



ICBC (Asia), a subsidiary of ICBC, transforms banking centres into financial department stores

Why physical branches still matter amidst digitalisation

ICBC (Asia), OCBC NISP, Danamon, and other Asian banks reveal how they navigate the digital world whilst ensuring branches remain competitive.

Rather than ditch physical branches and neglect older customers that refuse to bank through a mobile app or a website account, Hong Kong bank ICBC (Asia), a subsidiary of Chinese bank ICBC, is transforming their personal banking centres into so-called financial department stores. These refurbished physical branches boast of spiffy digital-powered features that make transactions smoother, as well as an expanded list of services for the type of well-heeled customers who continue to walk through the doors.

“Personal banking centres can serve as a ‘financial department store’ which displays and offers a wide range of financial solutions, and with the professional knowledge and impeccable service delivered through high-calibre



Flora Leung



Andreas Kurniawan

relationship managers, customers with all-rounded financial and wealth management needs would be our target,” says **Flora Leung**, head of personal banking of ICBC (Asia). “Whilst we are stepping up efforts to enhance our digital banking channels to offer more products and services that enable customers to do banking transactions whilst on the go, we also redesign our physical network and set up new personal banking centres with modern decor, more comfortable and digitalised features to entice customers to visit and explore a brand-new retail branch experience,” she adds.

Many Asian banks have taken on a similar digital compromise: investing heavily in digitisation initiatives to keep in step with younger customers who have little qualms doing their transactions

on a device, whilst seamlessly integrating digitisation features in physical branches for the added convenience of older customers.

“By looking at our current customer composition, there are as many Baby Boomer customers as there are millennial customers,” says **Andreas Kurniawan**, retail business development head at OCBC NISP. “Therefore, as tempting as it may seem to keep up with the time and go fully digital, that will not be a wise move as it will only cater our younger customer group, whilst indirectly neglecting our older customer group who basically makes up our affluent customer base.”

He says the OCBC NISP digitisation strategy is focused on migrating the functions of a physical branch into a digital one, whilst at the same time maintaining the existence of several key physical branches. This strategy enables the bank to cater to its current affluent customers and attract tech-savvy emerging affluents who will eventually become the affluent customers as they grow older.

Older affluent customers – the

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type of customer that is more likely to avail of more complex investment products – find comfort in physical branches where they can ask questions from a human banker they can trust, says **Djamin Nainggolan**, consumer lending head at Danamon. “There are customers who need face-to-face interaction to obtain explanations for products, especially for complex products such as investment products. They are more comfortable with interaction in a physical branch rather through digital services. As such, banks need to assess the needs and demands of their customer base before deciding on the right mix between digital and physical models,” he says.

Valuable but not static

Even in digital-loving Singapore, swathes of customers are still trooping to physical branches, leading Maybank Singapore to keep some of their branches open even during Sundays. “There are certain peak periods in a year where customers visit our branches, for example to exchange new notes for red packets during the Lunar New Year. In addition, customers sometimes require more detailed explanation for certain transactions, such as high value loans or investments,” says **Choong Wai Hong**, head, community financial services at Maybank Singapore.

“We continue to cater to the needs of our customers by ensuring our branches are conveniently located in the business district and suburban estates, and we also offer Sunday banking at selected branches,” he adds. Choong says physical branches, whilst remaining valuable, will not remain static. Banks can take advantage of technology to raise service quality at branches by reducing mundane tasks like filling out multiple forms with repetitive fields, and speeding up transactions by pre-filled online requests that are then completed offline at an appointed date in branches.

Retail banking in Asia will

remain a mix of digital and physical models at least until countries ease up on regulation and customer preference for cash, says **Dr Sudsanguan Chusacultanachai**, executive vice president at Bangkok Bank. “One of the key barriers in digitising retail banking is the customer preference for using cash. In Thailand, consumers are not aware of the ‘cost of cash,’ as cash transactions are free, and it is very convenient to get it as ATMs can be found on almost every busy corner,” she explains.

“Historically, the other key barrier is regulatory, such as the lack of legal acceptance of electronic signatures, e-documents, and e-KYC,” although Chusacultanachai notes that the Thai government and Bank of Thailand have recently started to consider the legal framework and the infrastructure required to drive the digital economy and move towards a cashless society.

The branch of the future

In imagining the branch of the future decades from now, Asian bankers see an evolution towards smaller, more automated branches – or even merged with merchant stores. “The branch of the future is possibly a fraction of what it currently is, both in terms of physical space as well as manpower size,” says Choong. “The reduction is not just in response to the trend towards more digitisation, but also a function of increasing land and labour costs.”

Liew Nam Soon, managing partner for financial services ASEAN at EY, says that in many ASEAN countries there is a large unbanked population that are not reached by mobile phone signals and broadband access. It will be hard to serve these customers by asking them to either access digital channels or by the bank setting up expensive physical branches in remote areas – the optimal solution will likely be an innovative third option. “Banks in such cases would still need to rely on physical presence, though it might not necessarily mean a full-fledge brick



Djamin Nainggolan



Choong Wai Hong



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Liew Nam Soon



Royce Teo

and mortar branch setup and can come in the form of merchants, agents, or retail stores,” says Liew. “They need to think out of the box and collaborate with other players to serve such customers.”

The rise of AI

Some Asian bankers even foresee the eventual extinction of physical branches when retail banking fully unlocks the potential of artificial intelligence (AI) and augmented reality. **Royce Teo**, managing director and head of consumer banking group and wealth management, Hong Kong at DBS Bank (Hong Kong), reckons that in the next several years, digital channels and platforms powered by AI and other cutting-edge technologies will start to allow simpler banking services and products to be unloaded from retail bankers. This digital shift brings a lot of profitable advantages for retail banks: staff will be freed up to focus on more complex tasks such as financial planning reducing manpower costs and increasing productivity, whilst customers should receive faster customer service and higher staff satisfaction.

“Retail banking products are typically plain vanilla with features that could already be mechanised by today’s rule-based systems. Even the rubrics of investment portfolio management could be mechanised. With AI that incorporates machine learning, the parts of retail banking that formerly require human adjudication will also be replaced by machine. It is my belief that retail banking, especially with the advent of AI and augmented reality, will ultimately be entirely digital,” says Teo.



Maybank keeps some branches open on Sundays