



The untapped opportunity in  
**bank branch  
transformation**

Bank branches are in a state of flux. As banking moves increasingly to digital formats the role of the bank branch is evolving fast.

Using data around how and when customers use branches will empower banks to optimize their branch assets so that both they and their customers benefit.

Video data analytics will play a key role in taking banking into the future. **Here's how:**

## Bank evolution: the changing business model

For hundreds of years, bank branches have been the physical manifestation of what banks are designed to be: solid, stable, secure places in which to keep hard-earned money. Indeed, the neoclassical style of architecture used for many bank branches over decades was designed to reinforce the sense of solidity and security that would give customers confidence that their money was held in a safe place.

However, times change, and while the fundamentals of retail banking have remained largely unaltered – lending money, taking deposits, and generating revenue through interest or issuing bonds – the nature of money and how customers use and access it has been transformed.

And when most money is represented as data rather than cash, the need for thick stone walls, bullet-proof glass, and deep, secure vaults is vastly reduced.

The role and need for bank branches is being examined. Some commentators would have you believe that the bank branch is dying out but, to coin a phrase, reports of their death have been greatly exaggerated. What is evident, however, is that the nature of the bank branch is transforming.





# Challenges to retail banking

The branches of retail banks remain an important representation of the bank's brand, and a vital physical touchpoint with the customer. Although running branches account for about a third of a retail bank's operating expenses<sup>1</sup>, they are where strong customer relationships are built and significant interactions, such as mortgage lending or investment consultations, take place. The challenge therefore is how to devise a strategy, implement service delivery models and use technologies to the greatest effect to serve the different types of retail bank consumer: from the long-time customer who values great service and human interaction; to those focused on quick, efficient access to banking services.

As with any retailer — and retail banking is perhaps more 'retail' than ever before — customer experience is critical. And with Open Banking, which will enable the provision of banking services by a wider range of organizations and brands than ever before — the competitive environment for retail banks has never been more challenging.

If the overall number of bank branches is shrinking (though that certainly isn't the case in every market around the globe), and their role is changing, those that remain have to work hard to deliver value to both the customer and the bank itself.

After all, it is the high-margin products sold as a result of face-to-face human interactions that currently generate the most significant profits for banks, and without excellent customer service it is difficult for banks to sell such products to clients.

If banks transform to include more automated services, they need to maintain an environment that allows for the same delivery of banking services, and the selling of financial products that customers expect from face-to-face interactions with tellers.

Every retail bank is involved in branch transformation. Consumer research and data will be used in defining what the branch experience needs to be. But while asking customers for their opinions gives one perspective, observing their use of the bank branch gives a more accurate view on how a bank can adapt its services and operations on an almost real-time basis.

The most successful retailers in the world are agile enough to adapt their retail models to meet customer demands. By employing advanced video analytics they are optimizing the in-store customer experience and using the data they provide to do battle with the online retail giants.

Banks can learn great lessons from their retail cousins and use video analytics not only to plan and deliver an amazing branch experience, but to help seamlessly integrate online and offline banking.

But today, banks are failing to realize the benefits of video analytics in branch transformation, and to use it to measure them and ensure their ongoing success. This brochure aims to help you understand how your bank can employ video analytics to ensure that branches continue to play a valuable role in the decades to come.

## PART 1 What is the purpose of a modern bank branch?

Across the European Union, 9,100 branches were closed during 2016<sup>2</sup>. Using the UK as an example, where two-thirds (63%) of people bank online<sup>3</sup>, during 2017 more than 700 bank branches were closed, indicating an accelerating rate of closure and meaning that the country is now served by around 8,000 bank branches. This represents less than half the number of banks – 17,831 – that served the UK in 1989, according to the University of Nottingham<sup>4</sup>. Data specialist CACI estimates that there will be a further 37% decline in branch visits by 2022<sup>5</sup> – the equivalent of 3,367 branches “doing nothing”.

Technology has meant the nature of banking has changed to a multi-channel experience. In the US for example, 65 percent of customers interact with their banks through multiple channels. But while digital channels have gained popularity, they have not yet completely replaced in-branch services.

Of those clients in the US who use mobile and online banking more than once a week, over 60% are more inclined to visit their bank branch than those who do not bank via digital channels<sup>6</sup>.

And while branch decline has been relatively recent in the UK and the US, the Nordics have been using online services for decades and are lead the way in digital transformation.

It is worth noting that the adoption of banking via digital channels has not been so rapid in Asia, where high branch costs are impacting banks profitability. According to a 2012 report looking at banking in Asia, the average customer reported making 31 (China), 28 (India) and 25 (Thailand) branch visits per year, far more than in Australia (12), France (13) or the UK (14). When looking at what these visits entailed, the majority of interactions were for low-margin activities such as routine deposits and withdrawals<sup>7</sup>.

While the pace of change is different in every region and economy dependent on the economic circumstances in those regions, the bank branch is far from dead. It's an asset for which banks continually have to assess the best location and purpose in order to provide the best outcomes for the bank and its clients.

Accenture recently summarized three essential roles of the modern bank branch<sup>8</sup>:

- ▲ **DIGITAL AMBASSADOR:** Banks can help non-digitally-savvy customers to use digital tools. This could help reduce banks costs and increase a bank's customer base.
- ▲ **ADVISORY HUB:** Branches act as full-service advisory hubs for complex products, long-term financial planning, and other highly specialized services.
- ▲ **PROBLEM SOLVER:** Banks can act as a key touchpoint for addressing a range of customer queries, such as mortgages and pensions.



### **Less branch pressure means banks must work smarter**

Increased digitization of banking services has reduced the need for people to visit branches. A Visa survey found that 77% of Europeans use their phones to bank and make every day payments<sup>9</sup>.

While studies indicate that younger demographics do a lot of their banking and financial research online, many things in banking are best conducted face-to-face: business banking, mortgage advice, pensions and loans, for example. Not to mention cash withdrawals, as our own research revealed that consumers feel far safer using ATMs that are located inside bank branches<sup>10</sup>.

People of all ages will always need a branch bank, some more regularly than others. Banks need to use technology and data to solve business challenges, such as understanding:

- > Footfall behavior over the course of each day, week, month and year
- > Which areas of a bank are used most?
- > Customer demographics: gender, age, etc.
- > How people are responding to campaigns
- > How the weather impacts footfall
- > When queues are more likely to build
- > When most demand is placed on various product consultants

By understanding where data can be pulled from, how to analyze it and how to act on insights that the data presents, you can truly optimize the performance of your branches and your staff. That can only be good news for both customers and banks alike.

## PART 2 Retail banking has never been more retail

Given the modern banking experience for most is a mixture of digital and physical, there is a key sector that banking could learn lessons from: retail.

Retail has had to adapt earlier than many other sectors due to its competitive and fast-moving nature. Banking shares many traits with retail; from face-to-face service to online products, great user experience and customer service are essential in order to remain streamlined, responsive to changing demands and therefore competitive.

For retailers and banks alike, exceptional customer experience applies to everything from simple transactions – quick, efficient, automated – or more complex services, for which they must be discrete, comfortable and friendly.

Another key to remaining competitive lies in the successful capture and interpretation of data from multiple sources, and the ability to implement business transformations in response to the insights you observe to continually improve the customer experience and service.

With online properties, data capture is fairly straightforward. A wealth of tools is available to internet retailers to plot customer journeys throughout their online funnel, so that they can target potential shoppers more effectively with attractive offers and improve the user experience based on metrics such as dwell time, bounce rates and drop-offs.

Bricks-and-mortar retailers have struggled to source the same level of data intelligence to assist them with understanding how in-store customers behave.

**Until now.**

### **The rise and rise of video analytics**

In-store cameras have traditionally been utilized as a security device, but retailers are now reaping the benefits of video analytics technology. By integrating retail analytics software into networked cameras, decision makers can learn new things about customers' in-store behavior that they have previously not captured and use those insights to improve the overall experience.

At a very basic level, retailers can count customers as they come through the door, much as a website manager can count online site visitors.

Web managers have the luxury of being able to track actions throughout the decision journey. Likewise, By understanding where data can be pulled from, how to analyze it and how to act on insights that the data presents, you can truly optimize the performance of your branches and your staff. That can only be good news for both customers and banks alike.



With video analytics, retailers can trace the customer journey in the physical store.

- > Where do shoppers pause and how long for?
- > What displays catch their attention and – almost as importantly – which ones don't?
- > What announcements could be made to 'market in the moment' according to typical behavior?
- > When do we need to staff the registers or the returns counter?
- > What age and gender demographics can we glean and how does that impact what we offer and how we serve?

When it comes to customer service, in an online purchase, many brands offer live chat or chatbots when it is apparent that customers are stuck. If video can determine if someone is struggling in-store, then a customer service assistant can interject in person. How powerful could that be?

Ecommerce website managers will be all too familiar with the challenge of cart abandonments.

In the physical store, abandonments are also a costly issue, often caused by issues such as growing queues and longer wait times. With data from video analytics, these issues can be anticipated and addressed, reducing the chances of basket abandonment.

## PART 3 Bringing video analytics to bank branches

As industry commentators have recently noted<sup>11</sup> direct observation of customers is a more effective way to establish bank branch usage and the in-branch customer journey and experience than surveys and questionnaires. However, many banks are still missing the link to usage of video analytics as the most effective way to scale observation.

For most banks, video is solely seen as a security measure, yet we can see from retail application that banks could derive enormous benefits if they apply a retail approach to in-branch video.

Video analytics could empower banks with critical data to address those challenges we listed in Part One. These are chiefly based around how your customers behave, in-branch footfall volumes, and how you can scale staff numbers up and down according to requirements. This reduces queuing while maximising the customer experience.

Banks can understand more about what products are in demand and when, so you can set your experts' schedules accordingly. Do some experts need transferring to another branch where those products are more in-demand, perhaps on a specific day of the week, or even time of the day?

Video analytics gives banks heat maps of where visitors are most likely to go in-branch. You could use these insights to place helpful staff in the right place, and ensure visitors have sight of important and relevant product offers.



The ability to use demographics in-branch is one of the most powerful in shaping a relevant customer experience for different types of customer throughout the day. It's not unlikely that older customers (who might well prefer 'traditional' face-to-face customer service) are more likely to come into branch on weekdays, during the mid-morning and mid-afternoon, while younger customers use their bank branches at lunchtime during the working week and on weekends. Such insight can define staffing levels, service offering and in-branch promotions.

And we're only at the beginning. It's not inconceivable that with facial recognition banks will be able to understand who their regular customers are and anticipate their needs. You could identify VIP customers when they come into the branch to alert customer services to be extra-attentive.

And yes, facial recognition could also be used to spot when difficult customers come in, or even suspicious characters and known criminals.

We already know from our studies here at Axis that people are by-and-large comfortable with the presence of video surveillance around ATMs and expect to see it in-branch. The opportunity for banks now is how to use video as an analytics asset to create even an even better customer experience and therefore be more competitive, rather than solely as a defensive mechanism.



# Conclusion

## How can you make the most of video analytics?

We've seen the benefits that video analytics provides in terms of optimizing branch assets, from accurate people counting, queue monitoring and effective campaign investments, and the retail sector has provided the proof of concept. By combining video data with other in-branch data collection techniques, such as surveys and staff reporting on typical questions, banks can be even more effective at serving their customers and selling financial products.

Banks are very much at the beginning of the journey when it comes to video analytics, but as a logical extension of the video surveillance solutions almost certainly already in place within the bank branch, video analytics makes entire sense.

Your video surveillance supplier or systems integrator should be able to help you build a case internally and run some trials so you can test the effectiveness of video analytics in-branch.

Look for technology with an intuitive dashboard, that is simple to use and gives you a wide overview of the data you need, when you need it, and requires minimal additional training.

Banking is changing. Branches may not play the pivotal role they once did, but they are still absolutely vital. For banks, it's now a question of how to optimize the use of their branch assets in order to remain competitive. Video analytics, along with other supporting data, provide the insights that banks need to streamline their physical assets while maintaining high standards of customer service, and can also play a central role in proving the success of bank transformation projects.

With video analytics being such a straightforward addition to your existing surveillance infrastructure, why would you ignore such a rich pool of insight?





<sup>1</sup> [www.ibm.com/industries/banking-financial-markets/resources/branch-transformation-digital-era/](http://www.ibm.com/industries/banking-financial-markets/resources/branch-transformation-digital-era/)

<sup>2</sup> [uk.reuters.com/article/uk-europe-banks-closures/eu-banks-close-branches-cut-jobs-as-customers-go-online-idUKKCN1BN2DU](http://uk.reuters.com/article/uk-europe-banks-closures/eu-banks-close-branches-cut-jobs-as-customers-go-online-idUKKCN1BN2DU)

<sup>3</sup> [www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccesshouseholdsandindividuals/2017](http://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccesshouseholdsandindividuals/2017)

<sup>4</sup> [uk.reuters.com/article/uk-britain-banks-branches/british-banks-set-to-close-record-762-branches-this-year-idUKKCN1B31AY](http://uk.reuters.com/article/uk-britain-banks-branches/british-banks-set-to-close-record-762-branches-this-year-idUKKCN1B31AY)

<sup>5</sup> CACI: How many branches does your bank need?

<sup>6</sup> [www.mckinsey.com/industries/financial-services/our-insights/the-future-of-us-retail-banking-distribution](http://www.mckinsey.com/industries/financial-services/our-insights/the-future-of-us-retail-banking-distribution)

<sup>7</sup> [www.bain.com/publications/articles/future-of-the-bank-branch-in-asia-redesigning-footprint-and-format.aspx](http://www.bain.com/publications/articles/future-of-the-bank-branch-in-asia-redesigning-footprint-and-format.aspx)

<sup>8</sup> [www.accenture.com/us-en/insight-digital-transforming-the-branch](http://www.accenture.com/us-en/insight-digital-transforming-the-branch)

<sup>9</sup> [www.visaeurope.com/newsroom/news/mobile-money-takes-off-as-77-of-europeans-use-their-phones-to-bank-and-make-everyday-payments](http://www.visaeurope.com/newsroom/news/mobile-money-takes-off-as-77-of-europeans-use-their-phones-to-bank-and-make-everyday-payments)

<sup>10</sup> Global Consumer Perspectives on ATM Safety: [www.axis.com/en-gb/solutions-by-industry/banking-and-finance/atm/overview](http://www.axis.com/en-gb/solutions-by-industry/banking-and-finance/atm/overview)

<sup>11</sup> [www.bai.org/banking-strategies/article-detail/what-really-counts-how-observing-bank-branches-optimizes-staffing-beyond-the-numbers](http://www.bai.org/banking-strategies/article-detail/what-really-counts-how-observing-bank-branches-optimizes-staffing-beyond-the-numbers)

## About Axis Communications

Axis offers intelligent security solutions that enable a smarter, safer world. As the global market leader in network video, Axis is driving the industry by continually launching innovative network products based on an open platform - delivering high value to customers through a global partner network. Axis has long-term relationships with partners and provides them with knowledge and ground-breaking network products in existing and new markets.

Axis has more than 2,700 dedicated employees in more than 40 countries around the world, supported by a network of over 90,000 partners across 179 countries. Founded in 1984, Axis is a Sweden-based company listed on NASDAQ Stockholm under the ticker AXIS.

For more information about Axis, please visit our website [www.axis.com](http://www.axis.com)