Creating Transactional Efficiency:

The Role of Layout and Design

By Margaret Kane

In recent years, many institutions have made major capital investments in the layout and design of their branch networks. Frequently, however, such investments have been made with little strategic understanding of what customer behaviors can most positively be influenced by design and which behaviors are most affected by people. In considering where to make a financial investment in a retail network, executives must make inevitable trade-offs and choices. Where such an investment gets made should depend on what results you hope to achieve. Too often, however, choices get made without regard to which factors have the greatest impact on bottom-line profitability.

Brand and Image: The Place to Start

Few could argue with the fact that a consistent image and a well-articulated brand should be the starting point or the basic "price of doing business" for your network. Customers should be invited into your facility and should know where to go once inside.

Top-notch design firms can create a sense of purpose and place for the various areas of a branch without the need to use labels. Customers know where to transact, where to ask for help, and where to get product information or make a purchase. But the layout itself does not entice a customer to buy; that job is best left to people, supported by the right environment, brand, and image.

Layout and Design Can Best Influence Transactional Efficiency

If the branch staff can best influence the sales process, the physical facility is best suited to impact how customers handle routine transactions within the branch. Just as the interaction with employees determines whether or not a customer will purchase a product, the "interaction" with the branch itself determines whether or not a customer gravitates to an ATM or to a teller line. The branch layout and design "calls out" to customers in much the same way that employees "speak" to them.

Branches in which the teller line or cashier line dominates by extending across the full length of the facility and consisting of a high, straight counter inevitably leads customers to conclude that the teller line is the most important component of the branch, and, as such, customers should go there. Conversely, branch designs where self-service areas are the customers' first point of contact confirm the company's strategy and the desired interaction. In general, the placement and design of self-service devices, be they ATMs, telephones, or the internet, can have a big impact on customer adoption rates. Of course, the tellers and salespeople can also influence how transactions are executed, but in this realm, when a branch design does not support the strategy, there is generally a significant negative impact on the results and on the creation of transactional efficiency. Compare this to the sales arena where a top-performer is much more able to overcome the drawbacks of a poorly designed branch or even one suffering from a significant amount of "deferred maintenance." In a nutshell, people control sales, and design and layout controls how the customer transacts with the institution.

Comparing European and United States Markets

Generalization can of course be dangerous, but there are nonetheless several conclusions that one can make with these observations. First, if you visit a handful of branches in established markets virtually anywhere in the United States, you will typically find old, rundown facilities suffering from both "deferred maintenance" and a layout that still emphasizes transactions at the teller line. Branches in the U.S. have done little – with few exceptions - to change how customers use and adopt technology. In essence, U.S. institutions have yet to use design and layout to create transactional efficiency that can dramatically increase the operational profits of branches. By separating the sales platform from the transaction processing area, they have decoupled sales from routine banking and have made it far more difficult to offer a customer a product solution during a regular transaction event.

Conversely, if you visit the branches of a major European bank in a metropolitan center, you are much more likely to see a modern, newly designed facility where self-service devices are prominent and entice customer to use them. In addition, the best facilities not only feature well defined self-service areas, but they also have integrated the ability to fulfil a product need with the ability to process a transaction at upgraded teller stations. These areas are more than a cashier window and less than a desk for a private and personal banker.

Given these contrasts between European and U.S. markets, it should come as no surprise that, with the exception of cash withdrawals made at an ATM, European customers are much more willing to use technology, particularly new devices introduced through branch networks, than their American counterparts. European banks have done – and continue to do – a far better job of using branch design to further their strategic goals. In some cases, however, they have actually attempted to use design to impact sales, a far more questionable strategy.

U.S. financial institutions are at the opposite end of the spectrum. They tend to emphasize the role of sales and, therefore, people, in their quest to increase branch profitability, and they underestimate how design and layout could drive transactional efficiency. But they excel – by comparison – at making a proper investment in their staff, understanding that virtually all sales made are the result of proactive activities on the part both tellers and officers alike. Virtually all U.S. financial institutions offer bonafide sales training for at least their platform employees. Very few European banks can make this same claim. At best, they offer product training that fails to help employees talk to customers about their financial needs and aspirations.

Articulate an Organizational Strategy

Branch profitability can be improved by increasing operational and transactional efficiency and by driving a higher level of sales of profitable products. In either case, it is your institution's strategy that should guide your investment choices. The strategy itself should be articulated on the basis of current performance and where there is the greatest room for improvement. If your best opportunity for increasing profits lies in increasing your customer's use of technology and self-service, then your branch design and layout can help you get there. But if higher sales rates are called for, make an investment in staff development and training. Let current performance and strategy be your guide, and you will make an informed decision.

 Margaret can be reached at margaretkane@earthlink.net or at 916-488-0660.