosks. It’s easy to simply place more ATMs inside the branch, but more difficult to align staff and new technology with ITMs. Plus, core-connected kiosks can be difficult to implement from a back-end perspective, Smith says.

**Video banking**
Video banking in the branch, which allows members to interact with the expert resource they need in a comfortable booth or office over internet video, is still in the early stages of adoption in financial services. “Yet, it’s accelerating,” says Elana Anderson, chief marketing officer for Vidyo, a CUNA Strategic Services alliance provider of video banking solutions. “We see video banking pay off consistently. The word is getting out.”

Credit unions have used video banking to improve operational efficiency by centralizing staff and enhance customer satisfaction by decreasing wait times. “No matter how remote the branch location or who is working at the branch, members always have an expert available,” Anderson says. “Not only does this improve resource utilization, it increases customer satisfaction. You can meet with an expert regardless of when you’re at the branch.”

Using the technology is not as big of a hurdle for consumers as one might expect. “FaceTime has certainly made people more comfortable with video technology,” she says. “When someone walks into the branch and can either wait in line or get service immediately, they’re typically willing to use video banking. It’s a no-brainer.” Video banking can improve credit unions’ ability to cross-sell and upsell, Anderson adds. “With video, I can see how you’re reacting,” she says. “I can see if you’re engaged. I can see from your face whether you have concerns. Trust is established from that interaction that allows for greater cross-selling and upselling.”

**Screen power**
Visually striking video walls, interactive kiosks, tablets, and other types of screens are common communication tools at many financial institutions.
institutions. And more will add them, according to DBSI Inc.

Digital signage, used for marketing and informational purposes, is the “easiest, quickest, and cheapest” way to create a consistent brand thread across your network, says Smith.

Strategically, credit unions use advertising screens to increase share of wallet and the number of products and services members use.

“Sometimes we assume that because our product information is on our website or in branch brochures that all members know what we offer,” Smith says. “But members certainly are not acting that way. That is where digital signage plays a big role: helping members discover the credit union’s products and services.”

Digital screens have been an effective and customizable feature at Xceed Financial Credit Union in El Segundo, Calif., says Paris Chevalier, chief marketing officer at the $922 million asset institution.

“Keep the content brief,” she advises. “Approach digital screens in the branch like you would a billboard—a great, eye-catching image paired with a few, attention-getting words and a call to action. In this context it would usually be, ‘Ask an associate for details.’”

Tablets and kiosks in the branches can be great interactive tools that allow members to explore additional services and ease onboarding.

If a credit union wants to ramp up members’ use of its mobile check deposit, for example, an employee can easily walk a member through the process in the branch, Smith says.

“Now you’ve showed yourself as an adviser versus a transactor, which develops loyalty,” he says. “And the next time they have a need, they’re going to come back to you for that. That’s how powerful properly implemented screens can be in a branch.”

**The human side**

These technologies and the push toward self-service don’t create an impersonal branch experience, Smith says.

“They absolutely change branches from stodgy, cold, stale, and boring environments to ones that are more vibrant, educational, and collaborative.”

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**THINK BROADLY ABOUT VIDEO BANKING**

Credit unions considering video banking should think beyond the branch, says Paris Chevalier, chief marketing officer at Xceed Financial Credit Union in El Segundo, Calif.

A key consideration is optimization for mobile, Chevalier says.

“When Xceed launched its Xperience Center video banking platform a few years ago, we anticipated a lot of members accessing it through the physical facilities—equipped with desktop computers that we’d set up at our financial centers,” she says. “These are great spots with excellent branding that enable members who want it to have the backup and support of onsite associates, as well as a confidential setting for conducting their business.”

But it turns out that only about 5% of the Xperience Center traffic comes onsite. The vast majority of traffic (90%) comes through the Xceed mobile app, with just 5% coming from members using their desktop computers via the credit union’s website or online banking channels.

“Xceed’s Xperience Center is first and foremost an alternative to in-branch transactions and telephone engagement,” Chevalier says. “But our Xceed Personal Bankers and the financial consultants with Xceed Wealth Management Group are also using it for face-to-face meetings and consultations with members. It combines that face-to-face, personal touch with the convenience of online banking.”
People remain vital to branch success, he says. In fact, technology improvements free up branch employees to guide members, leading front-line staff to take a more concierge-style approach.

“You want to meet members at the door and guide them to where they should be conducting business,” Smith says. “That way you can focus on the member and not the transaction.”

But employees working in these updated branches or via video banking need to have different competencies than those in traditional roles.

“Everybody misses the last piece: You must shift your training to deliver service in a different way,” Smith says.

Video banking, for example, requires staff who can use the channel effectively.

“Not everybody is comfortable on camera,” Chevalier says. “We make sure the people who staff video banking are experienced associates who are comfortable engaging with members through a video interface.”

Xceed also has bilingual staff available to assist its Spanish-speaking members.

It’s crucial to have a branch strategy and the right people to carry it out, Smith says.

Engineer the experience by training staff on what to say, how to transition, and how to operationalize, he says. “You can’t just build it and expect it to work.”

Know your strategic intent
Before you commit your credit union to new technology or a branch makeover, Smith advises starting with strategy.

“It shouldn’t be, ‘let’s invest in technology, process, or design because someone else did it,’ because it might not make sense for you,” Smith says. “Pick technologies that allow you to accomplish your strategy.”

If your strategy is to become more of a financial adviser to your members, it might make sense to invest in technologies that hasten the run-of-the-mill transactions in the branch and free up time for personal conversations and cross-selling and upselling opportunities, he says.

If your strategic intent is purely to reduce your branch costs, it might make sense to invest in technologies that shift your branch away from expensive face-to-face transactions and guide members to self-service, he continues.

Your strategy and technology mix might even differ depending on the branch and location.

“Figure out your strategic intent and the technology will logically align to delivering that,” Smith says.

Sievewright says everything comes back to gearing up the right member experience, which he calls a critical success factor for credit unions in the coming years.

“One of the greatest challenges today,” he says, “is to find that blend of people, process, and technology that will advance your vision and mission.”

“FACETIME HAS CERTAINLY MADE PEOPLE MORE COMFORTABLE WITH VIDEO TECHNOLOGY.
— Elana Anderson

Resources
► 2018-2019 CUNA Environmental Scan Report: cuna.org/escan
► CUNA Councils: cunacouncils.org
► DBSI Inc.: dbsi-inc.com
► Sievewright & Associates: sievewrightandassociates.com
► Vidyo, a CUNA Strategic Services alliance provider: vidyo.com