How will branch banking evolve over the next five years?

Highlights

- Clients expect branch staff who can quickly and seamlessly provide what they need

- The "branch of the future" depends on customer-focused service, simplified maintenance operations, and front and back-office integration that supports an omni-channel experience

- A support integrator can manage all your technology and support the necessary integration and operational efficiency

- Branch banks need to use their data and cognitive tools to help predict and prevent technology and service complications

A proliferation of new technologies, demographic shifts and non-traditional banking entities are driving retail banks to transform. Consumer expectations are also playing a significant role in how banks are evolving their operations to meet diverse customer needs.

While many people are accustomed to conducting transactions at their local retail branch, a growing population increasingly uses mobile devices to open accounts, pay bills, deposit checks and sign up for text alerts and reminders. But when they do show up at their local branch—to apply for a loan, make a payment or visit an automated teller machine (ATM)—they expect exceptional service from branch staff who can quickly and seamlessly provide what they need. If they experience delays or discover that some services aren't available (for instance if an ATM is offline), they can become annoyed fast—and make their voices heard on social media in ways that can damage the branch's reputation.

Retail banks are aware of the potential roadblocks that challenge them along their journey to transformation. A recent PwC report showed that 61 percent of bankers ranked having a customer-centric business model as being very important—though less than 20 percent felt very prepared for it.[1] Other priorities included optimized distribution, simplification, information advantage, enabling innovation and proactively managing risk and regulation.[2] Of the impediments to achieving these goals, technology constraints ranked consistently high.[3]

A vision for the future of banking

Imagine the possibilities for the future of retail branch banks. Analytics are integrated into every facet of the bank's operations. Customers from all demographic groups consistently receive great service from attentive, informed staff, who can access the information they need at a moment's notice. Big data is mined for better insights into customer wants and needs, helping increase both branch profitability and customer satisfaction. Branch banks enjoy higher availability and more flexibility—at reduced costs.
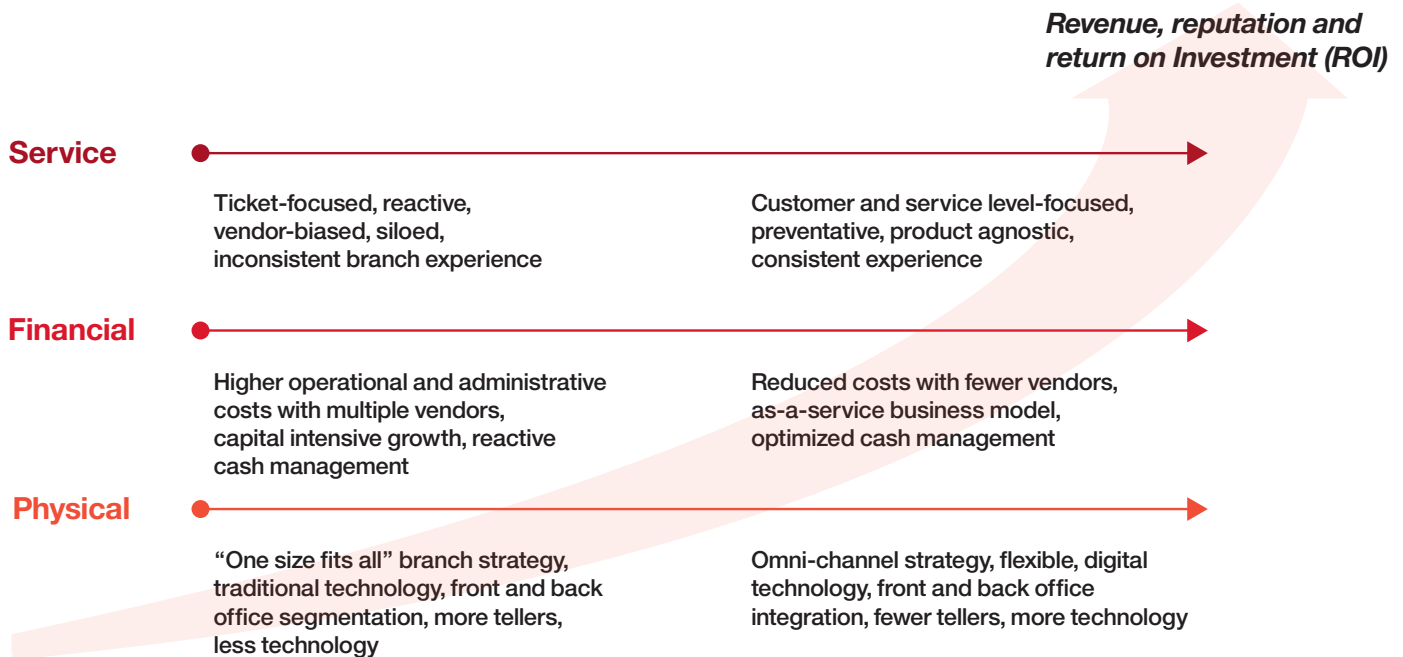
Branch in a box roadmap

*Revenue, reputation and
return on Investment (ROI)*

Service

Ticket-focused, reactive,
vendor-biased, siloed,
inconsistent branch experience

Customer and service level-focused,
preventative, product agnostic,
consistent experience

Financial

Higher operational and administrative
costs with multiple vendors,
capital intensive growth, reactive
cash management

Reduced costs with fewer vendors,
as-a-service business model,
optimized cash management

Physical

"One size fits all" branch strategy,
traditional technology, front and back
office segmentation, more tellers,
less technology

Omni-channel strategy, flexible, digital
technology, front and back office
integration, fewer tellers, more technology

Figure 1: Working with clients, IBM uses its branch in a box roadmap to integrate the service, financial and physical work streams to help enable transformation.

To support these possibilities, branch transformation
strategies need integrated maintenance solutions. Using
these solutions, branch banks can meet increasing customer
demands, optimize spend, and reduce maintenance and
operational costs through a unified approach, rather than the
traditional ad hoc or disjointed support model. IBM sees three
work streams integrated to support branch transformation:
service, financial and physical (see Figure 1).

How is IBM TSS helping clients step into the future of banking services?

IBM® Technology Support Services (TSS) recently helped a
Latin American bank deal with an increasingly complex
operating model involving multiple support providers across
their branch network and ATM environment. This model saw
the diversion of staff attention from sales to dealing with
operational issues, multiple site visits by various service
providers within a day, lower availability levels and reduced
customer satisfaction.

IBM provided an integrated service model, offering service
across the branch network for several thousand locations and
a large ATM environment. This new service model included
an integrated help desk and command center with the latest
technology embedded within it. This technology helped make
sure service was performed more efficiently and expeditiously,
and that the dispatch of technicians and parts used to provide
service was completed successfully the first time.

The implementation of IBM's superior integrated service
model has resulted in significant benefits including:

- A single point of support for the entire branch and ATM
  estate along with a simplified governance model
- A 13-basis point increase in branch environment availability
- A 10-basis point increase in customer satisfaction
- A 4-basis point increase in ATM availability
- Branch personnel productivity increase of 10 percent
- 25 percent reduction in operational costs

IBM also helped a foreign-currency-dispensing UK bank with a vast, geo-dispersed network of ATMs and mobile banking units. The bank needed to provide consistent, high-quality first- and second-line maintenance to increase availability—thereby helping to optimize customer experience as well as profitability.

IBM provided the flexible, high-quality multivendor ATM maintenance support the bank required for its static and mobile machines. In addition, IBM entered a shared cash liability agreement with the bank—which included very aggressive service levels and penalties—to replenish cash in the ATMs on behalf of the bank. Benefits include:

- The highest levels of availability the bank has experienced, along with higher profitability from its ATM business division
- Innovative IBM services that help proactively identify and reduce the bank's operational costs, while supporting compliance management with ever-changing regulations

Automation capabilities within the IT support model will light the way forward

Today, retail branches tend to have operational maintenance models that see multiple vendors, each managing a single piece of technology. As financial firms transform their ATMs and branches with the latest technologies, this brings the mixing of old and new complex technologies from multiple vendors into a single location—making the maintenance model even more complex and costly. This creates increasing numbers of branch visits, and therefore more impact on both staff and customers.

But IBM sees a very different future for retail branches. With IBM serving as a single multivendor service provider across the entire ATM and branch estate, you can benefit from both the analytics-based decision capabilities and high degrees of automation that are woven into the fabric of IBM's maintenance offering.

What analytics and automation solutions are currently available?

Automation brings with it new techniques that change the way IT professionals support technologies residing in the bank branches and ATM networks. Most importantly, field service driven by automation can be proactive rather than reactive. In reality, much of the work done in field service doesn't happen in the field itself. When a problem arises, automated systems are designed to recognize risk before they happen and take steps to resolve issues before they cause systems to fail. Rather than working on a case-by-case basis, automation also allows IT professionals to isolate an incident and identify its root cause to help eliminate long-term repetitive or routine problems. Automating key processes that used to take up valuable time for experts on the ground allows them to focus their skills and attention on day-to-day, higher-value assignments. Cognitive computing and predictive analytics are the cornerstones of this capability.

Predictive analytics offers definitive service ticket predictions to help take retail branches and ATM networks from a traditional, reactive maintenance model to a more proactive, efficient service model.   Combining bank data with experienced analysis from data scientists and machine learning helps predict which devices will fail, and when. By integrating predictive capabilities into maintenance services, IBM can intervene and make necessary repairs or replacements before failures occur, helping increase availability and reduce customer impact and costs of downtime. For instance, TSS has predicted 30 - 40 percent of service calls ahead of time for one of its clients—resulting in higher availability and reduced impact to bank customers.[4]

Cognitive systems play a critical role in managing every issue with a combination of pertinent information retrieval capabilities from an enormous pool of data. This can allow machine-to-machine learning and increase the potential for remote resolution to help expedite problem resolution and increase device availability. In situations where branch staff provide some device support, using TSS powered by cognitive computing, onsite employees can interact with virtual assistants to help them quickly find the appropriate solution to their issues.

In cases where a field technician is required onsite, cognitive assist agents are designed to support IT experts. Related actions include pinpointing the IT issue, quickly sifting through a wealth of data to retrieve both the likely root cause and best-practices resolution from similar prior incidents, creating a repair plan for field technicians and even sending pertinent instruction manual excerpts to the technician's smartphone. Similarly, when a piece of equipment is defective or near the end of its lifecycle, automation combined with predictive analytics can identify the defect and notify the appropriate experts to help arrange shipment of a new part to that location before an incident occurs.

Augmented reality is also poised to play a key role in the way humans and technology interact out in the field. For instance, a field engineer who receives an IT support ticket can now download an application on their mobile phone and hold it in front of the flawed hardware. A remote human agent or cognitive program views this live, examines the problem and helps provide a corrective action plan virtually in real time, helping to reduce downtime and related costs.

How TSS help branch banks move into the future

IBM TSS suggests three initial steps you can quickly take to position you to use next-generation predictive capabilities and other new technologies to help support your branch transformation strategies.

- **OEM management:** The IBM TSS goal for the future is to be original-equipment-manufacturer (OEM) agnostic, freeing clients from having to rely on a single OEM that may not provide the best-fit solution. IBM develops its capabilities around multiple OEMs and therefore helps you choose the products that are right for you, regardless of OEM. Additionally, as a single point of contact for maintenance, TSS works with multiple OEMs, so you don't have to deal with separate contracts, service level agreements (SLAs) or varying service delivery performance.
- **Optimize ATM performance:** TSS advocates an "as a service" model, so you can expect their fleet to perform regardless of age. By integrating lifecycle maintenance, TSS evaluates the age of the equipment and recommends replacement or refurbishment as needed, helping to optimize ROI and reduce risk.

- **Reduce ATM downtime:** One of the ways TSS can best and most effectively gain availability (decreased downtime) is by incorporating a cloud-based command and control center with asset monitoring to detect and resolve problems quickly. By incorporating this solution with predictive analytics, TSS can intervene when downtime causes failures, thus helping to reduce downtime.

Why IBM?

IBM not only offers integrated maintenance support services—regardless of OEM or type of equipment—but can also manage relationships with multiple vendors. IBM can serve as a single maintenance provider for all your branch equipment, including ATMs, PCs or tablets, servers, kiosks and digital signage. And as an innovative technology company, IBM can also bring the extensive capabilities of its research and IBM Watson®-based analytics capabilities to continually enhance its maintenance services and integrate them to support your end-to-end branch transformation goals.

With a history of over 40 years of providing quality technology services around the globe, IBM can team with you to support your maintenance needs—freeing your staff to focus on providing exceptional customer experiences to help promote loyalty, enhance your reputation and attract new business.

Whether it's onsite repair, remote support or engineering, IT security or branch help desk services, IBM can promptly dispatch globally available, extensively trained engineers— who use time-tested practices and methodologies—to your branch location. Serving over 130,000 ATMs globally, TSS offers flexible service and commercial options to meet virtually every need. For more information, go to the TSS website: **www.ibm.com**/us-en/marketplace/atm-and-branch-services

Additionally, IBM Global Financing provides numerous payment options to help you acquire the technology you need to grow your business. IBM provides full lifecycle management of IT products and services, from acquisition to disposition. For more information, go to: **ibm.com**/financing

The proof is in the commitment of our maintenance staff

Luke, a member of the IBM TSS maintenance support team, has over 18 years of experience in the ATM and financial institutions industry. Here is his story.

One of IBM's banking clients was the target of a fraudulent attempt to steal card details and cash through devices placed on several ATMs in a particular location. While this was a fairly contained emergency, the situation became a crisis when negative social media publicity spread through the country, warning people to avoid their ATMs.

Luke reached out to the bank to offer assistance with problem resolution and arrived at the location with a team of engineers. The team implemented an anti-fraud solution within 24 hours through collaboration with the client, parts suppliers and IBM's engineering community. Although the hits to the ATMs themselves were relatively minor, the hits to the bank's reputation and customer satisfaction could have been catastrophic had Luke not been able to get on top of it and resolve it quickly.

The bank was impressed by how agile IBM was with its ability to respond ad hoc to an unexpected situation. What allowed IBM TSS the ability to mobilize so quickly was having the right people and skill sets already in place. Luke collaborated with everyone involved to find a solution that worked for the client, commenting, "You can't plan for every situation, but you can make sure you have the right people and knowledge to pull together to make a difference."

[1,2,3] PwC, "Retail banking 2020: the future of the retail banking industry" (http://www.pwc.com/gx/en/industries/financial-services/banking-capital-markets/banking-2020.html)

4 Based on IBM analysis of a client engagement. Individual results will vary.

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