

APPLE'S GENIUS BAR®: **A MODEL TO ADDRESS DECLINING BANK TRAFFIC**

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EXECUTIVE SUMMARY

The community bank used to be a busy place. Customers stood in line, if not happily, at least willingly, since it was the only way to manage their accounts and conduct their financial transactions.

So, it comes as no surprise to those in the banking industry — or even those who still frequent brick-and-mortar banks — that bank traffic has declined precipitously in the last several decades. Statistics support this anecdotal evidence. Research firm, FMSI, reported in its 2015 Teller Line Study¹ that bank branch transaction volumes have decreased 45 percent since 1992.

So, why the decline?

At its roots, this reduction in branch traffic is the result of changing customer demands. Today's customers want shorter wait times, expert advice and personal, concierge-style service.

Banks have responded by upgrading their mobile services and offering more of the traditionally in-branch-only features online. The fact that banks are responding to changing customer behaviors and rolling out new online and mobile services further reduces customers' need to go to the bank. This flexibility and willingness to innovate, while entirely necessary, only increases the rate at which customers are moving away from traditional banking methods.

As banks continue to lose foot traffic, many are seeking an actionable solution to the problem. Perhaps they can take a cue from the nearest Apple® store. By implementing a model that mirrors Apple's Genius Bar®, banks can satisfy customers by:

- Reducing wait time
- Providing expert advice
- Offering highly trained staff

Once just a theory, the benefits of this approach have been proven in practice. Banks that have followed Apple's lead have found resounding success.

WHAT IS A GENIUS BAR?

The nucleus of any Apple store is the Genius Bar. This storefront feature satisfies the needs of Apple devotees around the world and can be just as effective when adapted to fit the needs of bank customers.

When people think of Apple stores, one of the first images that come to mind is the gleaming and well-appointed Genius Bar. The full-service feature is the brainchild of Ron Johnson², the ex-Vice President of Retail Operations at Apple, who modeled it after concierge desks at upscale hotels. Johnson thought — correctly as we now know — that Apple customers would appreciate the immediacy and intimacy of service that this feature would allow.

Surprisingly to many, the Genius Bar wasn't always the jewel in Apple's crown that it is today. When it was first introduced, customers weren't eager³ to use it.

Apple knew that, like many new innovations, customers would have to become comfortable with this new idea before they willingly stepped up to the bar.

Despite initial data that indicated it wasn't working, Johnson remained resolute that Apple was in the customer relationship business and moved forward with the concept. The rest is retail history.

BENEFITS OF THE MODEL

The Genius Bar benefits Apple and its customers. The design of the store allows Apple to showcase its products and highlight the convenience of its services.

It's also an opportunity to further assert a playful and supportive personality. The bar, like everything Apple, has a persona. This allows the brand to create devoted customers and form meaningful relationships with them.

When applied to any retail outlet including retail banking, these concepts can entirely transform the feel of any store or branch.

Reduced Wait Times:

Few people like waiting. Especially now that there are wait-free alternatives, customers are less willing to stand around waiting in long lines.

Visitors to the Genius Bar don't wait more than a minute or two before being greeted. Each visit starts with a conversation with the "person on point"⁴. This key staff member welcomes customers and outlines the service process for them.

For customers who would rather not wait at all, Apple offers appointments for the Genius Bar. Those planning a visit can make an appointment in-store or, even more conveniently, online. With this service, a customer can walk through the doors and directly into the helpful hands of a Genius.

Both the person on point and appointment scheduling concepts are easily applied to a retail bank environment. Using a point person, banks can greet customers at arrival and make sure they're directed to the appropriate staff member to assist them. By allowing customers to set appointments, banks convey respect for customers' needs. Moreover, branches can be staffed more efficiently and appropriately.

Expert Advice:

The Genius Bar sets the expectation of a place to get expert advice — and whom better to provide it than someone whose job title is 'Genius'? Along with reassurance and know-how, Geniuses form relationships with customers, making them the perfect people to suggest new products. When a trusted Genius makes suggestion, it feels less like a hard sell and more like being guided to make the best choices.

Apple has reframed the customer experience from being about buying to being about ownership. Because customers are supported throughout their ownership of Apple products, they are less likely to consider leaving the Apple universe when it's time to upgrade or update.

Banks are poised to reap the benefits of the trusted expert model. While an ATM can spit out cash rather expeditiously, it can't provide the advice and reassurance customers need when making financial decisions. When that advice comes from face-to-face interactions with trained employees, it's even more credible.

Expert guidance also empowers customers to take an active role in their own financial well-being. They feel like they're the masters of their own money. After this paradigm shift, it becomes less about money acquisition and more about money management, which is akin to ownership in the Apple realm.

Servicing by Highly Trained Staff:

The Genius Bar staff is highly trained. Apple ensures this by following a rigorous training program for all prospective Geniuses.

Not only are Geniuses trained on every model and feature of Apple devices, they must pass certifications and regular tests of their product knowledge and people skills. They are also coached on seemingly simple things, like using positive phrasing, which can make a major difference in a customer interaction.

Any time a business invests in educating and preparing its staff, the result is more satisfied employees who convey that feeling to customers. Customers obviously appreciate being helped by people who are knowledgeable about the product offering but who also project happiness about what they do.

By investing time and energy into branch staff, banks can improve job satisfaction and make employees feel valued. By following Apple's lead, and treating employees as the valuable assets they are, banks can cultivate a willingness for staff to go the extra mile to satisfy customers.

BANKS MAKING IT HAPPEN

The value of using a Genius Bar model in brick-and-mortar banks isn't just a philosophical notion. Banks around the world have successfully adapted the model to their businesses.

While transitioning to this type of approach can be difficult, proper planning helps assure success. Philippe Asselin, VP of FMSI reminds banks that, "Understanding your performance management information is the key to success. Understand your goals and how long it will take to get there." Careful data monitoring and consistent implementation contributes to a successful outcome.

Customer Profile—UMB Bank:

UMB Bank⁵ followed Apple's lead by staffing their branches with in-the-know employees, whom they call 'Digital Geniuses'. Employees who have earned the moniker of Digital Genius are trained to assist customers in using the bank's digital services. These specialists are empowered to offer new products and services and while helping customers get comfortable using digital channels. As at Apple, customers of UMB can schedule appointments with a Digital Genius.

"In-branch traffic is going down across the country," says Christine Pierson, an executive vice present and head of UMB's financial consumer division "[We're] interested in ways to get customers to be engaged with the bank."

UMB's goal has been to increase awareness of its digital offerings and to help make customers more comfortable using digital channels for their banking needs. But a significant benefit of these efforts has been customer loyalty and retention.

Customer Profile—Barclays:

Banking giant, Barclays⁶, hasn't adopted the Genius Bar model quite as completely as their competitors at UMB. But they have taken a lesson from Apple in employee empowerment.

This bank gave their most valuable employees the opportunities to become Community Bankers. These employees received advanced training and, as a reward for their hard work, a 2.8 percent pay raise.

Barclays rolled out this motivation-building program at 30 branches. Finding it successful, they have since implemented it in all 1500 banks in the network.

This change came on the heels of a tumultuous turn for Barclay. In 2013, the bank downsized 1,700 frontline staff members⁷ as a result of the shift away from traditional banking practices. While time is still needed to determine the ultimate success of this initiative, the British Bankers' Association reports⁸ that the trend looks promising.

Customer Profile—Needham Bank:

Similar to Barclay, Needham Bank elected to implement one aspect of the Genius Bar model -- the online appointment feature.

Like other banks before it, Needham found this feature to be highly satisfying to its customers. Further data indicated that the customers who were using appointment scheduler were actually the most valuable customers the bank had. Deposits from these customers exceeded traditional deposits by almost four to one, according to Needham's research⁹.

The research reported that customers who had scheduled appointments before coming into the branch, arrived more prepared and therefore had more productive appointments. The anecdotal evidence confirmed that the appointment enhanced customer trust and deepened relationship building.

And it would appear, at least in the case of Needham, customers are willing to keep their commitments. Since implementation of the system in 2013, the bank reported no missed appointments.

THE NEED

The oldest bank¹⁰ in America dates back to 1784, which is only one year after the end of the Revolutionary War. This means that Americans have been banking longer than they've had access to indoor plumbing.

To a typical bank customer, it may appear that little has changed — save the addition of computers. Banks need to demonstrate that they can adapt. They must refocus their efforts on the customer, since today's customers have choices — something missing from the banking landscape back in 1784.

Looking forward, banks who dedicate their efforts, as Apple does so adeptly, to ensuring the highest quality customer experience possible are most likely to remain relevant.

¹ <http://www.fmsi.com/msi-releases-2015-bank-and-credit-union-teller-line-study-reveals-declining-branch-transaction-tren>

² http://www.marketingapple.com/Apple_Retail_Success.pdf

³ <https://hbr.org/2012/01/the-genius-bar-branding-the-in>

⁴ <http://time.com/3982060/apple-genius-bar/>

⁵ http://www.americanbanker.com/issues/179_58/umb-emulates-apple-in-push-to-encourage-mobile-online-use-1066489-1.html

⁶ <https://www.finextra.com/news/fullstory.aspx?newsitemid=26259&topic=retail>

⁷ <http://www.techworld.com/news/mobile/barclays-launch-ipad-based-community-banks-3597285/>

⁸ <https://www.finextra.com/news/fullstory.aspx?newsitemid=26259&topic=retail>

⁹ http://www.timetrade.com/files/content_resource/TimeTrade_Needham_Bank_Case_Study_81214.pdf

¹⁰ <https://www.bostonglobe.com/business/2011/12/20/oldest-bank-america-accounts-vary/WAqvllmipfFhyKsx8bhgAJ/story.html>



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