

## BANKS AND THEIR PHYSICAL SPACE: HOW DESIGN CAN ENHANCE TRADITIONAL BANKING BRANDS

---

A qualitative analysis on how traditional banking's branch network needs to evolve to become a tool that connects with and attracts customers to build strong relationships.

**Johnson, Tammeryn T - 13019796**

*'Place and the atmosphere of the place is sometimes more influential than the product itself and in some cases the atmosphere is the primary product' (Kotler, 1974).*

**DECLARATION OF ORIGINAL WORK – I HAVE INTEGRITY FORM**

## **ACKNOWLEDGEMENTS**

I would like to acknowledge and thank my supervisor Christi Kruger for her assistance and guidance throughout the research process.

Many thanks also go to Precilla Pather, Mark Herring, Trevor Dean and Shaynne Govender for their time during the interview process, their knowledge and experience within a traditional bank and the branch space has been invaluable. I would also like to thank the Property and Premises team for supporting me with the research in this topic and allowing me to observe them for the ethnographic observation.

## **CONTENTS**

DECLARATION OF ORIGINAL WORK – I HAVE INTEGRITY FORM .....	1
ACKNOWLEDGEMENTS .....	2
LIST OF FIGURES & TABLES .....	4
ABSTRACT .....	5
KEYWORDS .....	5
CHAPTER 1: INTRODUCTION .....	6
1.0 Background of study .....	6
1.0.1 Proposed journal.....	7
1.0.2 Primary Audience.....	7
1.0.3 Secondary Audience.....	8
1.1 Background of company studied .....	8
1.2 Problem Statement .....	9
1.3 Research Questions.....	9
1.4 Research Objectives .....	10
1.5 Theoretical Framework .....	10
1.6 Significance of Studies .....	12
1.7 Scope of Study.....	13
1.8 Delimitations of study .....	13
1.9 Assumptions.....	14
1.10 Definition of Terms .....	14
CHAPTER 2: LITERATURE REVIEW .....	16
2.0 Introduction .....	16
2.1 Review of Literature.....	17
2.1.1 Traditional Banking and Non-Traditional Banking Definitions.....	17
2.1.2 The Current Financial Landscape in South Africa .....	17
2.1.3 The Multi-Channel World and How the Physical Store Fits Into it .....	19
2.1.4 Store Design: Bringing Life to ‘The Brand’ .....	21
2.1.5 The Future of the Branch .....	22
2.1.6 Internal Culture Being a Catalyst for Change and Innovation .....	23
2.2 Conclusion.....	24
2.3 Hypothesis of Study .....	26
CHAPTER 3: METHODOLOGY .....	28
3.0 Introduction .....	28

3.1 Data Collection Method .....	28
3.1.1 Primary Data .....	28
3.1.2 Secondary Data .....	30
3.2 Ethical Issues .....	31
3.3 Sampling Design .....	31
3.3.1 Sampling Location .....	31
3.4 Research Instrument.....	32
3.4.1 Semi-Structured Interview design .....	32
3.4.2 Ethnographic Report .....	32
3.5 Getting the data for analysis.....	32
3.6 Data Analysis .....	33
CHAPTER 4: DATA ANALYSIS.....	34
4.1 Demographic Profile .....	34
4.2 Thematic Analysis .....	34
4.3 Discussion.....	36
CHAPTER 5 CONCLUSION AND RECOMMENDATION .....	39
5.0 Conclusions .....	39
5.1 Recommendations for Future Research .....	40
BIBLIOGRAPHY .....	41
APPENDICES.....	45
Appendix A: Semi-Structured Interview Design.....	45
Appendix B: Ethnographic Report.....	46

## **LIST OF FIGURES & TABLES**

<i>Figure 1: Theoretical framework for an extraordinary retail experience presented by Farias, et al. (2014)</i> .....	12
--	----

Table 1: Summarising the most important constructs in achieving a great customer experience in a bank's retail branch in South Africa and how each construct influences the next.....	27
---	----

Table 2: Summarising the demographics of the interviewees who participated in the semi-structured interviews.....	34
---	----

Table 3: Illustrating how the themes identified from the theoretical framework and literature informed what codes and sub-themes were identified from the data.....	34
---	----

## **ABSTRACT**

This research report is a qualitative analysis on a how the internal culture within a traditional bank affects the branch design and what elements in the design of a branch are the most important. The analysis aims to understand what form traditional bank's branches should take in the next decade in order to become more customer-centric and create great experiences with the customer. Methods used involve a thematic analysis of various case studies on similar surveys and investigations done across the World. The results include findings which relate point to the fact that the internal culture and lack of long term vision is the main obstacle in the transformation of traditional banks. It also suggests that service customers receive in a branch is the most important aspect and branch aesthetics come secondary to branch functionality.

## **KEYWORDS**

Bank design, banking environment, customer-centricity, transformation, great customer experience, atmosphere, atmospherics, internal culture, innovation, agility, service quality, banking for needs, branch of the future.

## **CHAPTER 1: INTRODUCTION**

The following paper is organised as follows: Chapter one presents an introduction to the paper including some background on the study, targeted audiences and relevant questions are presented for analysis. Following are the crucial assumption, necessary terminology and definitions used throughout the paper. Chapter two introduces the literature review which identifies themes relating to the theoretical framework. Chapter 3 provides the methodology of the analysis conducted in this paper which prescribes which data collection methods are used and how access to the data was obtained. Chapter 4 presents the data analysis, presenting the discussions and findings. The final chapter of this paper provides conclusions and recommendations for future research.

### **1.0 Background of study**

Store design in the retail space plays an important role in a multichannel world. (Interbrand, 2012) The store design is where the brand promise, values, identity and essence come to life to create an experience which the customer can relate to. This experience is what keeps customers coming back and is what customers can identify and relate with. In the financial services industry there are many non-traditional players which pose a threat to the traditional banks (PWC, 2014). It is therefore crucial that the banking environment adapt, use technology and create branch experiences which identify with and are relevant to their customer base. To be successful for the future, traditional banks need to fundamentally rethink how their business operates and how their branch network should evolve to create authentic connections with their customers, therefore gaining competitive advantage (PWC, 2014).

Banking can be seen as a grudge purchase as people only go into a branch because they need to solve very complex financial problems, take out complex financial products or sort out a problem they are unable to sort out from the comfort of their own home, via internet banking, ATM's or over the phone (Bielski, 2004) (Accenture, 2013). Because of this consumers are already agitated and banking is not something people enjoy or look forward to spending their money on like, as with an apple product or clothing item.

### **1.0.1 Proposed journal**

'The International Journal of Bank Marketing aims to present the latest thinking, practice and research findings on issues of current or future concern to banking and financial services marketers.' (MCB University Press, Emerald, n.d.) The International Journal of Bank Marketing has a specific focus on the role of marketing within banks, how customers interact with banks as well as what the future of banking holds for the customer and bank relationships. The typical audience of this journal includes bankers and marketers across the world who seek relevant and historical information governing the financial industry, the future of banking and marketing (Emerald Insight, n.d.).

The topics this journal covers ties in with the research topic being explored in this paper, that being, 'How traditional banks need to evolve to remain relevant with the customer with the rise of increasingly customer-centric non-traditional banking competitors.' This topic is very relevant to marketers, designers and bankers. A journal which only targets one of these professions would not suffice to feature this paper and would therefore not be worthwhile publishing. The article should be published on a platform where all these parties can engage with the content. In order to meet the future of banking, all the professions need to work together and there needs to be a buy in to one vision.

### **1.0.2 Primary Audience**

The primary audiences which this paper and creative activation aims to attract are the middle managers and business unit heads. This audience was chosen because they tend to have a higher level of influence in real terms by ensuring that the leadership has a strong vision to carry the organization into the next decade. In turn, the middle managers and business unit heads are able to put pressure on the executives setting a a long term vision in place. Through this they can influence them to develop action plans since middle management are the subject matter specialists. When middle management is involved in developing the vision, they buy into it, sequentially inspiring their teams and workforce towards the vision. This successively eliminates personal agendas moving towards progression to the benefit of the organisation. In an organisation as big as the one studied the exact demographics of the people in middle-management vary substantially.

### **1.0.3 Secondary Audience**

The secondary audience consists of the people who report to middle management. This audience was chosen as they are the driving force within the bank and they have the power to start a movement and shift in mindset. This audience is the medium which will spread the message and start putting pressure on the middle management to buy into the vision. This audience is also key because they too need to change their mindsets as a lot of the success of the bank of the future depends on how customer-centric they are (PWC, 2014), therefore requiring this audience to be up skilled and trained in customer engagement.

These audiences were also chosen as the key audiences because there is no use in just changing the design of a branch. If the people behind the scenes and within the branch don't play their role in changing the way the bank operates, then anything done in the design field will be in vein. Changes may actually end up frustrating customers more, because now the branch looks nice, but the customers are still receiving the same mediocre service (Herring, 2015) (Pather, 2015) (Dean, 2015) (Govender, 2015).

### **1.1 Background of company studied**

The researcher was involved in ethnographic participant observation within the Bank being studied so the identity of the bank and the participants of the study will be protected and pseudonyms used. This bank will be referred to as 'Bank One'. It is important to note that although pseudonyms are being used the researcher cannot guarantee the anonymity of the bank being studied.

Bank One is one of South Africa's leading banks and has been in existence for over a century. It was created to provide miners and manufacturers with a means to fund and start businesses and when diamonds were discovered it has gave miners the means to sell their product overseas (SBG, 2009). All throughout history Bank One has provided people with a means to achieve their basic needs of opening a business, having a house, providing for their families and developing and growing their towns and economy. Providing people with access to achieve these basic needs is what has grown Bank One into the giant it is and taken it through a century of existence, but the financial landscape is quickly changing and for Bank One, and many other traditional banks, to exist for the next century they need to adapt and re-evaluate the directions they are going in.

The teams which were observed and who participated in the research look after Bank One's physical distribution network which involves everything from identifying branch locations, construction of new branches and restoring existing ones, to the merchandising strategies within the branch space. This team is made up of a large number of professionals who have experience in the construction, project management, architectural, business management, marketing and banking fields. This team was chosen to be observed because they need to understand both the Banks business strategies as well as the customer needs because the spaces they create and put out there are in direct line of the customer. By observing this team the researcher was able to gain a holistic understanding of the Banking industry and what role the branch plays in it.

## **1.2 Problem Statement**

A qualitative analysis on how the branch network and internal operating culture of a traditional bank should evolve to maintain relevance with the consumer as the rise of increasingly customer-centric non-traditional banks look to dominate the financial market in the South African context.

## **1.3 Research Questions**

The following questions aim to solve the problem statement and will inform the direction of the research:

- Customers are better informed due to a greater access to information, data and research and seek to form relationships with the brands they use (Teece, 2009) (Vega School of Brand Leadership, 2014). How should the distribution network of a traditional bank evolve to achieve a more personalised and memorable experience with customers?
- Traditional banks use outdated legacy operating systems that slow them down and make product innovation inflexible. The predominantly bureaucratic leadership structures which still exist inhibit decision making and reduce the speed at which these traditional banks launch new, relevant and competitive products to market (Bagley, et al., 2012) (Accenture, 2013). What is currently wrong with the way a bank operates, therefore inhibiting it from being a strong, innovative competitor against emerging non-traditional banks?
- The successful banks of 2020 will continuously innovate, be agile enough to change and adapt to customer problems and will have an optimised

distribution network which is simple and multi-functional (Accenture, 2013) (PWC, 2014). What areas within the bank need to be addressed now to ensure their success through the next decade?

#### **1.4 Research Objectives**

The first objective of this qualitative research paper would be to identify what internal culture currently exists within Bank One and how this culture is prohibiting the innovative thinking needed for banks to gain market share for the future. The second objective is to understand what role the branch would play in the future and what interaction the customers will have with the banks brand through the branch.

#### **1.5 Theoretical Framework**

Theory and theoretical frameworks in qualitative research often emerges out of the data collected and the analysis thereof. Alternatively researchers can expand on existing theories rather than testing existing theories and frameworks (Bryman, et al., 2014). This is because often qualitative data analysis involves trying to identify inherent patterns in the data rather than imposing preconceived ideas on it therefore allowing theoretical ideas to emerge out of their data. Once theories have emerged it is common for researchers to collect further data to test the theory. However, as a result of the growing maturity of qualitative research approaches, qualitative data should start to play a more important role in testing theories that may start to become apparent during the course of the research process (Bryman, et al., 2014).

Many of the theoretical frameworks which look at how atmospherics can enhance the in-store experience predominantly focus on retail settings in which people shop for pleasure (Farias, et al., 2014) (Kotler, 1974), but very few frameworks address the service aspect of in-store experience. The service received by customers when entering into a bank is the most important aspect of branch design. This is because the motivation of someone having to go to a bank can be defined as task-oriented, meaning they are shopping out of necessity to obtain needed products, services or information, therefore the customer will derive little or no inherent satisfaction from the shopping activity itself (Kaltcheva & Weitz, 2006) (Farias, et al., 2014). The theoretical framework which will be used as a background to the qualitative investigations (Bryman, et al., 2014) in this research paper is that presented by Farias, et al. (2014) and is illustrated in *Figure 1: Theoretical framework for an extraordinary retail experience presented by Farias, et al. (2014)*. This model will be

applied to the retail banking branch environment to determine which aspects presented in this model are the most important in the banking industry. This model was chosen because, unlike many other models developed around Kotler's (1974), 'Atmospherics as a marketing tool paper', this model takes into consideration the service provided to the customer.

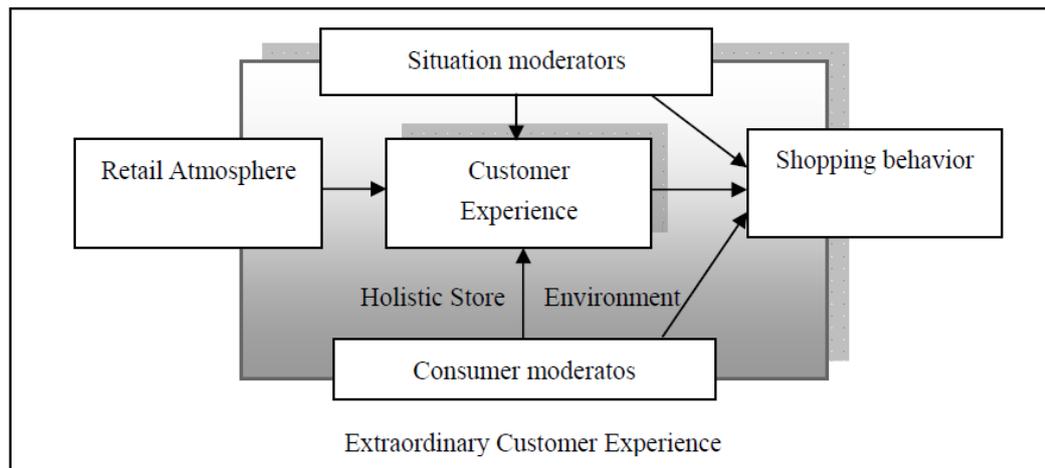
This framework looks at four main topics which influence the overall customer experience outcome: The first topic includes elements which are under the control of the retailer, such as the retail atmosphere and elements related to the customer's senses like lighting, colours and background music. This is shown in *Figure 1* as the first step in offering an extraordinary retail experience (Farias, et al., 2014).

The second topic refers to situation moderators which include store type, its location, the economic climate, convenience and time of the year which all impacts the experience as well as the shopping behaviour of the consumer (Kaltcheva & Weitz, 2006) (Farias, et al., 2014).

The third topic looks at consumer moderators relating to consumers buying processes and their goal, which is either task oriented or experiential. These moderators also impact on both the experience and the shopping behaviour of the consumer. As mentioned, task oriented motivation refers to consumers who shop out of necessity to obtain needed products, services, or information and little or no satisfaction is gained from the shopping activity itself (Kaltcheva & Weitz, 2006) (Farias, et al., 2014). Experiential motivation describes consumers who shop in order to attain satisfaction from the activity itself, therefore the consumer chooses to shop based on a 'wants' basis rather than a 'needs' basis (Farias, et al., 2014).

The fourth and last topic includes the holistic store environment. This topic is made up of the components of the retail atmosphere which are out of management's control. These components consist of social environments, such as other customers; the service interface, which includes service personal, technology offered in-store, the brand and customer experience on alternative channels such as digital and the co-creation and customisation of the store environment; and price management, including loyalty programs and promotions. Often these factors are underestimated and not entirely understood. For example, other customers in the store may create a negative or destructive effect on the shopping experience. Pricing of products is the least understood retail aspect, therefore making it the most difficult to manage (Farias, et al., 2014).

The customer experience in the centre of *Figure 1* deals with perceptible, emotional, social and physical issues which are all influenced by the above topics. The authors stress, 'that an extraordinary customer experience consists of what is memorable and that can lead to purchase behaviour' (Farias, et al., 2014). This experience is subjective and the retailer can never have complete control of it but by using this framework and meeting these constructs the customer experience can be influenced as an extraordinary experience is a holistic result of their interaction.



**Figure 1: Theoretical framework for an extraordinary retail experience presented by Farias, et al. (2014)**

Source: (Farias, et al., 2014)

### 1.6 Significance of Studies

To date there has been plenty research done within retail environments analysing how stores should be designed to build emotional and human connections between customers and the brand. These connections therefore create greater customer experiences which lead to brand loyalty. This research is focussed specifically around restaurants and retailers: clothing and technology stores, which sell tangible products and where people go to out of choice and not out of need (Czarnecki, 2013) (Grubow, 2007) (Kotler, 1974). The research currently conducted has limited focus on store design in the financial sector where the products being sold are intangible, customers don't go there by choice, but rather to fulfil a need and where customer service is of utmost importance. Due to the lack of research around creating excellent customer experience in a retail bank this research paper will add much needed value to the banking, design and marketing industries. It was observed through the research that articles are often focused only on the design, marketing or banking industries and very seldom integrate these industries resulting in one view

perspectives on store design. Another element lacking in the current research is how the internal culture of the company influences the store design customer (Roche, n.d.) (Accenture, 2013) (Bagley, et al., 2012) (PWC, 2014). For example, with a massive organisation, such as a traditional bank, there are many tedious and inflexible processes in place which limit the speed at which new ideas, designs and customer-centric solutions are approved and implemented. This internal culture and the attitudes which exist, directly affect the branch and the design thereof. This paper aims to fill the research gap between the marketing, design and banking industries as well as investigate the influence that the internal culture has on the end product, being the branch. The findings brought forward from this research paper will be crucial to the banking, marketing and design industries and will help guide their thinking in how the retail branch landscape should adapt to ensure future profits, market share and success.

### **1.7 Scope of Study**

The specific themes researched and unpacked in this paper include the relationship between customers and the retail branch now and in ten years' time; the branches relevance and role through the next decade; branch design and how the internal culture of traditional banks influence the way in which banks adapt, innovate and maintain customer-centricity. Further to this, the study will unpack which elements prescribed by the theoretical framework will be the most important when designing a branch and what needs to change internally to get to the end state.

### **1.8 Delimitations of study**

The following are closely related to this topic but won't be addressed in this paper. How the staff working in branch environments needs to be trained and up-skilled to deliver on the brand experience and customer-centricity; how the IT systems should be improved within the bank's operating models and on the customer front; how digital platforms can be improved to create a consistent, unexpected and integrated experience between virtual and tangible channels; how daily process should improve within the bank, creating better service and experience for customers; how branches should be designed around each market segment the bank serves; audience profiles will not be drawn up to illustrate the different market segments; specific marketing campaigns and how merchandising should be used in the branch; the way in which traditional banks should optimise or restructure their distribution channel and how it

should run in the future; an analysis on the regulatory and legal frameworks which banks operate within and adhere to; how HR processes can be used to improve the workspace and performance management systems, to increase productivity and company culture; this study was restricted to the head office of one large corporate banking firm in Johannesburg, South Africa and could therefore limit the generalisability of the findings; field study methods used have an inherent difficulty in controlling factors that might influence the phenomena under observation; an iterative research process won't be followed, therefore data will not be collected in order to establish in which conditions the theory will or will not hold.

## 1.9 Assumptions

The following assumptions are made in the research document and are assumed to be true in order to progress on the research subject. That all South African traditional banks have predominantly bureaucratic leadership structures and endless amounts of red tape; that all responses received in the interviews are honest and true accounts of the participants experience within the bank; banking customers still use the branch; most banking customers go to branches when they have issues; most consumers want to be in control of their shopping experience; that the sample chosen to study and interview are representative to the traditional banking industry; that the marketing world is entering into an experiential phase; that non-traditional banks are on the rise in South Africa.

## 1.10 Definition of Terms

**Atmosphere** – This term is used in marketing and design to describe the quality of the surroundings. For example, describing a restaurant as having atmosphere, which means the physical surroundings evoke pleasant feelings. In this case the word atmosphere is combined with an adjective to better describe the quality i.e. 'busy' atmosphere. Atmosphere is always present as a quality of the surrounding space (Kotler, 1974).

**Atmospherics** – A term used by Kotler (1974) to describe the conscious designing of space to create certain effects in buyers. More specifically, it is the effort to design buying environments to produce specific emotional effects in the buyer that enhance their purchase probability (Kotler, 1974).

**Branch** – Is the store or space occupied by a retailer, in this case it is the bank's point of representation and point of sale. This could be in a shopping centre or in a stand-alone building.

**Branch design** – For the purpose of this paper, branch design refers to the spatial layout and interior design of a store.

**Consumer** – One that consumes, especially one that acquires goods or services for direct use or ownership rather than for resale or use in production and manufacturing (Farlex, n.d.).

**Customer-centricity** – Creating a positive consumer experience at the point of sale and post-sale. A customer-centric approach can add value to a company by enabling it to differentiate itself from competitors who do not offer the same experience (Business Dictionary, n.d.).

**Customer experience** – The internal and subjective response customers have to any direct (planned encounters) or indirect contact (unplanned encounters) with the company. This way, one can say that customer experience construct is holistic in nature and involves the customer's cognitive, affective, emotional, social and physical response to the retailer (Farias, et al., 2014).

**Experiential marketing** – Refers to the focus on consumers' experiences in a holistic and eclectic way so that customers develop recognition of and purchase goods or services from a company or brand after they experience activities and perceive stimulations. Experiential marketing motivates customers to make faster and more positive purchasing decisions (Farias, et al., 2014).

**Experiential motivation** – Describes consumers who shop in order to attain satisfaction from the shopping activity, therefore the consumer chooses to shop based on a 'wants' basis rather than a 'needs' basis (Farias, et al., 2014).

**In-store experience** – Refers to the journey which the customer goes through when approaching, entering and navigating through the store. Elements such as service, design, product, merchandising, music, lighting and access to information all affect this journey (Farias, et al., 2014).

**Internal culture** – Is the system of shared assumptions, values, and beliefs, which governs how people behave in organisations. These shared values have a strong influence on the people in the organisation and dictate how they dress, act, and perform their jobs. Every organisation develops and maintains a unique culture,

which provides guidelines and boundaries for the behaviour of the members of the organisation (McLaughlin, n.d.).

**Retail banking** – Typical mass-market banking in which individual customers use local branches of larger commercial banks. Services offered include savings and checking accounts, financing, personal loans and debit or credit cards (Investopedia, n.d.).

**Retailer** – A business or person that sells goods to the consumer, as opposed to a wholesaler or supplier, who normally sell their goods to another business (Business Dictionary, n.d.).

**Task-oriented motivation** – Speaks to consumers who shop out of necessity to obtain needed products, services or information. This form of shopping motivation gives customers little or no inherent satisfaction from the shopping activity itself. (Kaltcheva & Weitz, 2006) (Farias, et al., 2014).

## **CHAPTER 2: LITERATURE REVIEW**

### **2.0 Introduction**

In this chapter the argument is based on the literature concerned around the problem statement and a wide variety of sub-topics relating this in order to gain a holistic understanding the research done around the future of banking and internal organisational culture. The problem statement itself speaks to how a massive traditional bank needs to adapt its branch network and internal operating models to defend its right to stay in operation and remain profitable for the next decade. This problem has arisen from the many disruptive new competitors entering into the banking market who offer better customer experience through new products and channels (Accenture, 2013) (PWC, 2014). These new market entrants symbolise a future customer-centric state of banking that today's consumers identify with more than traditional banks (Teece, 2009). Traditional banks symbolise an outdated, time consuming and expensive way of banking and, unless they adapt their branch network and internal policies to match the customer's wants and needs, they will cease to exist (Baxter & Vater, 2014) (Marous, 2014) (PWC, 2014) (Accenture, 2013).

The sub-topics which relate to the problem statement include: 'How retail design increases brand image and customer experience'; 'Branch of the future';

'Internal organisational culture and its influence on customer experience'; 'The current financial landscape in South Africa'; 'The future financial landscape – worldwide and in South Africa'; 'Traditional banking versus non-traditional banking – what these terms mean'; 'The current internal culture of a traditional bank – how this affects innovation'; and 'Red tape existing in large banks – prohibiting creativity and agility'.

## **2.1 Review of Literature**

### **2.1.1 Traditional Banking and Non-Traditional Banking Definitions**

For the purpose of this paper, traditional banks refer to the first financial intermediaries who were legally able to issue checking accounts (Econ Guru, n.d.). They are the banks who became the market leaders over the past 100 years because of their extensive branch networks (AmosWEB, n.d.) (Bagley, et al., 2012). Historically banks grew their market share depending on how extensive their branch network was (SBG, 2009) (PWC, 2014). The predominant South African traditional banks are made up of Standard Bank, ABSA, First National Bank and Nedbank. While there are also smaller niche banks such as Capitec, Investec and African Bank, they will not play a major role in this analysis.

The new disruptive competitors who are rapidly entering the financial market are referred to as non-traditional banks. This category is made up of non-bank competitors within the financial sector such as micro-lenders; social banks (peer to peer lending and financial planning via social networks); retailers (Shoprite, Checkers, Woolworths, Edgars, telecommunications companies); and direct or virtual banks (banks without any branch network; offering their services only through online, telephone and ATM banking (The Free Dictionary, n.d.)) (Bagley, et al., 2012) (Accenture, 2013). Where traditional banks grew because of their extensive branch networks, non-traditional banks will become competitive players, gaining market share, because of their brand and not their physical presence. This is due to the fact that, in order to operate as a financial service provider, these 'future' banks only need a financial license, technology and an advertising budget to build their brand without a physical presence (PWC, 2014).

### **2.1.2 The Current Financial Landscape in South Africa**

This theme forms part of the 'situation monitor' construct discussed in the theoretical framework. By researching this theme, the following research questions will be

addressed, 'What is currently wrong with the way the bank operates?' and, 'What areas should banks address now, ensuring their success through the next decade?' By understanding the current financial landscape in South Africa one is able to gauge what customers expect from their bank, how the banking is positioned within the economy and what rules and regulations govern and restrict these banks. Therefore, by understanding this, one knows what can and can't change in the bank's operating model and what the customer expects from their bank. This information will assist in attaining the requirements needed to create great banking experiences and what the bank needs to focus on ensuring their success for the next decade.

Worldwide research about what the customer expects from their banks point to the fact that the consumer is expecting more; they are putting a lot of pressure on the banks to become more customer-centric and are starting to question the pricing structures of their traditional banks (PWC, 2014) (Accenture, 2013).

Traditional banks have many more governing bodies and regulatory frameworks, such as Basel III<sup>1</sup>, which they need to adhere to in comparison with their non-traditional competitors. Their regulatory costs are therefore a lot higher than non-traditional banks and each time new regulations are introduced their regulatory costs increase. This has a direct impact on how traditional banks price their products and services, limiting how competitively they can price their services compared to non-traditional banks who can offer customers lower fee and product structures (Bagley, et al., 2012) (Anderson, et al., March 2011).

In a recent report published by PWC, 'Retail Banking 2020: Revolution or Evolution?' (2014), 560 financial executives were interviewed from around the World. They found that the dominant non-traditional financial services players are leading the markets with their customer-centric innovation (PWC, 2014). This trend has opened consumer's eyes as to what they can expect from traditional financial institutions and have started putting pressure on these institutions to provide the same customer centricity as the non-traditional market leaders (Bagley, et al., 2012). The PWC report also found that most traditional banks all over the World view attracting new customers as one of the greatest challenges that banks face and, in

---

<sup>1</sup> Basel III forms part of a comprehensive global regulatory framework on the capital adequacy of banks, offering reforming measures developed by the Basel Committee. It is completely voluntary measure of bank supervision in order to strengthen regulation, supervision and risk management to enhance transparency and accountability of banks (Bank for International Settlements, n.d.)

order to succeed in the future, these financial players will have to develop the most customer-centric models in all areas of their business, right from their products, fee structures, brand identity and overall customer experience (PWC, 2014) (Baxter & Vater, 2014). One of the greatest findings which all research is pointing to is that branding and marketing will become more important than ever before, in allowing traditional banks to focus more around their customers and not so much around their products and channels (PWC, 2014) (Kotler, 1974) (Leone, 2008) (Khan, 2014) (Baxter & Vater, 2014).

With the non-traditional banks having a clear advantage over the traditional banking institutions, the research has identified two views as to how traditional banks perceive this new competition. Developed countries tend to view these new entrants as direct threats which aim to steal much of the traditional banks market share while, in developing countries, traditional banks view the new entrants as providing an opportunity for partnerships (PWC, 2014) (Bagley, et al., 2012).

### **2.1.3 The Multi-Channel World and How the Physical Store Fits Into it**

This theme fall under the 'Holistic Store Environment' construct as it is concerned around providing a consistent customer experience on all platforms in the multi-channel world. The theme also touches on the 'Consumer Moderators' construct as it unpacks why people go to the branch and what they want out of that experience. It looks to answer the research question, 'How should the distribution network of traditional banks evolve to achieve a more personalised and memorable experience with their customers?'

A major theme which is carried out in many of the articles is the realisation that there has to be consistency between the various multi-channel platforms that consumers use to engage with brands and that all of these platforms need to be as customer-centric as possible (Interbrand, 2012) (Bielski, 2004) (PWC, 2014) (Teece, 2009). The platforms referred to in the multi-channel banking world are made up of online banking; the physical branch; telephone banking; mobile banking, which has been found to be very important and predominant in the South African market (Bagley, et al., 2012); and ATM's. While many customers are moving to self-service channels such as internet, mobile and telephone platforms, especially in the banking industry, it is noted that the physical store still plays a crucial role in the success of a brand (Interbrand, 2012) (Bagley, et al., 2012) (Leone, 2008). This is because there

is still a great need for human interaction and the physical space allows the customer to experience the brand three dimensionally, engaging all their senses and developing tangible memories and experiences with the brand which they can identify with. This is something you can't get from only an internet based presence (Interbrand, 2012) (Leone, 2008) (Kotler, 1974). The traditional South African banks still have a very strong brand positioning and a high degree of trust amongst consumers. This is largely due to their branch networks, as the bricks and mortar branch creates a perception of trust and security because customers often see bricks and mortar as a sign of stability, credibility and longevity (Bagley, et al., 2012). This existing perception of the traditional banks is a strength they have over non-traditional banks.

Even though the bricks and mortar store is still relevant, the current form these branches take is very irrelevant in terms of what it offers the consumers (Roche, n.d.) (Marous, 2014). In the PWC (2014) report a unanimous feeling was that, 'attracting new customers in the traditional banking market would be their greatest challenge' (PWC, 2014). The banking executives also understood that they need to deepen their customer relationships and enhance customer service in order to attract new customers (PWC, 2014) as the consumer of today expects more convenience, accessibility, personalisation and reliability across all banking channels (Mulvena, 2013) (Bagley, et al., 2012) (McKinsey & Company, 2012). This reinforces the point that banks should provide a seamless and personalised experience across all their channels (Mulvena, 2013) (Interbrand, 2012). The physical store is one of the channels which has the possibility to make the greatest impact with regards to the above. Ideas about how the branch should adapt include simplifying the distribution network, therefore not having full branch functionality at all branches, and having the branch double up as an environment where the customers can do more than their banking, almost becoming more of a lifestyle centre, therefore identifying with the target market in each area and providing an offering and experience the market can relate to (PWC, 2014) (Bagley, et al., 2012) (Flight, 2005). A brand which successfully engages all the senses of their customer is able to create memorable experiences which customers relate to and will therefore come back to relive these experiences (Booth, 2006) (Kotler, 1974) (Farias, et al., 2014). In making all channels more customer-centric, banks have the chance of gaining a better return

on their investment in transforming their branches and will therefore increase profitability (Bagley, et al., 2012).

#### **2.1.4 Store Design: Bringing Life to 'The Brand'**

The theme of store design relates to the construct of 'Retail Atmosphere' in the theoretical framework as it investigates the atmosphere of a retail store and how this relates to the customer's senses. It also relates to the 'Holistic Store Environment' construct of the theoretical framework as this theme unpacks the service interface and technology offered in the store. Understanding store design also aims to answer the research questions, 'How should the distribution network of traditional banks evolve to achieve a more personalised and memorable experience with their customers?' as it unpacks the theories behind atmosphere, the customer journey when entering into the bank and what they experience.

'Place and the atmosphere of the place is sometimes more influential than the product itself and in some cases the atmosphere is the primary product' (Kotler, 1974). It is important to note that, within the research conducted around store design, branding and the banking industry, there has been many research articles written about creating better customer experiences within a branch but there is no link in this research as to how these experiences can bring life to the brand (Mount, 2004) (Bielski, 2004) (Mulvena, 2013) (Relph-Knight, 2007). The research also goes on to say that design cannot bring life to the brand alone and it depends on various other factors such as merchandising, people employed in branches and technology used (PWC, 2014) (Khan, 2014) (Baxter & Vater, 2014) (Bielski, 2004) (McKinsey & Company, 2012). Since customers mainly come into a bank because they have an issue which cannot be resolved by using a self-service channel, they are already frustrated (Bielski, 2004). Due to this aggravation before customers even step foot into the branch, it is crucial that the employees not aggravate the customer more. They should rather turn this aggravation and irritation into a positive experience (Alvarez & Gilsdorf, 2007). The people component is crucial to a branch's success, therefore the training and up skilling of the employees serving the customers is a fundamental factor of success (Baxter & Vater, 2014) (Bielski, 2004).

'The spatial aesthetics of a place in marketing is as important as price, advertising, personal selling and public relations. Atmospheric is the effort to design buying environments which produce specific emotional effects in the consumer

therefore enhancing their purchase probability' (Kotler, 1974). As Kotler said, in 1974 already, atmospherics is critical to creating customer loyalty as consumers are looking for great and memorable experiences they can identify with and which will keep them coming back (Kotler, 1974) (Roche, n.d.) (Leone, 2008). One main theme discovered through the research is how a branch can be seen as the packaging which houses the intangible financial product (Farias, et al., 2014) and the doorways and entrances into these environments should entice people to come in and have an experience to remember (Flight, 2005). To achieve this enticement and memorable experience the branch design, functionality and marketing content needs to reflect that target audience of the specific area so that it encourages interaction with the community (Flight, 2005) (PWC, 2014). To get this right, both the marketer and designer need a clear understanding of and insights into the different market segments of the bank, ensuring information displayed and the initial enticement is relevant to each market (Khan, 2014) (Bielski, 2004). By understanding the various market segments, designers and marketers are able to create personalised, unexpected, exceptional experiences at each point in the branch (Flight, 2005). By applying the above, traditional banks are able to create customer-centric branch design which makes the customer feel that they are more than just a number, much like how the non-traditional banks make their customers feel (Bagley, et al., 2012).

### **2.1.5 The Future of the Branch**

The future of the branch theme explores how the distribution network of the branch should adapt to become more cost efficient, therefore it seeks to answer the research question, 'How should the distribution network of traditional banks evolve to achieve a more personalised and memorable experience with their customers?' and 'What will make traditional banks successful through the next decade?' as this theme also unpack the multi-functionality of a branch. The future of the branch theme falls under the 'Situation Moderator' construct in the theoretical framework because it looks at the store type, location and convenience in terms of a hub and spoke model.

The extensive branch networks traditional banks have is a high-cost operation where good cost efficiencies are hard to achieve (Bagley, et al., 2012). The research emphasises the fact that branches will remain, but they need to become dramatically more productive in order to deliver a higher return on investment (PWC, 2014). Even though these traditional banks will take the form of a more direct bank, focusing

mainly on online servicing, the branches will still remain as the need for human touch to service more complex portfolios will always be there (PWC, 2014) (Bagley, et al., 2012) (Interbrand, 2012). The various articles, studies and reports done by WITS Business school, PWC and Accenture suggest that the branch network should adopt a hub and spoke model where hubs are your information, full banking service nodes usually in city centres with the spokes surrounding them as the self-service, digital points of representations (Accenture, 2013) (PWC, 2014) (Bagley, et al., 2012). The hubs or flagship stores are suggested to become places which drive engagement loyalty and sales with customers. These stores would also transform to be places where seminars and events, with drinks and snacks, are held to discuss business topics relevant to intrapreneurs therefore connecting people. The spoke branches is suggested to take on more of a community centre form offering community outreach in the form of financial education and wealth management advice (PWC, 2014) (The Financial Brand, 2013).

#### **2.1.6 Internal Culture Being a Catalyst for Change and Innovation**

Internal culture addresses the research question of, 'What is currently wrong with the way the bank operated, therefore inhibiting it from being a strong, innovative competitor against emerging, non-traditional banks?' because it touches on the outdated legacy systems and bureaucratic leadership structures still in operation in most traditional banks. The two theoretical framework constructs this theme falls under is the 'Holistic Store Environment' because it touches on the service aspect of the branch and 'Retail Atmosphere' because it looks at what influence the internal culture has on the retail atmosphere.

A lot of traditional banks' success depends on how customer-centricity is integrated into everything they do and the internal operating culture of these banks play a crucial role in achieving this (Accenture, 2013) (PWC, 2014) (Bagley, et al., 2012) (Bushnell & Stone, 2013). Since there has been no reason for traditional banks to transform themselves until now, there are no major success stories of banks that have pulled this off, although banks have started putting measures in place to start creating an intrapreneur culture which fosters a 'Startup' mentality (Forbes, 2011) (Lunn, 2015).

The internal operating culture needs to evolve so that employees become intrapreneurs whose main drive is to change the existing organisation and introduce

innovation (Mihaescu, 2015) (Lunn, 2015). In creating a culture of innovation in organisations the research advises companies develop a greater appetite for risk and failure. When there is no appetite for failure employees become scared of failing and they will never come up with ground-breaking solutions that will ultimately give the company a competitive edge (Bushnell & Stone, 2013). Another key element of changing the internal culture is to diversify the people working within the company. It is very important that the employees have a large scope of hobbies and interests in order to create diversification which fosters good ideas (Bushnell & Stone, 2013) (Forbes, 2011). The last key characteristic of creating an innovation culture within an organisation is the generation of ideas and sharing them (Forbes, 2011) (Mihaescu, 2015). No longer can real disruptive ideas be achieved in isolation, ideas need to be shared so that a team can be put together to test, prototype and implement them (Vega School of Brand Leadership, 2014). The sharing of ideas links back to the point of creating diverse teams because often, new ideas need a variety of multi-skilled people to get it off the ground and to market (Forbes, 2011) (Bushnell & Stone, 2013).

Another area within traditional bank's internal operating model which needs to be seriously addressed is the presence of their outdated legacy IT systems (Flinders, 2014) (Bagley, et al., 2012). These legacy systems are slow and cumbersome and they provide new upcoming competitors with a huge advantage. All the competitors need to get ahead is the latest technology which makes it easier and quicker to innovate and develop more customer-centric product offerings (ZAFIN, n.d.) (Bagley, et al., 2012). Traditional banks can learn a lot from retail and telecommunications companies as they already have a well-established customer base with integrated relationship management systems. This gives them a greater opportunity to come into the market with innovative disruptive products and distribution channels compared to traditional banks (Bagley, et al., 2012) (Flinders, 2014).

## **2.2 Conclusion**

The retail banking environment is being transformed with the increase of multi-channel operations which are designed to offer a variety of retail experiences for consumers to choose from. Due to this an 'experience economy' is emerging and it's seen that retailers are redefining themselves as a source of memories, rather than goods, as an "experience stager" rather than a service provider (Pine & Gilmore,

1998). It is seen that traditional retail segments are transforming into 'retail interactive theatres' which are multi-functional and staffed to offer advice, cooking lessons, beauty makeovers and fashion shows (Farias, et al., 2014). The banking segment is fast losing traction in the retail space and needs to start gearing their branches up to become more advisory retail hubs which create great experiences.

The themes prescribed above will be the main focus of the research and issues such as how the staff should be up skilled, how the IT systems should change and an in depth analysis on the various market segments serviced by the bank won't be looked at in this paper because these issues require more in depth research. Therefore by focusing on the themes presented, the researcher is able to delve deeper into these topics and solve the problem statement and research questions.

This research paper follows an exploratory case study design because the preliminary research, discussed in the literature review, was done in advance of the in-depth interviews and ethnographic studies, therefore allowing the researcher to map out themes identified from previous studies, journals and reposts for the subsequent research. The theoretical framework prescribed by Farais, et al., (2014) will be used as a background to the qualitative investigations and an inductive approach is followed because this theoretical framework was the outcome of the research (Bryman, et al., 2014). If a theoretical framework was prescribed to the research before the themes identified, then no findings would have emerged around the relationship between the internal operating culture and retail atmosphere and the service aspect within the branch, being a crucial part of customer experience (Bryman, et al., 2014). A case study design was chosen because the primary objective from using previous studies, surveys, reports and journals was to conduct a theoretical analysis of this data, identify worldwide themes and ascertain if they applied in the South African banking context (Bryman, et al., 2014). A single case was not studied but rather a multiple case study analysis was carried out, therefore allowing the researcher to contrast the findings from different cases to consider what is unique and common. This allowed the researcher to reflect on theories emerging from findings ensuring that the theoretical framework selected was relevant and could assist in explaining some observed regularities of the natural world (Bryman, et al., 2014).

The rest of the paper follows an inductive theory position which involves qualitative interviewing and observation with a specific focus on the relationship

between theory and research. Since the theory was informed by the research, generalisable inferences will be drawn out of research and the theory will be used to provide internal validity and credibility to the research. Therefore looking at whether or not there is a good match between the researchers observations and the theoretical ideas prescribed in the framework (Bryman, et al., 2014).

The epistemological approach speaks to what is regarded as acceptable knowledge in a discipline. The approach used in this paper will be interpretivist because the study is focused on the social world and aims to reflect the distinctiveness of the humans in it through customer-centricity, the employees within the bank and how this informs the bank of the next decade (Bryman, et al., 2014). The paper will seek to understand what the meanings of the above themes and concepts, identified in the literature review, are from the perspective of the people which were observed during the ethnographic study (Bryman, et al., 2014). By playing a participant researcher role in the ethnographic study, the researcher acknowledges that their own preconceptions could influence the research but due to the interpretivist epistemological approach taken this cannot be ignored but rather the researcher is aware of it and won't let their own preconceptions influence research. Therefore by understanding the participant's point of view and way of thinking, one can understand their actions and why they behave the way they do in certain areas (Bryman, et al., 2014). As an interpretivist researcher an inductive approach at the third level of interpretation was used in the analysis of the literature, therefore interpreting someone else's interpretation of a similar case study conducted (Bryman, et al., 2014).

### **2.3 Hypothesis of Study**

The following hypothesis has emerged out of the insights gained from previous research, case studies and theories and is displayed graphically in *Table 1* below (Bryman, et al., 2014).

Within the design of a bank's retail branch each construct outlined in the theoretical framework needs to be considered and holistically implemented to achieve great customer experience, therefore one cannot only focus on one of the constructs. This being said, the most important sub-factors under these constructs, in a banking environment in South Africa, are store type (hub and spoke model), convenience, understanding the task-orientated nature of why customers enter into

the branch and, above all, the service quality. Although, in order to get the service quality right, the internal culture of the bank needs to be addresses, therefore making this the most important factor in branch design. The retail atmosphere and elements relating to the customers senses are the least important in a bank’s retail branch design.

<b>Constructs which affect the overall customer experience; in order of importance</b>	<b>Reason for importance</b>	<b>If the construct contributes positively to the customer experience, then what else will it influence?</b>
Internal operating culture	If this is not correct & the company has no vision then the service offering to the customer will always be lacking	Holistic store environment; although the store environment wont influence the internal culture. Situation moderators because the distribution model a bank follows influences the store type and location
Holistic store environment	Specifically referring to the service quality as this is the most important factor for customers in a branch	Customer moderators because the design will be geared to meet their task-orientated needs
Consumer moderators	By understanding why your customer is in the branch, the design and atmosphere can be informed by this	Holistic store environment because this informs the level of service required, what technology is offered and what price to position products at
Situation moderators	Placement of the branches is important to assist in convenience and the economic climate informs the distribution network of the branks points of sale	Consumer moderators because the type of store and location should be geared around the customer’s need for entering a branch
Retail atmosphere	If the service, convenience and internal operating systems aren’t correct then anything done for aesthetics will be in vein as customers don’t look for this in their bank	Consumer moderators because if it is done to benefit why the customer is in the branch then it has a positive impact. Holistic store environment to create a consistent brand experience

**Table 1: Summarising the most important constructs in achieving a great customer experience in a bank’s retail branch in South Africa and how each construct influences the next.**

## **CHAPTER 3: METHODOLOGY**

### **3.0 Introduction**

A qualitative research approach will be used in order to gather and assess information relating to the research problem and questions. A qualitative research approach emphasises words rather than data quantification and focuses on understanding the relationship between theory and research. (Bryman, et al., 2014) The qualitative research design used in this study will be ethnographic which focuses on studying human interaction through immersion, direct participation and observation within the area of study (Bryman, et al., 2014). Within the ethnographic research a case study research design will be used which involves an intensive study by ethnography and qualitative interviewing of a single case, being the bank organisation and a specific group of employees within this organisation (Bryman, et al., 2014). The 'community' being observed and participated within this ethnographic research will be the internal community of one of the top four South African banks. The research methods which will be used in this design consist of semi-structured interviews of industry experts; internet based desktop research of case studies, surveys, journal articles and published papers; and ethnographic observation of the internal working environment of one particular traditional South African bank.

### **3.1 Data Collection Method**

#### **3.1.1 Primary Data**

One hour long semi-structured qualitative interviews will be used to evaluate what four industry experts think the future of banking will look like and what the role branches will take in this future. This method was chosen because the researcher had a fairly clear focus on what themes and issues needed to be discussed based on the pilot study, ethnographic observations and the research of previous literature (Bryman, et al., 2014). In semi-structured interviews the interviewer has a series of questions which are used to guide interviewees on specific themes or issues and the interviewer is able to vary the sequence of questions. The questions asked have quite a broad focus which provides the interviewer with some freedom to ask further questions, following up on significant replies. The initial ideas are formulated more broadly and there is a greater interest in the interviewee's point of view. The main aim of semi-structured qualitative interviews is to get rich, detailed answers and the interviewer uses a set of prompts to deal with the range of topics (Bryman, et al.,

2014). The interviewees will be made up of banking experts who work within Bank One. They were selected based on their interest to this specific topic and are made up of the following. Three senior managers who work in the bank's branch distribution space, one specifically on the execution (construction) front, another on the distribution strategy side and the last is focused on the regulations involved with branches and banking and one senior manager who runs Bank One's merchandising and retail strategy. These interviews were recorded, transcribed and then evaluated against the secondary desktop research and the theoretical framework.

The ethnographic research was done on a daily basis over a period of four months. Field notes were taken as soon as possible based on observations, interactions and conversations. These notes are detailed summaries of the events and behaviour and the researcher's initial reflections on them. Conversational interviewing was also used and consists of a series of broken and incomplete conversations that, when written up, may be tied together as one statement. The success of ethnographic research depends on how wide the range of individuals observed and interviewed is as the wider the range, the more perspectives the researcher gains (Bryman, et al., 2014). Participant observation research will also be used because the researcher has been immersed in the setting being observed for a relatively prolonged period, of about ten months, as the researcher is employed by the organisation researched. The researcher does acknowledge the risk that they may become very used to the environment being observed and therefore won't be able to recognise the tacit, underlying cultural rules at work. The researcher however strives to be impartial and acknowledges the possible risk of bias (Bryman, et al., 2014). Participant observation will look at the behaviour of the members within the setting obtaining insights into how the environment influences their behaviour. (Bryman, et al., 2014). The ethnographic report will be presented in the form of realist tales meaning that it is a definitive, confident and dispassionate third-person account of the internal culture and behaviour of the members in that culture (Bryman, et al., 2014). There will be a specific focus on the branch department, and what effect this culture has on developing branch environments which are customer-centric and which relate to the market segment more than the one-size fits all solutions currently used. The researcher will take a non-bias approach to the entries and only provide the exact information as to what happens within this area of the bank. A full-scale ethnographic study cannot be conducted because it involves

spending a considerable amount of time in an organisational setting so the prescribed time periods given doesn't allow for that (Bryman, et al., 2014). Although the researcher mostly played a total participant role and was completely involved in the day to day situations, a researcher participant role was maintained when the semi-structured and conversational interviews were conducted; therefore the researcher could function fully as a researcher. It is important to take on different roles as the time progresses because adopting a single role could result in a lack of flexibility in handling people and situations and there is a greater risk being too involved (Bryman, et al., 2014).

### **3.1.2 Secondary Data**

The secondary research which will be conducted involves analysing existing quantitative and qualitative datasets which have been collected by other researches (Bryman, et al., 2014). Internet based desktop research will be carried out by evaluating research already done on similar research topics. This will be done in order to find common research themes which the semi-structured interviews and the ethnographic findings can be benchmarked against. This desktop research will assist in providing reliability and validity to the findings received through the other research forms. Since the banking industry doesn't have many case studies on how a bank has transformed their branch and internal culture, case studies in the tech industry will be evaluated and commonalities will be applied to the banking sector. The secondary data collection will be used in combination with the primary data collection (semi-structured interviews and ethnographic research) so that there is a comparative element which is incorporated into the research design. Advantages of using secondary research are the cost and time saving factors of collecting high-quality data which samples a larger scale of respondents and often the sampling procedures are rigorous. Using secondary research methods allows cross-cultural comparison on how South African Banks compare to the rest of the World's standards, trends and findings. The research within journals and published reports are also carried out by experienced researches that have procedures to check the quality of the emerging data and reliability will be maintained provided the definitions which vary over time will be discussed and brought to light, ensuring all definitions are explained to ensure they are comparable (Bryman, et al., 2014).

## **3.2 Ethical Issues**

Ethical issues faced include the gathering and sharing of internal bank information as a lot of the research will be done internally. Ways in which this can be handled is by using pseudonyms for the bank being studied and for the employees being observed, although anonymity cannot be guaranteed. It was also made clear that the information gathered through interviews is for an honours research project and will be used only for the purpose of developing a research paper and presentation for the Vega panel of lecturers. The interviewees have also been made aware that they may remain anonyms and may retract any information at any point of time if they see fit. If the interviewee chooses to exercise this option then any information shared between the interviewer and interviewee will be discarded.

## **3.3 Sampling Design**

The sampling design for the semi-structured qualitative interviews was a convenience one as a result of the restrictions placed on researcher (Bryman, et al., 2014). These restrictions were defined by the fact that the study was limited to one of the top four traditional banks in South Africa and was further narrowed down to only include the Johannesburg head office. Another restriction was the time frame which the study needed to be conducted in therefore limiting the possibility to study another one of the top four South African banks. The decision for sampling was also narrowed down to only interview people who are in direct contact with the branch space and who have many years of experience in Bank One. This is because the study very specifically looks at the branch and people with more experience in one place will be able to give a holistic view on what has happened over the past 30 years in Bank One.

The sampling design used for the ethnographic participant observation involves a combination of convenience and snowball design (Bryman, et al., 2014). The convenience aspect is discussed in the previous paragraph and the snowball design involved gaining access to certain departments and groups through the interactions and conversations had from the initial participants.

### **3.3.1 Sampling Location**

The sample group for both the interviews and ethnographic study is based in Johannesburg CBD, South Africa. They operate from the Head Offices of Bank One

and are in the department called Property and Premises. The exact address cannot be stated due to the ethical issues stated in the ethics section of this chapter.

### **3.4 Research Instrument**

#### **3.4.1 Semi-Structured Interview design**

The instrument used to conduct the interviews was a semi-structured questionnaire which was designed to cover specific themes identified from the literature view. The questions also aimed to highlight certain observations which were made prior to the interviews via participant observation. One such question was, 'Often ideas and innovative solutions get stuck at middle management level, do you agree or disagree with this statement and why?' This was an observation which had to be validated by the participants to ensure that what was observed during the ethnographic studies was interpreted and reported on correctly by the researcher (Bryman, et al., 2014). Please refer to Appendix A for an example of the Interview questions.

#### **3.4.2 Ethnographic Report**

The research instrument used for the ethnographic studies was made up by a series of field notes which were descriptive to the situation being observed. These notes were made up of mental, jotted and full field notes which were then written up as a discussion document where the researcher is written out of it. The specific focus for the researcher when taking down the notes revolved around what limits employees in innovating and what limits the banks in becoming agile and taking a more customer-centric stance.

### **3.5 Getting the data for analysis**

Access into Bank One was not an issue as the researcher was employed in a working role for the duration of the study. The researcher discussed with their management the aim of the project and what information they would be looking for in particular. The management was extremely co-operative and had no issues around what data I gathered as long as the anonymity was maintained. The most challenging part of attaining the data was finding time in the senior manager's diaries for the interviews as they are booked up weeks and sometimes months ahead. Careful planning was used to ensure that the interviews were done on time, but it did limit the opportunity to have follow-up interviews. Due to this the researcher made

great use of conversational interviewing whenever there was an opportunity. Fortunately there were no non-response issues when requesting interviews and all participants were happy to answer all the questions asked in the semi-structured interviews. This was due to the good relationship the researcher had built with their colleagues in the time spent in the department. Having such good relationship with participants also assisted the researcher to understand the world and organisation through their eyes and to understand what the concepts and themes identified in the literature review means to them.

### **3.6 Data Analysis**

Thematic analysis was the chosen method to analyse the data. Thematic analysis is common in qualitative design and is a flexible method which is not tied down to any philosophical orientation. The goal of the thematic analysis conducted was to identify, analyse and describe themes which were found across the data set (Bryman, et al., 2014). The themes identified act as the codes which inform what needs to be identified during the data analysis. This therefore calls on the informed judgment of the researcher to determine what 'counts' as a theme and the relative importance thereof. The themes were chosen on how much it relates to and captures the research problem and questions. The thematic analysis was inductive, therefore developing the themes directly from the data, without trying to fit it to a preconceptualised theoretical framework (Bryman, et al., 2014).

The process followed when conducting the thematic analysis involves six-phases. Phase one includes becoming familiar with and transcribing the data and initial ideas and key concepts are recorded. Phase two involves generating the initial codes of the interesting data. This should be a systematic process which marks all data relevant to the identified codes. The third phase entails collating the codes under the relevant themes. The themes are then reviewed as part of phase four to ensure that the themes and coded extracts work with one another and a thematic summary is generated from the analysis. An ongoing analysis of the data will continue and in phase five the themes will be defined and specifics relating to the theme should be refined to develop clear definitions and names for each theme. The last phase involves producing a report which focuses on vivid and compelling extracts and examples from the research. This report will link back to the research questions, literature and theoretical framework (Bryman, et al., 2014)

## CHAPTER 4: DATA ANALYSIS

### 4.1 Demographic Profile

Interviewee	Job Title	Years' Experience in Bank One	Age Group
Precilla Pather	Head of Property & Premises	41yrs	50-60
Mark Herring	Head of Premises Construction	30yrs	50-60
Trevor Dean	Head of Architecture, Cost Control and Regulations	7yrs	40-50
Shaynne Govender	Head of Retail Merchandising Strategy	3yrs	30-40

**Table 2: Summarising the demographics of the interviewees who participated in the semi-structured interviews.**

### 4.2 Thematic Analysis

As mentioned previously the themes were identified from the secondary research and theoretical framework. These themes then determined which codes were important when analysis the primary research. Table 3 below table summarises this process and the outcomes thereof.

**Table 3: Illustrating how the themes identified from the theoretical framework and literature informed what codes and sub-themes were identified from the data**

Organising themes	Basic Themes	Codes / sub-themes
Internal Culture	Internal culture as a catalyst for change and innovation – How the internal culture affects the way customers experience the store	<p>Minds of people need to change, cannot evolve with current staff</p> <p>Multi-skilled</p> <p>It's an evolution of people &amp; bank</p> <p>Hiring &amp; performance management processes = agile</p> <p>Lack of vision, it changes too often, it needs business continuity and to be long term, staff &amp; management must believe in it, vision provides agility &amp; needs to be strong</p> <p>Leadership needs to be strong &amp; not afraid &amp; drive change &amp; innovation</p> <p>Innovation is in pockets</p> <p>Key areas need to me agile than others</p> <p>Everyone wants their say in management</p> <p>Solutions / products are watered down</p> <p>Reliability creates customer loyalty</p> <p>People don't live the values</p> <p>Expertise is key</p>
Holistic Store Environment	<p>Store design: bringing life to 'the brand' – Service and technology offered in store</p> <p>The multi-channel world and how the physical store fits into it – Providing a</p>	<p>Branch to be an education channel, take customer on digital journey</p> <p>Banking provides people with needs &amp; it's all about service</p> <p>Banking products to be tailored to customer needs</p> <p>No appetite to diversify branch – need to get banking right 1<sup>st</sup></p> <p>Need integrated customer experiences</p>

	<p>consistent experience on all channels in a multi-channel world</p> <p>Internal culture being a catalyst for change and innovation – How the internal culture affect the way stores are designed</p>	<p>Good experience = great service quality</p> <p>Offering in branch should be more impulsive geared</p>
Consumer Moderators	<p>The multi-channel world and how the physical store fits into it – why customers go to the branch and what they want to get out of the experience</p>	<p>Personalised channels</p> <p>Consumers want advice, good service for their bank fees, digital and product education, privacy,</p> <p>Customer's basic needs don't change</p> <p>Banking is a need</p> <p>Customer given what they want, not what the bank wants</p> <p>Banking will be more impulsive</p>
Situation Moderators	<p>The current financial landscape in South Africa – How this affects store types, locations, convenience and what customers are expecting from the bank</p>	<p>Banks are built on tradition &amp; the human factor – stay true to it, this is very comforting</p> <p>Physical space builds trust that not going anywhere = important in banking</p> <p>Customers want to identify with banks (packaging)</p> <p>Understand target audience</p> <p>Solid, sound principals &amp; basic needs</p> <p>Banks suffice a need, helping people</p> <p>People come to bank because it is solid</p> <p>Position / location of banks = more strategic, less standalone &amp; more mall applications, high foot flow</p> <p>Hub &amp; spoke model</p>
Retail Atmosphere	<p>Internal culture as a catalyst for change and innovation – How the internal culture affects the way customers experience the store</p> <p>Store design: bringing life to 'the brand' – looking at how the atmosphere can link to the customers senses and expectations</p>	<p>Human element is important = reinforcement, advice, convincing of products</p> <p>Branch design in 90% functional &amp; 10% aesthetic, needs to be tailor made to suit customer &amp; more cost effective</p> <p>Branch experience will change</p> <p>Branch functionality will change – technology will consume most of it hence smaller &amp; more agile branches, will still hold cash for next decade</p> <p>Banking = emotional experience</p> <p>Branch will be education platform, retail advisory hub, place to resolve problems</p> <p>One size fits all doesn't work</p> <p>Form follows function</p> <p>Privacy pods are important</p> <p>Plain, played down lounge environment = I-store, coffee shop combo, mixture of serious &amp; fun</p> <p>Branch = space to communicate solid grounding &amp; belief systems to customer, will create customer loyalty</p> <p>Design = comfort &amp; safe; speak to bank's legacy = values, sustainable, cost effective, safe, nurturing, caring</p> <p>Reception is the most NB area</p>

The above table demonstrates the process of using the themes identified in the theoretical framework to determine which elements from the interviews and ethnographic research are the most important.

### 4.3 Discussion

As discussed previously the research suggests that the internal culture of an organisation is the most important, overarching theme which impacts how a retail bank's branches are designed. This is due to the fact that if the internal culture, processes, IT and operating models are not geared for customer-centricity on the back end, then the branch cannot have the high service quality needed to provide customers with good experiences. The ethnographic report in Appendix B provides detailed accounts of how the internal culture directly affects progress of branch design. The internal culture is not depicted in the chosen theoretical framework and it is suggested that this construct should be added in order to bridge the gap and disconnect between the customer experience and the brand. In researching this construct the research questions, 'What is currently wrong with the way the bank operates, therefore inhibiting it from being a strong, innovative competitor against emerging, non-traditional banks?' and, 'What is currently wrong with the way the bank operates?' was addressed. It was found that what inhibits the bank the most is the lack of long term vision and the buy in to that vision from all levels in the bank. The bank's values are not carried out or 'felt' at all levels of the organisation, therefore decisions are made for personal gain rather than for the benefit of the organisation. It was found that this is changing in pockets in the bank, especially in the newly formed departments, but what is lacking is the vision to tie everything together.

It was found that the holistic store environment is the most important construct when it comes to the physical store because of the importance of the quality of service within the branch. Service quality is the most predominant sub-theme within this construct and it was found that, no matter how well a store atmosphere is taken care of and thought about, if the quality of service isn't there great then the customer won't have a good experience in store or with the brand. The quality of service refers to how quickly a customer's queries get solved, the quality of information and advice received from consultants and not having to wait in many lines for long periods of time to solve one query. The service quality can also extend into the technology

offered in the branch. As soon as consultants are able to educate customers on how to use different technological platforms for their banking, the less trivial queries will need to be resolved and the branch can start transforming into a smaller more agile environment. The last critical finding around the service within a branch is that consultants need to be multi-skilled in order to provide customers with advice rather than just sell them products. The products should be tailored around the customer and the consultant should be able to offer them products which will affect their lives in a positive way rather than the customer walking out the branch with no understanding about the product they just acquired. In answering the research question, 'How should the distribution network of traditional banks evolve to achieve a more personalised and memorable experiences with their customers?' the personalised and memorable experience will come from the quality of service and the products which should be more tailored to the customer. The evolution of the distribution network will be migrating customers to digital platforms so that the branch can be freed up to deal with specialist portfolios and general banking issues. The second research question which was answered is, 'What is currently wrong with the way the bank operates, therefore inhibiting it from being a strong, innovative competitor against emerging, non-traditional banks?' The internal culture of the bank has a direct effect on the quality of service in the holistic store environment construct because if the internal culture isn't right then the quality of service will lack.

Understanding why customers go into the bank and what their goals are when entering into the bank forms part of the consumer moderator construct. It was found that customers go to a branch to gain the means to achieve their basic needs. These basic needs include opening a business, buying a house or car, attaining a personal loan to pay for education and taking out various savings products for retirement. Therefore the customer's motivation for entering a branch is task-orientated therefore the branch design should aid functionality rather than focus on aesthetics or atmosphere. This answer to the research question, 'How should the distribution network of traditional banks evolve to achieve a more personalised and memorable experience with their customers?' suggests that the memorable experience is linked to understanding the task-orientated nature and shopping goals of the customer therefore being able to personalise the experience through design and product offering. It also suggests that the branches need to be strategically

located for added convenience to the customer which links up to the situation moderator construct.

The notable findings under the situation moderator construct involve the need to place branches in mall type environments for added convenience to the customer, therefore standalone branches will start to deteriorate. Other findings suggest that the customer is becoming increasingly demanding and they will ultimately lead the conversation with brands on the channels which suit them. Due to the costs of complying to the regulations which govern banks, the branch needs to become a lot more cost effective and efficient to build and manage in order to compete with the cost-effective prices non-traditional banks. Research also suggests that a hub and spoke model be used to determine the store type. This allows the hub branches (fully functional branches which offer all banking services) to be designed to identify with the most predominant market segment in an area and the spoke branch (a service centre which offers only a select few services) can be designed to identify with the second most predominant market segment therefore offering more tailor made branch design to the banks customers. With this being said the research questions 'What is currently wrong with the way the bank operates?' and, 'What areas should banks address now, ensuring their success through the next decade?' have been answered.

Research around the last construct, retail atmosphere; suggest that, in banking, atmosphere plays a secondary role to the functionality of the space. Atmosphere can also only be created once all the other constructs are understood because this will influence the way in which the space is designed. A common theme is that branches should adopt the identity of a combination of an i-store and coffee shop and that there should be a combination of fun relaxed atmosphere combined with a more corporate and private meeting environment. A very strong point which has come across is that the bank should stay true to the fact that it is a bank and get this right before it opens up to hosting additional non-banking functions. The physical space a bank occupies, in a branch and head office, is very important to the brand. This is because it sends a message out to the customer that it is a stable institution that is not going anywhere quickly. It is also suggested that the branch becomes the space where the banks legacy and values are communicated to customers. The bank exists because it provides customers with a means to achieve and fulfill their basic needs. Banks need to stay true to this because it is suggested that this will

give assist in competitive edge. This therefore answers the research question, 'What areas within the bank need to be addressed now to ensure their success through the next decade?' In answering, 'What is currently wrong with the way the bank operates, therefore inhibiting it from being a strong, innovative competitor against emerging, non-traditional banks?' banks are focusing too much on the wrong elements like making banking sexy and opening it up to offer non-banking products when they cannot even provide excellent, customer-centric banking experiences, and because it touches on the outdated legacy systems and bureaucratic leadership structures still in operation in most traditional banks.

## **CHAPTER 5 CONCLUSION AND RECOMMENDATION**

### **5.0 Conclusions**

The findings brought forward from this research paper are crucial to the banking, marketing and design industries. It serves to guide the thinking needed to transform the retail branch landscape so that traditional banks can ensure future profits, market share and success.

The internal operating culture in traditional banks proves to be a burning issue which is holding up the growth and transformation of the branch space. The development of a long term vision of the organisation is what will spur on this change. Middle management need to be involved in the creation of this vision to ensure that they buy into it and can therefore motivate teams to contribute to the greater organisation rather than for personal gain.

The quality of service provided in store is what will give branches a competitive edge and make the biggest impact in terms of great customer experience. It is important to carry this experience to all channels and platforms that a customer uses to engage with the brand. Understanding why a customer enters into the branch informs the design, placement of the branch and the store type offered in each area. The retail atmosphere in banking comes secondary to the functionality of the branch.

In conclusion, banking remains a means which provides people with the basic human needs. Providing people with this is what has carried traditional banks through almost two centuries of existence so it is crucial that they remain true to this. The greatest challenge which traditional banks will face in ensuring their existence

for the next decade is settling on a long term vision which the whole organisation buys into and staying true to their solid sound principals which they were founded on. If banks get this right then customer-centricity will be achieved and meaningful connections made with customers.

### **5.1 Recommendations for Future Research**

- Continuous research in lesser studied countries such as South Africa provides valuable insights into the application of the general principals discussed;
- One could test if these themes hold up in other traditional banking organisations;
- An in depth analysis could be done on the market segments of a traditional bank and look at ways the hub and spoke branches could be designed;
- An analysis on how the distribution channel can be optimised.

## **BIBLIOGRAPHY**

Accenture, 2013. *Banking 2020*, s.l.: Accenture.

Alvarez, E. & Gilsdorf, J., 2007. *Leveraging Unique Environments Through Large Retail Networks*, s.l.: Design Management Review.

AmosWEB, n.d. *AmosWEB Encyclonomic*. [Online]

Available at: [http://www.amosweb.com/cgi-bin/awb\\_nav.pl?s=wpd&c=dsp&k=traditional%20banks](http://www.amosweb.com/cgi-bin/awb_nav.pl?s=wpd&c=dsp&k=traditional%20banks)  
[Accessed 26 04 2015].

Anderson, D. et al., March 2011. *Assessing and Addressing the Implications of New Financial Regulations for the US Banking Industry*, s.l.: McKinsey & Company.

Bagley, J. et al., 2012. *THE BANK OF THE FUTURE: Innovative solutions to meet the challenges of the new environment*, Johannesburg: Wits Business School and Bank Seta.

Bank for International Settlements, n.d. *International regulatory framework for banks*. [Online]

Available at: <http://www.bis.org/bcbs/basel3.htm>

[Accessed 07 July 2015].

Baxter, M. & Vater, D., 2014. *Bain Brain - Building the Retail Bank of the Future*. [Online]

Available at: <http://www.bain.com/publications/articles/building-the-retail-bank-of-the-future.aspx>

[Accessed 07 03 2015].

Bielski, L., 2004. Are you Giving your Customers the Right Service?. *ABA Banking Journal*, pp. 29-33.

Booth, J., 2006. Intended to Entice. *Crain's Cleveland Business*, 27(18).

Bryman, et al., 2014. *Research Methodology: Business and Management Contexts*. 2nd ed. South Africa: Oxford University Press.

Bushnell, N. & Stone, G., 2013. *Finding the Next Steve Jobs: How to Find, keep and Nurture Creative Talent*. London: Headline: Business Plus.

Business Dictionary, n.d. *Retailer Definition*. [Online]

Available at: <http://www.businessdictionary.com/definition/retailer.html>

[Accessed 06 07 2015].

Czarnecki, J., 2013. *Designing for Brand Beauty*, s.l.: contractdesign.com.

Dean, T., 2015. *Banking for the Future* [Interview] (18 06 2015).

Deutsch, K., Yoon, S. & Goulias, K. G., 2011. *Unpacking the Theory of Sense of Place. Is it Useful for Choice Modeling?*. University of California, Santa Barbara, International Choice Modeling Conference.

Econ Guru, n.d. *Economic Glossary*. [Online]

Available at: <http://glossary.econguru.com/economic-term/traditional+bank>

[Accessed 26 04 2015].

Emerald Insight, n.d. *International Journal of Bank Marketing*. [Online]  
Available at: <http://www.emeraldinsight.com/loi/ijbm>  
[Accessed 10 03 2015].

Farias, S. A. d., Aguiar, E. C. & Melo, F. V. S., 2014. Store Atmospheric and Experiential Marketing: A Conceptual Framework and Research Propositions for An Extraordinary Customer Experience. *International Business Research*, 7(2), pp. 1-13.

Farlex, n.d. *The Free Dictionary*. [Online]  
Available at: <http://www.thefreedictionary.com/consumer>  
[Accessed 06 07 2015].

Flight, G., 2005. Corporate Identity Through Architecture. *Business 2.0*, 6(10).

Flinders, K., 2014. *ComputerWeekly.com: Big banks' legacy IT systems could kill them*. [Online]  
Available at: <http://www.computerweekly.com/news/2240212567/Big-banks-legacy-IT-systems-could-kill-them>  
[Accessed 03 05 2015].

Forbes, 2011. *Creating a Culture of Innovation at the World Bank*. [Online]  
Available at: <http://www.forbes.com/sites/rahimkanani/2011/06/14/creating-a-culture-of-innovation-at-the-world-bank/>  
[Accessed 03 05 2015].

Govender, S., 2015. *Banking for the future* [Interview] (23 06 2015).

Grubow, L., 2007. *GCI magazine - Leveraging Scent to Deliver on brand Promise*. [Online]  
Available at: [www.GCI magazine.com](http://www.GCI magazine.com)  
[Accessed 07 03 2015].

Hede, A.-M. & Watne, T., 2012. Leveraging the Human Side of the Brand using a Sense of Place: Case Studies of Craft Breweries. *Journal of Marketing Management*, 29(1-2,207-224), pp. 1-19.

Herring, M., 2015. *Banking for the future* [Interview] (18 06 2015).

Interbrand, 2012. *Best Retail Brands 2012*, s.l.: Interbrand.

Investopedia, n.d. *Retail Banking*. [Online]  
Available at: <http://www.investopedia.com/terms/r/retailbanking.asp>  
[Accessed 06 07 2015].

Kaltcheva, V. D. & Weitz, B. A., 2006. Velitchka D. Kaltcheva, Barton A. Weitz When Should a Retailer Create an Exciting Store Environment?. *Journal of Marketing: January 2006*, 70(1), pp. 107-118.

Khan, H., 2014. *Shopify*. [Online]  
Available at: <http://www.shopify.com/blog/12629437-the-secret-to-telling-your-brands-story-with-immersive-retail-design>  
[Accessed 05 03 2015].

Kotler, P., 1974. Atmospheric as a marketing tool. *Journal of Retailing*, 49(4), pp. 48-64.

- Leone, C. W., 2008. *Come to your Senses*, Chicago: Architemps, Inc..
- Lunn, B., 2015. *Bank Innovation: Change the Bank by Importing StartUp Culture*. [Online]  
Available at: <http://bankinnovation.net/2015/02/change-the-bank-by-importing-startup-culture/>  
[Accessed 03 05 2015].
- Marous, J., 2014. *The Financial Brand - Building a Digital Bank is a Matter of Survival*. [Online]  
Available at: <http://thefinancialbrand.com/46218/digital-banking-strategies-report/>  
[Accessed 07 03 2015].
- MCB University Press, Emerald, n.d. *International Journal of Bank Marketing*. [Online]  
Available at: <http://www.researchgate.net/journal/0265-2323-International-Journal-of-Bank-Marketing>  
[Accessed 10 03 2015].
- McKinsey & Company, 2012. Banking on Customer Centricity. *EMEA Banking Practice*, pp. 1-13.
- McLaughlin, J., n.d. *Study.com - What is Organizational Culture? - Definition & Characteristics*. [Online]  
Available at: <http://study.com/academy/lesson/what-is-organizational-culture-definition-characteristics.html>  
[Accessed 06 07 2015].
- Mihaescu, M., 2015. *Next Bank: Innovation Teams and Innovation Culture*. [Online]  
Available at: <http://nextbank.org/innovation-teams-and-innovation-culture/>  
[Accessed 03 05 2015].
- Mount, I., 2004. Banking on a New Design. *Business 2.0*, 5(8).
- Mulvena, C., 2013. *Bricks Over Clicks: Enhancing the In-Person Shopping Experience by Design*, s.l.: contractdesign.com.
- Pather, P., 2015. *Banking for the Future* [Interview] (18 06 2015).
- Pine, B. J. & Gilmore, J. H., 1998. *Harvard Business Review - Welcome to the Experience Economy*. [Online]  
Available at: <https://hbr.org/1998/07/welcome-to-the-experience-economy>  
[Accessed 07 07 2015].
- PWC, 2014. *Retail Banking 2020: Evolution or Revolution?*, s.l.: PWC.
- PWC, 2014. *Retail banking industry entering a dynamic era of change – banks expected to adapt their business models to ensure success*. [Online]  
Available at: <http://www.pwc.co.za/en/press-room/banking-retail.jhtml>  
[Accessed 22 04 2015].
- Relph-Knight, L., 2007. The Banking Sector Needs to Invest in Better Branch Design. *Design Week*, 09 08, p. 6.

Roche, K. R., n.d. *Design still matters*. [Online]

Available at: <http://web.a.ebscohost.com/ehost/detail/detail?sid=3315dfb0-4ae1-44a4-8c19-5e46bb266328%40sessionmgr4002&vid=1&hid=4106&bdata=JnNpdGU9ZWlhvc3QtbGl2ZSszY29wZT1zaXRl#db=bch&AN=38125053>

[Accessed 07 03 2015].

SBG, 2009. *SBG - Historical Overview*, s.l.: Standard Bank.

Teece, D. J., 2009. Business Models, Business Strategy and Innovation. *Long Range Planning*, 43(2010), pp. 172-194.

The Financial Brand, 2013. *The Financial Brand*. [Online]

Available at: <http://thefinancialbrand.com/33026/umpqua-bank-san-francisco-flagship-branch/>

[Accessed 02 05 2015].

The Free Dictionary, n.d. *The Free Dictionary by Farlex*. [Online]

Available at: <http://financial-dictionary.thefreedictionary.com/Direct+banking>

[Accessed 26 04 2015].

Vega School of Brand Leadership, 2014. *Lecture on Brand Equity - Brand Appeals Through Time*. Johannesburg: s.n.

Vega School of Brand Leadership, 2014. *Lecture on Design Thinking*. Johannesburg: Vega School of Brand Leadership.

ZAFIN, n.d. *Legacy Core Banking Systems - 5 Hurdles to Profitability - Part 5*. [Online]

Available at: <http://zafin.com/legacy-core-banking-systems-5-hurdles-to-profitability-part-5/>

[Accessed 03 05 2015].

## **APPENDICES**

### **Appendix A: Semi-Structured Interview Design**

1. What think future of banking will look like?
2. What role will branches play in this future?
3. Do you think that the branch is a key distribution channel in today's banking industry?
4. Do you think the branch will be one of the key distribution channels in a multi-channel world (digital platforms v. physical)?
5. If so, why would it be a key channel and what do we need to do and change now for it to become a key channel?
6. Do you think a branch should host other functions? I.e. becoming a community centre, offering financial education to the public, opening its space to be used by public / entrepreneurs; Branch functionality incorporating other functions such as cellular, home affairs / driver's license or travel agent.
7. If so then should the branch expand to offer experiences to the public (community centre) or additional services to the public?
8. Which one of the above do you think will attract more customers and create better brand loyalty, experiences or bigger service offering?
9. Of the chosen one above, how will you create experiences customers can identify with, through branch design and marketing; OR what services would you add to the current offering to create greater customer satisfaction?
10. As part of the transformation what form do you think the branch will start to take in your banking future; i.e. restaurant, book shop, hotel, retail store type form?
11. From the above form, what elements do you think are the most important i.e. seating, lighting, product display, staff interaction, service offering, atmosphere?
12. People, service and IT play a major role in creating a great experience within a branch but if you had to look at branch design alone, what areas should be emphasised or should change to enhance the way customer's experience the space?
13. Do you think that the internal operating culture of this traditional bank is geared for the change?

14. What attitude do you feel this bank has towards change and do you think the attitude should be shifted?
15. What would you change within the bank to ensure we get to your perceived end state quicker rather than later so that we don't 'miss the boat'? I.e. red tape, bureaucratic structures, processes, type of people hired, values, internal culture?
16. How would you change it?
17. 'Often there is buy in from CEO level and on the ground level when changes and innovative ideas are suggested to improve the way customers experience the branch and the brand. These ideas often get stuck at the middle to senior management levels and never see daylight, therefore inhibiting the bank's speed to market and agility when compared to non-traditional bank competitors (Google, Apple, bit coin, retailers etc).'
18. Do you agree with the above statement?
19. If so, how would you change this to get through middle / senior management, and ensure that the bank moves in a more agile and customer friendly way?
20. If not, do you think the bank is agile and customer-centric enough in its current offering to attract and retain customers with the rise of non-traditional banking competitors?
21. How important do you think the hiring process is in ensuring the bank is more agile and innovative in its approach?
22. What type of people do you feel are needed in middle and senior management levels in order ensure that the bank can adapt quickly to the rise of non-traditional competitors and maintain a competitive advantage?
23. Do you think it is only the people that should change or do you think it is also the type of environment which you work in that should change, space design and offering at the office? How should this change?

## **Appendix B: Ethnographic Report**

Branch of the future – got into different work streams to align every department in each area to discuss the future of banking and what we need to do now to change and adapt. Had action points, meetings and could present innovations and ideas which could align to the work stream goals. We had Accenture on board and with them went into in depth research into what we needed to do. We presented what we

currently had to the teams, go feedback and where there were changes in the branch which needed to be made we went to action it. A whole transform the bank committee was put into place with subject matter experts signing off decisions, devices and changes to be implemented in the branch space. The devices team were looking at different devices to launch into the branch, they were testing different concepts and actually bringing the bank into the future. Pressure was being put on the areas who were reluctant to change like the IT department who deployed cumbersome IT and equipment in the branches and dragged their feet with implementing devices which take up less space and use Wi-Fi and provide Wi-Fi to customers. The branch design team had taken the look of the branch to a whole new form which got attention from customers and media alike for good reasons. The devices team deployed 1 device which could not accept coins but they did not cater for coins in another form like tellers in the branch. There was 1 person at middle / senior management level who had personal gripes about the new branch design and any new innovations anyone was working on. There was buy in to go on this journey from the CEO level but this individual had brought this to an end. He had reverted all branch designs and CI back to the old identity which looked shocking when put next to competitors. He also put a stop to all devices which other teams were working on as he didn't want to see any solution which didn't accept coin. Since then the transform committee was dismantled and innovation stopped dead in its tracks. Many of the people who were working on the change the bank projects left the bank. One month later the man who put a halt to everything moved to another department. This is a perfect example of how 1 individual can be the source of so much destruction and can stop a whole organisation from moving forward and seeking relevance. People were so scared of this individual that they found other channels to get ideas approved and excluded him. The minute he found out about this he stopped everything and left the department.

Since then the bank has not picked up the same momentum and there is a fear that nobody want to innovate or suggest ideas because of what happened. The new branch design which was eventually implemented has turned into a watered down version of the original and the devices team who were looking at bringing technology into branches have put everything on hold.

After some time, about 6 months, people started to gain confidence again now that this individual had left, to suggest ideas and move the bank to the future. A new principal was put into place at the start of 2015, the Vanguard theory, which looked at everything from the customers view point. Again the bank went and employed an external company who had done research around the world and who would give all the executives training on what Vanguard was. Here executives sat in and listened to the call centre queries and spent time in the branch to observe. From this every decision or process which anyone wanted to implement had to be done purely for the benefit of the customer / end user. Another approval committee was put into place who would view all of this but soon this too collapsed. The committee who had to approve anything had a very narrow vision and field of expertise and was primarily made up of generalists, not subject matter experts hence no decision could be reached. By always looking at what the customer wanted became so inhibiting that again nothing would see the light of day because anything that you suggested had to be backed up with tangible proof that it would 100% benefit the customer. It was paralyzing. Again when the devices team approached the committee with innovations they were all shut down because of the lack of proof that this is what the customer wanted. It's great to think like this because as a bank you want to be as customer centric as possible and you don't want to implement something that is going to piss customers off more than they already are. But the problem with always looking to the customer to see what they want is that customers don't know what they want until they have it, therefore you need to give it to them, try it out and get their feedback on whether it works and enhances the banks value proposition or not but because of the Vanguard philosophy nothing could get to the implemented stage where we could test it. This whole philosophy was canned and the committee broken down.

The latest which the bank has been working on is the Innovation department which was started a year ago. This department seeks to find ideas from everyone in the bank and provide them with the platform to voice these ideas. They have recruited champions across the bank who should educate their areas on the platform and inform them what innovation is. These champions will serve as the arteries which connect the bank and through which innovation is passed, they will link the departments and provide the ideas with the people who will implement them. This is

still early days but so far there has been thousands of ideas published on the platform. The only problem is that out of the thousands of ideas, none are really being implemented. People aren't taking ownership of the ideas and taking them to fruition. Again this department speaks of innovation but all the platforms that they use to communicate to the champions and the rest of the bank is very standard and lacks imagination. In the short amount of time that this has been in place – and the backbone of this was the Vanguard philosophy – lots of interest has been lost because only emails are sent out and when people do implement ideas nothing happens. Out of everything which I have seen being done during my time at the bank this is probably the most promising as the principals are right but the execution is where it is falling short.

Innovation is slowly starting to pick up again but there has been a lack of interest felt from the bank because the minute they start talking about change it gets shut down very quickly because the change speaks to jobs and nobody wants to go up against the unions or the courts and get bad publicity like that. What also seems to be the problem is that all these people are looking at other banks to make the first move. All the banks are looking at one another but nobody is really doing anything, the only thing they are doing is coming up with marketing campaigns to steal market share from one another they are not actually digging into the real grit of what will really get you the market share – they are only playing with perceptions. Everyone either seems to be scared to do and try something because they don't want to upset anyone – as they are still scared from the bank of the future incident and they are treading lightly so that that isn't repeated so that they can remain in a job – or they just don't care. There are a lot of people in the bank who just seem to not care about the future or making a bigger impression, statement or impact than what they have before, this is prevalent in the marketing campaigns of bank one. It is absolutely unimaginative and almost says to customers we don't care. The same can be said for the new branch design. Bank one has created a new CI which is at first very impressive to the customer because it is so unlike what any bank has done before. This drastic change in appearance says to the customer that the bank has changed and is doing something that the customer likes, to make them feel more at home, but the minute they receive the same service and stand in the same long lines, frustration starts to happen because now the bank has closed down for renovation, spent a couple of

million of the clients' money and re-opens looking great but with the same terrible service.

Another thing which has been extremely prevalent in the time studying the bank is that there is countless amounts for red tape to get anything done. This is not just talking about getting changes implemented but if you wanted to fix your computer, get software installed, search the web or even arrange access and parking for a guest are all such tedious processes that you have to set aside an hour if not more to get this done. An example I refer to here is when the department I was studying got new computers and had to get all the software they needed installed. This is specialist software such as AutoCad and Revit software used to draw architectural plans and 3D models. The computers arrived in September 2014 and were only installed in May 2015 and even then it took a whole week to get all the programmes installed and up and running. When the most simple of processes in the bank is so tedious to go through it takes out a lot of energy, time and productivity out of the people working in the space that they don't have the energy to give great service or even the drive. This creates an organisation filled with unhappy, tired and complacent employees. The biggest issues always revolve around IT and those systems.

During the ethnographic study, the researcher observed numerous cases where the Property and Premises team would be tasked with coming up with customer-centric designs. Each time this team engaged with the IT, workforce optimisation and channel departments, they highlighted the fact that their own processes on how the branch operates and the technology deployed within the branch aren't up to scratch and that they have put a long term plan into place to get to the desired end-state, that being a customer-centric branch with multi-skilled consultants and devices which can be used by customers to start migrating them to digital. When this is the case then the property and premises team argues that they are unable to design anything different because nothing has changed on the back end, all they can truly do is amp up the atmosphere of the branch. A specific example where this happened was the whole bank put together a transform board who were given the mandate to get all the relevant internal work streams and external partners together in order to start assigning actionable tasks to each area on how they could achieve the end state.

