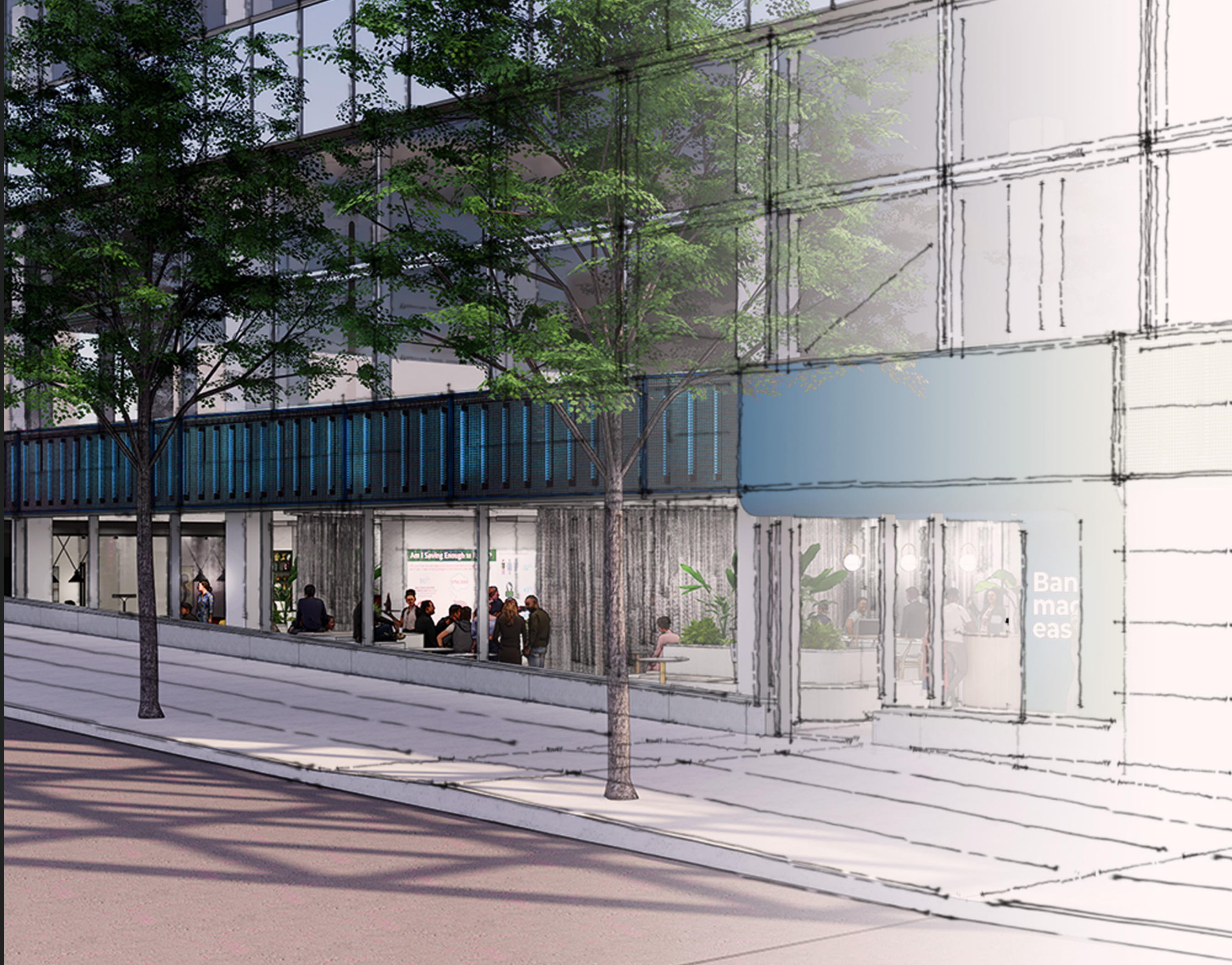


The Bank of Now: Human & Engaging

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OVERVIEW

The Bank of Now: Human & Engaging

The rapid and continuing evolution of technology and the acceleration of the use of on-line and digital banking tools have powerfully affected the delivery of financial services in the US, which makes any attempt to forecast the physical design of the bank branch of the future a largely speculative exercise. However, by analyzing the financial habits, needs, and services preferred by the demographics a branch serves, as well as the key priorities driving today’s social and consumer environment, the bank of now begins to take shape. Why focus on this effort? IA’s extensive work throughout the financial services industry suggests that driving change in key areas to reflect these new norms across the design of branch networks will positively impact their environments and encourage successful interaction with customers and emerging markets.

The Challenge:

Today, savvy service providers across all industries are driven by target customer/client preferences and the drive for convenience that is characteristic of the current social environment. Consumers seek meaningful retail experiences that speak to their personal objectives, goals, and lifestyle. To stay relevant in the minds of consumers, bank branches must offer nothing less. Our financial industry experience suggests that engaging clients in a welcoming, immersive, and supportive environment that enables transactions and services with ease and provides access to valued information is the challenge for most retail banks today. Branches are the dominant physical manifestation of a bank’s brand, and the teams they house interact with a spectrum of established

and emerging demographics. To demonstrate a respect and understanding of consumer identity, branches need to offer relevant products and services in an environment nuanced by local culture. While adhering to regulatory requirements, a perceptive consideration of today’s and potentially tomorrow’s societal segments will inform a compelling customer experience and shape the bank of now.





BANK OF NOW

The Demographics

DATA >

Half of women over the age of 55 report managing their own money, while 75% of women under 45 report the same.

In terms of generations, if Baby Boomers and Gen X hold **over half** of the nation's wealth and perceive banking as a face-to-face relational transaction, and Millennials and Gen Z (together making up more than half of the US population) favor mobile banking, what then is the role of the retail bank branch? Considering these and current emerging segments of the population reveals new markets waiting to be served by those financial institutions that have the flexibility to deftly shift their service model and extend their persona across a broader swath of the population.

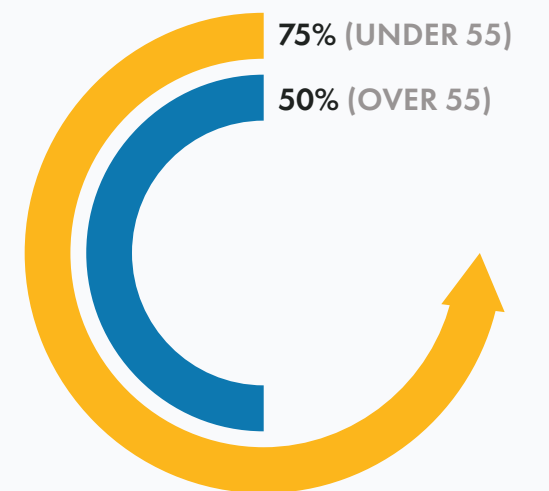
Statistics and data clearly describe both traditional and emerging financial forces. Women, for example, currently control an estimated \$10 trillion in household monetary assets and make **70% of household financial decisions**. To that add the estimated US\$30 trillion in financial assets held by Baby Boomers (who command over **53% of the nation's wealth**) that will transition in the next ten years with women as a primary **beneficiary**, and this group will become even more powerful.

The increase in women's wealth extends well beyond Baby Boomers. In the nation's 50 largest metro areas, single women now outnumber single men in **home purchases by 44%**, with a median age of 33 for first-time women buyers. Furthermore, in a **survey**

of over 4000 women of all ages, 75% of women under the age of 45 reported managing their own money compared to 50% of women over age 55. With an **increasing** number of women joining the C-suite and at management levels, the financial prowess of this group will only increase. As a **2020 McKinsey report** noted, "Attracting and retaining female customers will be a critical growth imperative for wealth management."

Yet traditional wealth management, historically a male dominated profession, does not necessarily align with women's preferences and style in managing money. Women are generally **less risk tolerant** than men and put a greater emphasis on solvency and retirement planning. By their own admission, they are **less confident** than men in financial decision making and investment acumen and are more likely to build relationships with highly valued professional advisors.

But women aren't the only societal group seeking financial savvy. Gen Zers want to **understand finance** and control their money with the objective of avoiding debt and successfully planning for the future. Intriguingly, this group, noted for preferring debit cards and mobile banking, is opening savings accounts earlier than any previous generation and is likely to do so **in person** rather than digitally. ▶

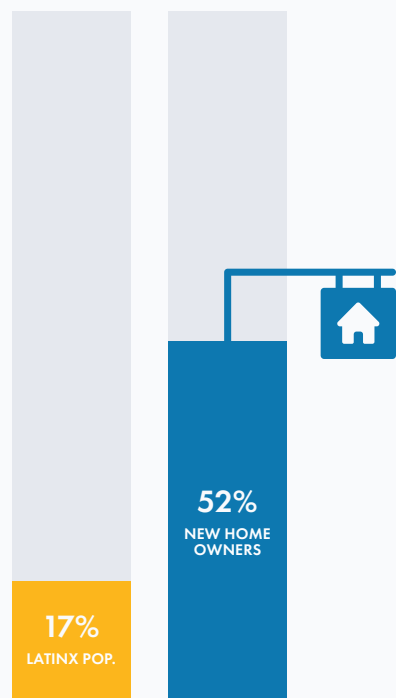


“A focus on minorities, long considered unbanked, provides additional opportunities for engagement at the bank branch level.”



BANK OF NOW

The Demographics *cont.*



Overall, the need for financial insight among significant segments of the population is paving the way for branch banks to become a valued resource and ally for customers, promoting the concepts of financial discernment and introducing opportunities for financial education at no charge. Offering the bank's expertise on financial matters and earning the trust of rising demographic groups could lead to meaningful and lucrative client relationships. However, women and Gen Z are but two of the societal groups commanding serious attention from branch bank networks.

A focus on minorities, long considered unbanked or underbanked, provides additional opportunities for engagement at the bank branch level. The growing Latinx community, for example, makes up 17% of the US population yet significantly accounts for 52% in new US homeownership dating back to 2000. Ironically, although the fastest growing sector in the US small business community, this demographic struggles to secure capital from the nation's banks.

Moreover, per data from the Federal Deposit Insurance Corporation, the majority (60%) of Latinx and Black low-income family households have no or limited access to banks. This proved problematic for many recipients of economic relief under the Coronavirus Aid, Relief, and Economic Security Act since payments were distributed as direct deposits or by mailed checks.

A biased banking industry, according to Stylus, has made it difficult for minorities to develop and retain wealth. Black-owned banks have struggled since the Civil War and continue to do so, although an influx of deposits from companies and individuals as a result of the Black Lives Matter movement is somewhat energizing the comparatively few Black-owned US banks.

We continue to see new banking options on the financial landscape adroitly tailored to specific social groups. Greenwood, for example, a digital banking platform recently started by American rapper

Michael Render for Blacks and Latinx, is one option; another, Current, claims it is "better than a bank" and lets customers with direct deposit access funds up to two days early, a definite plus. Daylight focused on LGBTQ+ users even offers an app featuring guest financial advisors that understand holistically the needs of that community. As part of Visa's Fintech Fast Track program, Daylight demonstrates that some traditional banking organizations have already recognized the untapped financial potential of minority markets.

< DATA

Since 2000, Latinx buyers have made up 52% of new home ownership despite making up 17% of the U.S. population.

BANK OF NOW

The Bank is Here to Help

How should this data affect the design and function of the retail branch? Certainly, a shift in emphasis and a new role and image for branches seems appropriate. Within the population served by a branch, the needs of all groups must be met as the branch embraces new responsibilities as consultant, educator, and financial coach, and meaningfully interacts with powerful new social groups to win their trust and to position the bank as a valuable community resource. **But a change in persona requires a change in mind-set, a refreshed approach to the role of the bank, and an intimidation-free branch environment that is welcoming, warm, inclusive, human, and accessible**—a space geared for interaction and aligned with current societal concerns.

Branch Design & Layout

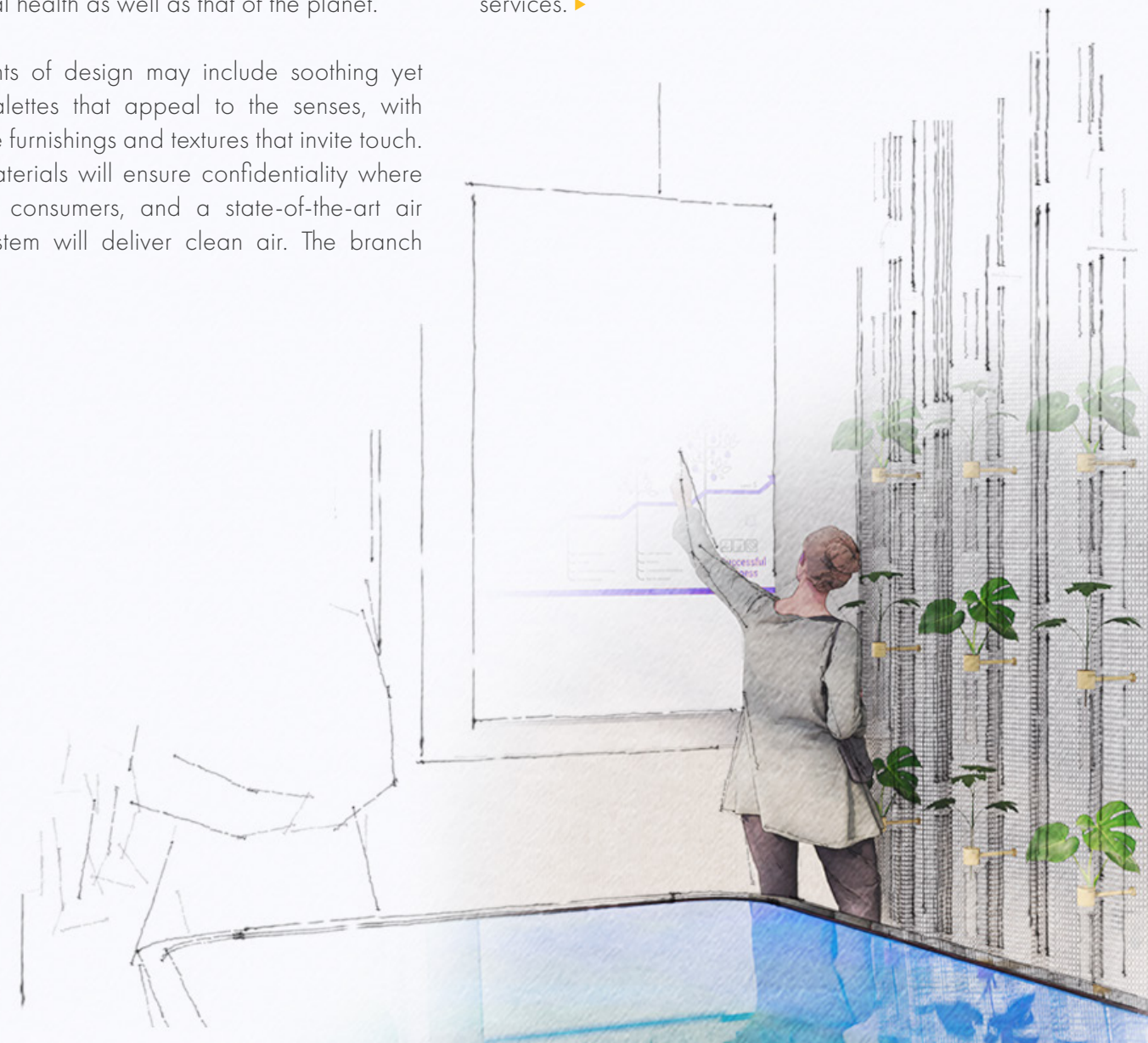
What might an environment that meets all those needs look like? Certainly, consumers will

appreciate intuitive functionality and convenience that cuts through the overwhelming clutter of daily life with a humanistic approach that connects with them personally. Transactions should be easily completed (with or without assistance), information and knowledge effortlessly accessed (ideally with an element of fun), all in an ambience that speaks to comfort, wellbeing, and intuitively enables client preferences. Crafting a hospitable environment with an emphasis on biophilia and sustainability will resonate with many consumers who today carefully evaluate products and services to support their mental and physical health as well as that of the planet.

Key elements of design may include soothing yet inspiring palettes that appeal to the senses, with comfortable furnishings and textures that invite touch. Acoustic materials will ensure confidentiality where desired by consumers, and a state-of-the-art air filtration system will deliver clean air. The branch

will be maintained in line with the highest hygienic standards and protocols.

At each branch the interior will be tailored to complement the surrounding community—be it a metropolitan, suburban, or specific ethnic or social enclave—without losing touch with the bank's brand experience. Sensitivity to the local population will be demonstrated. For example, since many Latinx prefer to visit banks with their family, at branches that serve them ample seating for larger groups should be available, as well as skilled advisors for in-language services. ►



BANK OF NOW**Branch Design & Layout** *cont.*

Branch layouts will be specific to each location's footprint, but identifying an overall general flow and envisioning key zones for interaction, spaces to align services, and flexible areas for new features, as well as crafting what will happen in each of those zones ("Moments that Matter"), will be key to understanding the potential of each experience and branch to evolve with the bank. A distinctively branded exterior that flows into a branded 24-hour vestibule of automated services may feature a digital concierge that lists upcoming events and client appointments. Spaces might even be accessed remotely by customers logging in to an appointment at their convenience.

On entering the branch, a hospitality or solutions bar may serve as a backdrop for associates who will offer coffee, tea, and other refreshments to consumer guests, while deftly handling the reason for their visit or uncovering and resolving their needs. Clients can move into a more audio-secure area if confidentiality is preferred or needed.

We envision a multi-purpose event space as a new focal point at the branch, visibly located with modular seating that can be configured for each occasion and stored when not needed. This space may easily host a range of activities: financial seminars; tutorials and workshops; community and evening

events; art exhibits and demonstrations that speak to community interests and concerns. Further into the branch, we see the potential for a co-working area to provide clients with a variety of seating options for working inside and alongside financial experts to achieve their objectives. **Design nuances and curated icons that speak to neighborhood culture, including client business totems, sponsorships, and local art, will elevate this zone.** In addition, enclosed video-enabled conference rooms with appropriate security will offer privacy for confidential meetings and transactions.

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CONCLUSION

The Bank of Now: Human & Engaging

With younger segments of society comprising over half the US population and relying on mobile banking for simple transactions that were once at the core of retail banking services, branches need to take advantage of new opportunities to remain relevant. These opportunities are easily identified by understanding current demographic groups as well as evolving consumer profiles and preferences. Serving consumers today means adapting to their wants and needs with an approach and convenience that resonates with their lifestyle and objectives. This level of consumer care will require banks to shift and re-think their role and presence in the communities they serve, but the effort will be well rewarded. However, brand loyalty among new users will not come easily and must be earned built on trust, value, and being valued.

Providing services that make a difference for newly empowered financial forces and the underserved should be a primary focus of retail banks, supported by an immersive environment that speaks to all branch users and confirms the bank's commitment to diverse communities. As consultant, educator, and financial-literacy coach, banks that help clients realize their goals and earn their trust will be well positioned to subsequently manage their financial portfolios. While strengthening brand presence and influence at the local level, bank branches with significant visibility, usually located close to a user's home or business, will remain top-of-mind and poised for the next evolution in banking. Surely, reshaping and enhancing this network is an opportunity with exciting potential.



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