



Debate

Banks must innovate their branches for unprecedented and hard to replicate customer experience to create competitive advantage

Proponent: Willie Yam

Opposition: Miles Au Yeung

Moderator: Leemon

Banks must innovate their branches for unprecedented and hard to replicate customer experience to create competitive advantage

- 1 Branch is the most important and effective channel for building trust, relationship, and brand
- 2 Banks created unprecedented branch experience have seen uplift of income
- 3 Branch experience is most difficult to replicate hence creates competitive advantage for banks

Branch is the most important and effective channel for building trust, relationship, and brand

Customer Views:

- Most customers still prefer branch as primary contact points – 67% Vs 13% phone and 17% Web -By Cap Gemini
- Customers visit branches or referrals as primary source of information – 51% visit branch in decision making process - by Forrester Research

Bank Views:

- 84% Banks consider branches are critical importance to drive sales, of which 50% indicate increasing importance – by Forrester Research
- Across the globe, banks' drive to improve efficiency through cost reduction (with alternate channels) has been offset by a decline in revenue generation – by Booz Allen

Research reveal that despite the development of alternate channels, consumers still prefer to purchase in the branch

Banks created unprecedented experience to drive customer segment sales effectiveness

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- Enhancing the banking experience of **high-net worth customers**
- Superior customer service can **lead to sales** – independent of channel
- Re-organize the branch for **greater commercial effectiveness**
- Increased multi-channel dependency drive **in-branch sales effectiveness**
- Smart customer interaction delivers cost effective “quality of conversation” to drive **sales revenue growth**



Banks who created unprecedented branch experience had seen uplift of income

- "Moving from low to high levels of customer satisfaction with innovative branch service will be rewarded with:
 - 40% better referral rate - Word of mouth
 - 45% fall in customer defection rates
 - 26% increase in customer cross-buying"

Source: Finalta Survey on "Improving Branch Service" for EFMA.

- Customers could see an improvement in response to calls to branches from a typical 20-30% no reply/late follow-up to less than 5%; this would translate into a 4-5% increase in sales leads.

Source: major UK bank experience

**Improved
Customer
Satisfaction**



Branch experience is most difficult to replicate hence creates competitive advantage for banks

Experience Creation Elements	Difficult to Replicate or Differentiate			Integrated Channels
	Branch	Call Center	Internet	
Process/Flow				
Physical Environment		N/A	N/A	
Relationship/Insights				
People Skills			N/A	
Branding				
Status Privileges				

High
 Low

Conclusion: Banks with innovative branch experience and integrated channels strategy will have competitive advantages which are difficult to replicate



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Branch innovation cannot create future competitive advantages

- 1 Past branch innovations have limited successes
- 2 Branch has become and will become an even less important channel
- 3 Future customers will need more “anytime anywhere” channels

Past branch innovations have limited successes

Lounge branch concept



Coffee shop branch concept

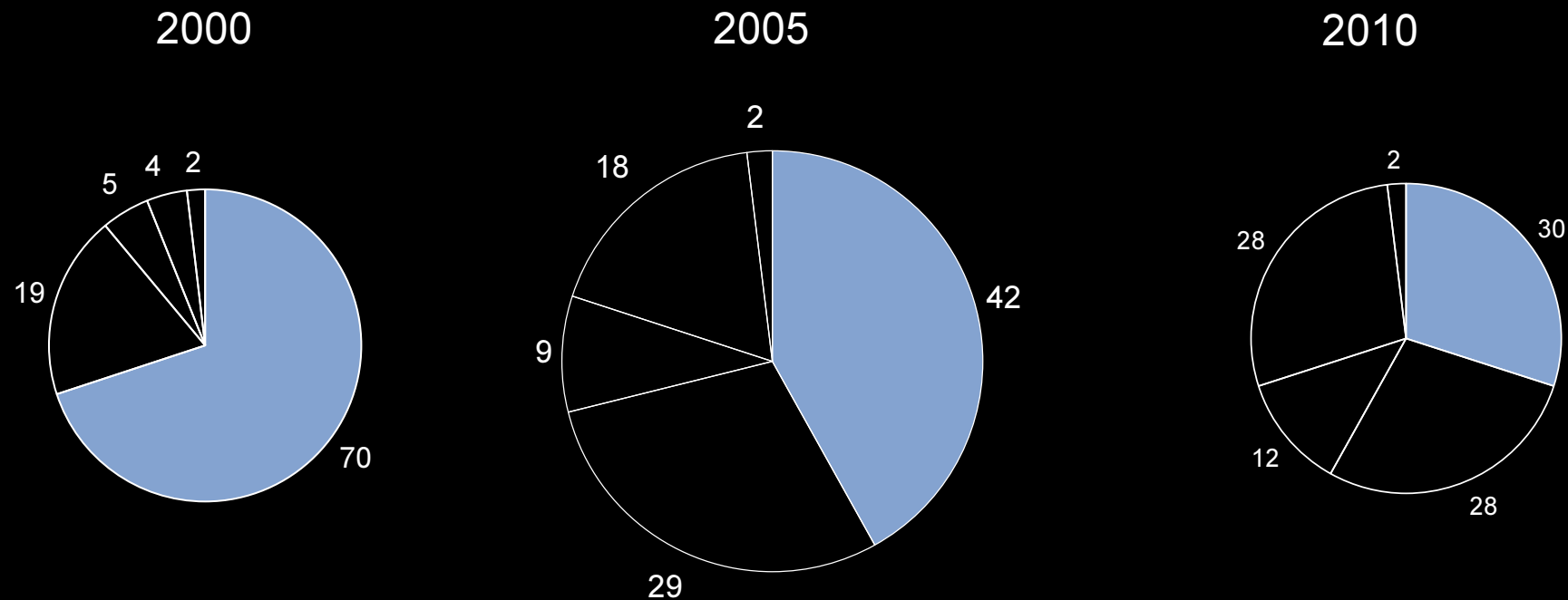


- Changed plans to roll out to only 10% of network
- Over 25% of banks scale down plans during implementation
- 40% of banks would have changed the way
- Abbey-costa cancelled initiatives

Source: Expert interview

Branch has become and will become an even less important channel

Distribution of services among channels

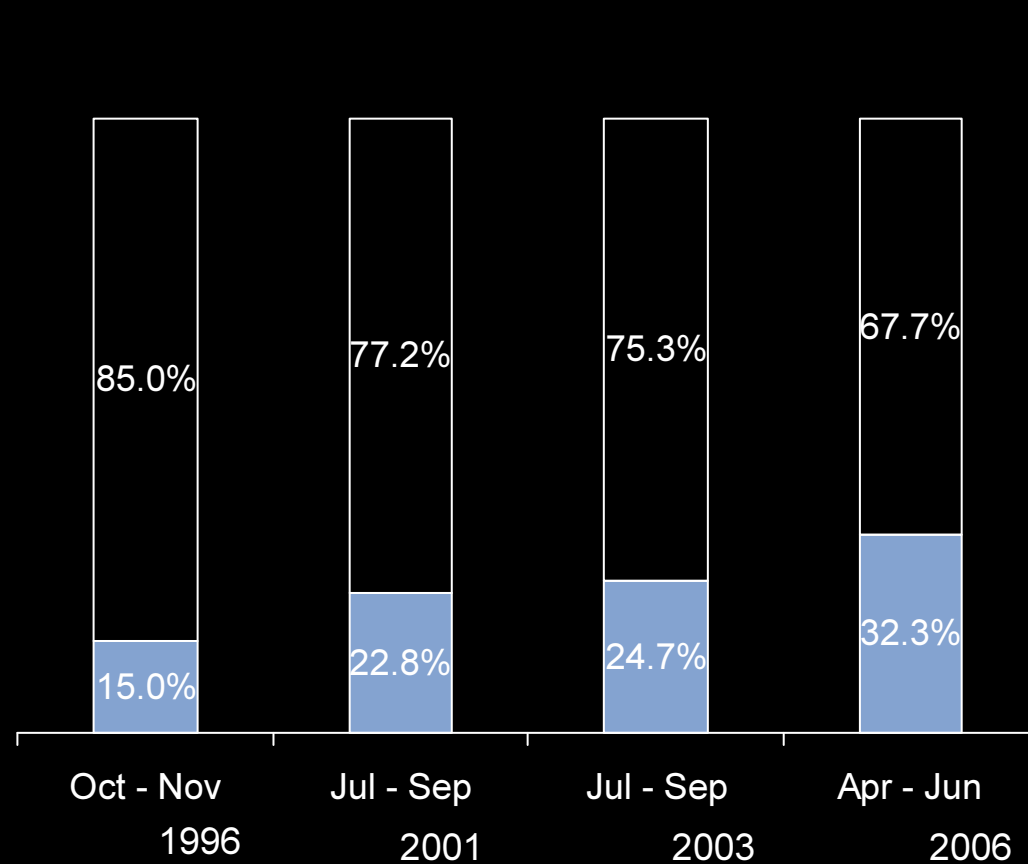


* Services: day-to-day banking transactions such as withdrawals, cash and cheque deposits, wire transfers, printing bank statements, ordering check books, providing technical assistance, resolving incidents and complaints, and locating documents

Source: Capgemini interviews with 41 retail banks

Future customers will need more “anytime anywhere” channels

% of employees had overtime work*



□ No
■ Yes

Need for
anytime
anywhere
channels



Call center



Rich ATM



Mobile banking

* Number of employees in the non-government sector; had overtime work during the 7 days before enumeration

Source: Hong Kong Census and Statistic Department
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Banks must innovate their branches for unprecedented and hard to replicate customer experience to create competitive advantage

- The issue at state here is effective branch investment as part of multi-channel strategy
- Superior customer in-branch experience is essential to attract profitable customers into the branch where cross-selling and up-selling can be realized
- Branch innovation not only creates revenue opportunities for the bank but also the strategic competitive advantages

Branch innovation must be carefully evaluated for customer experience and business benefits

- Understand the e2e interaction points from customer perspectives
- Identify customer and activities profiles in each branch locations
- Make sure innovations are linked to value levers or desired KPIs

