



Branching Out: A Retail Banking Podcast Series

Episode 3: Retailers 'R' Us: Building better retail banking experiences

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Bill Dworsky: Hi, everyone. Welcome to Branching Out, the podcast where we explore trends in retail banking through conversations with leaders from across the financial ecosystem. I'm your host, Bill Dworsky, and today we're going to take inspiration from traditional retail consumer shopping to explore common themes in retail banking. There are so many interesting parallels and intersection points between the two, and banks and retailers both can really learn a thing or two from each other as they look for ways to better serve consumers. I'm excited to have the chance to talk with leaders from Deloitte's Retail and Consumer practice, Jean-Emmanuel Biondi, and Laura Krajecki. Jean-Emmanuel and Laura, thanks for being here. Want to share a quick intros before we jump in?

Laura Krajecki: Absolutely. Thank you, Bill, so much for having us. Hello everyone. I'm Laura Krajecki. I have spent the last 25 years working with global agencies, helping some of the world's largest brands really unlock what it takes to design the brands, the businesses, the products, the experiences of hyper relevance to consumers. I'm super passionate about helping build the world's most consumer centric brands and businesses. And honestly, I truly believe we are in one of the most dynamic and creative eras to unlock future growth models for every business, through deep human understanding and unleashing the power of the future of experience design.

Jean-Emmanuel Biondi: Hello, Bill. Hello, Laura. My name is Jean-Emmanuel Biondi, aka JEB, my initials. I've been with our U.S. firm for more than 25 years. All of my career has been spent servicing European and U.S. retailers and consumer goods companies on the topic of strategy and transformation. Over the last five years, we've made a conscious effort in not only serving traditional retailers and consumer goods companies, but also some of our clients who have the need for consumer centric expertise. And obviously, retail banking is one of those sectors. So, I have the pleasure to lead that initiative that consists of basically infusing consumer centric expertise into industries and sectors outside the core retail and consumer goods sector.

Bill Dworsky: That's awesome. I am so excited for this conversation and thank you so much to both of you for joining. So, let's start with the most obvious thing that retail and retail banking have in common, the individual consumer and all the unique quirks that each of us has and each of us brings each day as a customer. Laura, what are you most excited about for all of us consumers out there going into 2023 and beyond?

Laura Krajecki: I think honestly, what's really exciting for all of us as consumers or frankly, as people, we're all just looking to live our best lives, frankly, is the fact that virtually every business and every industry is evolving to put us, people, at the center of how they're designing experiences, products and services. When you really think about it in a world where we can hail a cab in minutes or get same day delivery of groceries or curbside pickup or watch our favorite shows or music-on-demand, we're already all experiencing in different ways and facets in our lives how the world's leading businesses and brands are putting us at the center. And there's only increasingly more opportunity. And that personally excites me when I feel it personally in my own life. And as a passionate brand builder and consumer strategist to see businesses really doing that, I think is super exciting.

Jean-Emmanuel Biondi: Bill, if I just may add to what Laura described. I think it's very important to recognize that consumer expectations have evolved or are evolving very rapidly. Retail online experience is convenient, it's fast, it's easy, and consumers now are expecting the same, not just in retail, but in many other aspects of their life, where they interact with their healthcare provider, their insurance, or their bank. Online and retail has fundamentally changed the way we engage with brands in our life as a whole. And that's what I just want to highlight because I think that's also what Laura was describing here.

Bill Dworsky: Yeah. I totally agree. So many times, we're increasingly having conversations with banking clients where we're trying to talk about customer experience or journeys that customers will go on as they open accounts. And increasingly the standard or the model is from the banking sector coming from other industries, how can we do things more like X or things more like Y in different parts of whether it's retail or consumer technology or other more sectors. I think it's fascinating to see. Laura, from your standpoint, how are traditional retailers thinking innovatively about new store formats to attract customers kind of back from COVID as JEB was referring to, creating engaging store experiences, things like that?

Laura Krajecki: I think there are a couple of general trends that we are seeing, which is the importance of local presence that really, consumers are appreciating brands with the local presence that contribute meaningfully to the communities we all inhabit. Stores are not dead. We are human creatures, we are social creatures, and in some ways all the amazing conveniences, delight, entertainment that digital has brought in an increasingly omnichannel world. We're also recognizing there is a strong desire for people to engage physically, not just digitally. And it's going to drive, frankly, creative innovations that are going to inspire all of us that span both of it. But definitely, we are seeing the importance of physical connection, deep human connection that can be spurred with a local presence. Another key trend we're seeing is this whole notion of revitalization. Between the twin pressures of the pandemic and rising inflation, it's sharpened all of our appetites for repair and reuse. And we're going to see brands winning because they're going to be investing in spaces focusing on product swaps or revitalization, from electronics to fascia. We're going to see that. And even our increasing ethos as a society to see reuse and revitalization. I know we're talking about retail banking here, but when you think creatively about the role of physical retail banks play or could tap into more, this desire to support people's wish to see revitalization in their own local communities. So, it doesn't just have to be physical products, but this notion and the spirit to see revitalization. I would encourage all of those local banks and branches, get inspired about the role that your physical space could play, tapping into that desire to see revitalization in your communities

coming out of the pandemic. And I think even building on that, we're in a post-COVID world, there is also an increasingly desire as a strong trend towards, I don't know any better way to say it, other than this desire for feel goodness, that retail spaces and retail that's going to continue to thrive and set the mark going forward, they're becoming temples of feel goodness. They're going to be spaces that respond to our recent collective global human experience of memories of a pandemic-driven, sensory deprivation that we all experienced. And so, I think the spaces of the future that draw us out of our homes, that desire to connect, they're going to tap into our strong personal human desires for feeling good. And then I think the last thing I would highlight is somewhat stating the obvious, but not to be under ... there's a strong desire for human connection and human empathy. And I don't say that lightly. I think there's an opportunity for every retailer we're seeing this — do you identify the key moments that matter in your customers lives, where you can serve them better? And that comes from a deep, empathetic respect of what they're trying to do, and opportunities for your business to be of greatest service and value in their lives. And that's going to push creative differentiation and meaningfulness of how you connect. And I do think in retail banking, we see a lot of (if I was being honest, with a broad stroke), comparable advantage. A lot of banks, they feel like they're retail spaces, we all can kind of imagine in our heads what that's going to be. And I think whoever's going to break through to next is going to paint something we don't imagine yet, in terms of the role of those retail spaces and the local retail banks.

Jean-Emmanuel Biondi: Hey Bill, I don't know if I can beat Laura on the concepts such as human centricity or feel goodness. But I just want to add two more tactical points to what Laura described. The first one is the fact that retailers have made very significant investments into omnichannel, allowing consumers to shop anywhere, anytime and anyhow. So, you can buy online, you can pick up in store, you can return to the store, you can reserve in store. So, there are so many different journeys you can go through from an omnichannel standpoint. What I think is important is that the notion of channels has become ubiquitous for retail, with full integration of physical and digital from a consumer standpoint. The second and last trend, and again, a lot more tactical than some of those core concept that Laura described are very important, is the fact that retailers also are shrinking the size of the stores. We frequently read about store closures which rhythm is often dictated by real estate agreements in place. But retailers are opening stores, they're opening smaller sized stores close to the consumer, so in proximity with the consumers that they're targeting and they're trying to attract. So, I don't know. I think this is an important point, is that retail exists and physical stores are here to stay. They may take a different shape and offer a different journeys than the ones that we had before.

Bill Dworsky: Gosh, I love all of the things that both of you just said. It's like a roadmap for the rest of our conversation. So many different things to unpack on those. Laura, I want to talk a little bit more about the concept of feel goodness and retail stores as temples of feel goodness, as you described that. I love that metaphor. So, some banks have really intentionally rethought their in-branch layouts as well, in an attempt create more human spaces, as you mentioned and more natural interaction points between frontline associates, employees and customers walking in the door. And not just like you're having to wait in line to walk into an old cold bank vault, you're actually coming in, to a space that's made for you to have a meaningfully engaging experience. One of the added bonuses, I think, in addition to creating kind of good vibes for customers is I think creating improved and better energy and engagement from employees, and this frontline associates as well, to support each customer as they come in. Are you seeing some retailers also designing store environments with employees equally in mind, as customers?

Laura Krajecki: Yes. We are seeing retailers; they're really creating an environment where their associates and customers can interact in critical for some retail segments. So, if you think about luxury for instance, those customers, these are purchases that are enriched and enhanced through the relationship between a employee and the customer, helping you discover what you may not have necessarily intended and guiding you through what's latest, what's new, connecting at a very personal level. Or if you think of Telco, when we go in, and in some ways, we're either ready to upgrade or explore plans or understand what's best for our families. And for many of us, there's nothing that beats that human touch between the connection and frankly, the relationship that is built between employees and your customer. So, I think the retailers and the categories who are getting it right, they are absolutely prioritizing their employees and their customers. When you think about it, how can you expect to deliver a great, phenomenal customer experience if you're not delivering a great, phenomenal employee experience?

Jean-Emmanuel Biondi: And you don't call them store associates, you call them guest athletes. There's so many different names. It's also reflective of how you want to engage and make the journey be a frictionless and human journey, as Laura described.

Laura Krajecki: When I think about it, even in my own bank, I've been fortunate to know a personal banker that I can call, who's been with me from when I started my job with the very first paycheck to moving abroad, purchasing a home. And you know what? I know her by name. She knows me and my husband by name. And that is, even in a banking world, it's incredibly valuable to me, that personal relationship.

Jean-Emmanuel Biondi: Actually, I know, Bill, you want to move to the next question, but what Laura, I also describe as very important in the retail environment, is what we call moments that matter. So, you buy a house, you buy a car, you're moving, these are moments that matter. And for any consumer brand to be next to the consumer and accompanying the customer through those moments is critical. And that's where you build that relationship that is unique, and that Laura was describing earlier.

Bill Dworsky: Yeah, totally. And so many of those major moments that matter come with some sort of financial string that needs to be attached, whether it's enabling the purchase of a home or your first car or whatever. So, I think it's intuitive that banks should and can be thinking along those lines when they think about how to serve customers along the journey. So, I want to also come back to this concept of locality and being local or that you were talking about, and that JEB, I think you echoed as well. Do you think that necessarily requires being small as a retailer with just a few stores in a small area? Sometimes we talk in banking about small community banks with 5, 10, 20 branches as being much better able to sort of localize and customize their services, develop intimate relationships versus kind of the mega bank or kind of national competitors. That sort of seems intuitive, but do you see more nuance or challenges there for smaller retailers trying to be local as you were describing it?

Jean-Emmanuel Biondi: Yeah. Bill, in a retail environment, it is hard for me to oppose regional brands or local brands with the national ones. As we think about it, they both present strategic advantages. Local retailers traditionally tend to serve very specific communities and they know their customer needs and wants. They have that intimate knowledge of the local consumer. Sometimes it could be fluid and not just systematized, but they have that intimate knowledge. National retailers on the other end have a very strong understanding of product trends. They are price competitive. They can achieve economies of scale through the entire footprint that they have. So, each party, so to speak, has very specific competitive advantage. What is certain for us in a retail environment is that the large retailers, the national retailers invest heavily in consumer intelligence in order to get intimate knowledge of the consumer. And then on the basis of the information they've been able to capture from a consumer intelligence standpoint, they're able to personalize offers or hyper localize their assortment and present assortments that correspond to the needs and wants of those local communities or local shoppers that you were referring to earlier. So, to your point, Bill, national retailers are sharpening their tools to increase their degree of relevance at the local level. And they're using some of the latest technologies such as machine learning and AI, which allow you to personalize, to hyper localize at scale. But they use it combined with a deeper understanding of the consumer to trigger and generate opportunities (from a business standpoint), and really go from what we call at Deloitte, going from macro to micro. So micro, it's a little bit of a one size fits all. Everybody gets the same offer, the same assortment. And now you have deep understanding of the consumer intelligence. I can really present an assortment that is very specific to a local store or to a district or a zip code. And that's what is macro to micro. And that's what this is about. And that is a trend in the industry, this notion of hyper localization, hyper-personalization, that is something that is a trend in the industry. And the question then for local and regional retailers is how can they compete in — to keep their strategic advantage when the national retailers are sharpening their tones, as I said earlier, and become a lot more relevant at the local level? So, that's going to be an interesting evolution we'll see in the retail segment.

Bill Dworsky: That's fascinating. Yeah. Totally agree. And then on the other side of the size spectrum, for large scale retailers with hundreds, thousands of stores, even planning that geographic footprint in the first place represents a complicated undertaking. Similarly for large retail banks with hundreds, thousands of branches across the country or a particular geographic area. How are retailers evolving on this front to kind of optimize their store networks? Think about where they should have stores, where they need to maybe shift store locations or shift formats? What are some of the things that you're seeing in that space?

Jean-Emmanuel Biondi: So, retailers are required to regularly reevaluate their retail strategy and their store portfolio. And actually, COVID has accelerated that review with some shift in demand that we have seen, population moving, competitors and stores, shutting down/closing. So, it has forced some of the retailers to reevaluate their portfolio more regularly than it was before. So, before I address your question it's also important to recognize, and it ties back to what Laura described earlier, the emergence of online as a channel competing with physical. And retailers are forced to ask themselves what is the role of the store? And I think Laura highlighted the experiential store, the flagship store, on one side, the convenience store, which is just the point of transaction convenience, or the distribution store, which is the point of transaction, more of regular stores. There are other roles or aspects of the older store that we can highlight. There's community stores where you can have clinics, yoga classes. There's also the permanent store versus the pop-up stores. So, as retailers think about their portfolio, they need to be also clear before they start, looking at the numbers and where they are, etcetera, they need to be clear on the role of those stores and consider that they might have multiple goals potentially. The second question retailers are asking themselves is also, what type of store do I carry? Do I carry a regular store, an express store, a neighborhood store, a pop-up store? What type of stores do I need in my portfolio based on the needs and wants of the consumer? So, there's a question around the overall role of the store. There's a question around the type of the stores. But once you know the role of the store and the type of stores you want to carry, we are seeing retailers using ... and it ties back to the consumers. Everything starts with the consumers, but using a significant amount of consumer data to drive great decisions. But retailers have to rely not just on internal data, but they're also augmenting internal data with outside data that allows them to understand where and how the consumers are shopping, and they can look at it by segment, in particular targeted segment. So, there's a need to look and augment internal data with outside consumer intelligence that will allow them to make some decisions.

Bill Dworsky: No, that's great. I know we've had a number of conversations with some banking clients about things like, how do we use localized traffic patterns or even shopping habits outside of the banking environment to inform things like servicing patents in the branch? Laura, one of the things that mentioned was kind of initially I think about the role of the store in the first place. From your standpoint, do you think there's a role that retail stores and bank branches as an analogy can also play even as more of a marketing function or almost like a brand beacon, even as consumer traffic sometimes goes online versus physically in the store?

Laura Krajecki: Absolutely, 100%. I think when you think of great retail experiences, and in this case, retail banks, the physical store, that physical experience and opportunity is a tremendous natural brand building opportunity. And when I do think about it in banking in this context, I think it's frankly and candidly highly underutilized as a brand asset. Think about all of us in our lives, when you think of specialty retailers, across all facets of your lives, and you know it, and you can imagine some of those environments and the way they make you feel connected to that brand. And you can imagine the world. The power of branding and marketing through a physical retail space is you are creating worlds. It is an opportunity to bring your brand world to life, for people to really know who you are, what you're about, and why they belong, why they should want to be part of your community. I think who and whomever as a retail banking brand, gets out in front and introduces us, as people, to something new, something we haven't seen yet, is poised to unlock tremendous competitive advantage in the retail banking space versus what I think is a lot of comparable advantage out there right now.

Bill Dworsky: Laura, I love the things that you were saying about stores and branches serving as brand beacons. And I think for some retailers, their brand is increasingly about serving a wide variety of needs for their shoppers, customers, including in some cases financial needs, when they come into the store. So, increasingly we're seeing some retailers offering different types of bank-like financial services in the store, such as the ability for customers to deposit money at the cashier as if it were an ATM. Is this competitively threatening, do you think, are retailers kind of trying to become retail banks? JEB, what do you think about that?

Jean-Emmanuel Biondi: Let me give you my perspective. Industry convergence is a reality. Retailers have historically hosted a bank within stores, a way to drive traffic to their own stores. And they've also worked with banks to develop private label credit cards. And so, industry convergence is not something new. Convergence today is moving, however, to the next level where retailers or technology companies are offering payment or financing options as an example. And by the way, retailers are not just moving

into financing, retailers are also moving into healthcare and into wellness. What retailers have realized is that they have a captive audience. They know how to engage with those consumers. It's a strategic advantage, and they will take the strategic advantage to expand into new markets and new territories. But yes, what I wonder, Bill, and that's a question for you, is whether banking is evaluating its own conversions opportunities as well. I'm going to leave you there, but to me, industry conversions is a reality, and it is moving to the next level.

Bill Dworsky: Yeah, if they're not, they should be. I think some are maybe a little bit more forward thinking on that than others. But you definitely see some examples of banks and other financial institutions trying to become more and more involved and present in the customer shopping journey before the point of purchase, whether it's creating rebate, or discount type of search and offer engines for their customers. Or other types of aggregate rewards programs that encourage their bank customers to use their bank as almost a portal into shopping. So, it's certainly something that is an important theme that not just retailers should be thinking about, but thanks as well to your point. Okay. This has been a whirlwind of an amazing conversation. So, thanks so much to you both. Last question here, in 10 words or less, you got to fill in the blank. Laura, we'll start with you. If I were a bank thinking like a retailer, I would?

Laura Krajecki: First and foremost, I would absolutely make consumer centricity a priority enterprise wide. I would prioritize two strategic assets, your customers, and your brand to inspire innovation agendas across the enterprise in terms of product, service, experience, to meaningfully differentiate and stand out in an increasingly competitive space that feels very full of a lot of comparative banking experiences and products. So, that's probably more than 10 words, but I would definitely prioritize your customers and your brand.

Jean-Emmanuel Biondi: It is definitely more than 10 words, but I cannot beat that, Laura. So, I will, however, go in a slightly different direction. Obviously, it is about customer centricity as well. I'm going to reflect on my own experience as a consumer. I feel that the banks I have the opportunity to engage with are multi-channel. They're not omni-channel. So, what I mean by that is that those channels co-exist, but they do not integrate. If I were a bank, I would accelerate the integration of digital and physical to meet heightened expectations of consumers. And those expectations will continue to rise. So, I think it's important for the banks to really embrace this notion of omni channel just like it's been in a retail world. And it's also more than 10 words, Laura, I recognize that.

Bill Dworsky: Well, more than 10 words but definitely great words and great ideas to end on, I think. So Laura, Jean-Emmanuel, thanks so much for your time. And thanks to the listeners out there for tuning in to today's conversation. Special shout out to our Deloitte teammates who made this episode possible, including my co-host, Kristin Korzekwa, Batisse Kashanchi, and Michelle Dahl, along with our friends at Hangar Studios. If you're looking for more golden nuggets on all things retail, check out our podcast webpage online at [deloitte](https://www.deloitte.com).

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