

# Hybrid Space Making: rethinking the bank branch experience for the digital age

## Abstract

As digital technology disrupts financial services globally, how should banks go about planning the next generation of bank branches? In the age of online banking, what are the new hybrid strategies that will draw customers in, improve working conditions for employees, connect with local communities and optimise the property portfolio? This paper describes a research project conducted by the UniCredit banking group in partnership with Unwired and the Royal College of Art to explore the hybrid bank branch network of the future. The study develops three frameworks – architectural, people, and digital – and proposes a model with three levels of hybridity. Its findings have broad implications for new ways of working and interaction in financial services.

**Keywords:** workplace, ethnography, branch network, hybrid spaces, digital real state, innovation, connectivity, financial services

## Introduction

As digital technology disrupts financial services globally, the bricks-and-mortar bank branch seems to get more and more obsolete. Banks are closing branches because people are using them less, in favour of online banking. According to the European Banking Federation, banks within the European Union closed 9,100 branches and cut 50,000 staff in 2016, part of a trend that has reduced European bank employee numbers to their lowest level since 1997.

At the same time, multi-channel retailing that combines physical and digital channels is on the rise as customers increasingly combine tactile and visual store experiences in person with online ordering, selection, reviews and tips. This collision between bricks and bytes is disrupting retail at breakneck speed.

Both trends forced us to rethink the role of the physical branch in the digital world and how to go about planning the next generation of bank branches.

## Context

UniCredit is a leading European financial group with an international network spanning 14 core markets and another 18 countries, with 5,500 branches and 25 million customers. In regard to its branch network, Unicredit embraced changing customer behaviour at an early stage. A new branch model for a better customer experience was kicked off in 2012 and has been continuously refined until today. The look and feel may differ slightly from country to country – also reflecting heterogenous markets and customer segments – but all

follow key principles. Each phase of the customer journey is supported in an optimum way leveraging on:

- Transparency and removal of barriers
- Engagement and mobility
- Blending of physical and digital space

More than 1,000 branches have been already refurbished accordingly - adopting the new model.



*Figure 1: New Branch Model, Sofia Bulgaria*

The challenges of the digital economy, the continuous need for innovation and the objective to move closer to the customer has also led UniCredit to new branch formats such as the mobile pop-up branch (BranchUp!). Supporting the main business objectives of new customer acquisition as well as cost reduction, the pop-up branch comes with an innovative and unique design to allow for:

- Flexibility and adaptability: the basic stand-alone module (6.6 sqm) can be combined to create temporary branch spaces of 40-70 sq metres offering multiple services (e.g. cash, advisory, account opening)
- Low cost of implementation: EUR 15-20 k for pilot production cost (per module)
- Easy to handle (set up in less than 2 hours)
- Ability to attract and engage through digital enhancements and gamification
- Sustainability (made of wood)

The first prototype started in 2014. More than 30 installations in Austria, Italy, Germany, Romania and Croatia followed to prove the concept.



Figure 2: Mobile Pop Up Branch (BranchUp!) in Iasi, Romania (2016)

The mobile branch concept is also illustrative of how innovative formats could help addressing customer needs in a cost efficient way. The mobile branch literally ‘comes to the customer’ – it delivers services (e.g. cash, wi-fi), advisory and the ‘human touch’ in locations and areas (i.e. rural areas, universities, hospitals, and so on) rarely covered by traditional bank branches.

In this way, the mobile branch concept may contribute to an optimized footprint of a future branch network in a complementary way. But the key question of how banks should go about planning the next generation of bank branches remains a subject of ongoing research.

Following the trends of holistic customer experience and blurring boundaries between physical and digital, the hybridization of spaces emerged as a key focus area to be further explored in this context. UniCredit already experimented with hybrid formats crossing traditional boundaries between office and retail, public and private space (see CREJ Sandbillier et al.) The next step was to develop a systematic approach on hybrid space-making, driven by a strict business agenda and covering two design dimensions of hybrid spaces:

- Blending different uses and offers into one space
- Merging physical and digital space

### Research objectives

In the age of online banking, what are the new hybrid strategies that will draw customers in, improve working conditions for employees, connect with local communities and optimise the property portfolio?

This project is exploring a number of questions around the use of the bank branch, driven by the opportunity for UniCredit to:

- Leverage unused space within the branch network that is often in the city centre and well located (Increase Space efficiency)
- Use excess space in the branch to share costs and generate revenue (Reduce Cost)

- Add offers within the branch to attract customers and generate traffic, encouraging customer generation and retention (Attract customers)
- Improve customer loyalty and experience with a portfolio of services
- Improve the experience for the staff in the branch

## Research Approach

To investigate the emerging opportunities for the hybrid bank branch network of the future, it was necessary to define and understand how three important elements –architectural, people and digital – might work in tandem and what the underlying business case for the different degrees of hybridity might be.

A broad-based research team was assembled comprising representatives from the UniCredit bank, the Unwired consultancy (a specialist in digital work futures) and the Helen Hamlyn Centre for Design, Royal College of Art (an academic research partner that has a people-centric focus and an expertise in design-based ethnography). The project took UniCredit’s space typology matrix – its four quadrants to aid collaboration and interaction spanning from private to public and from workspace to retail – as a starting point.

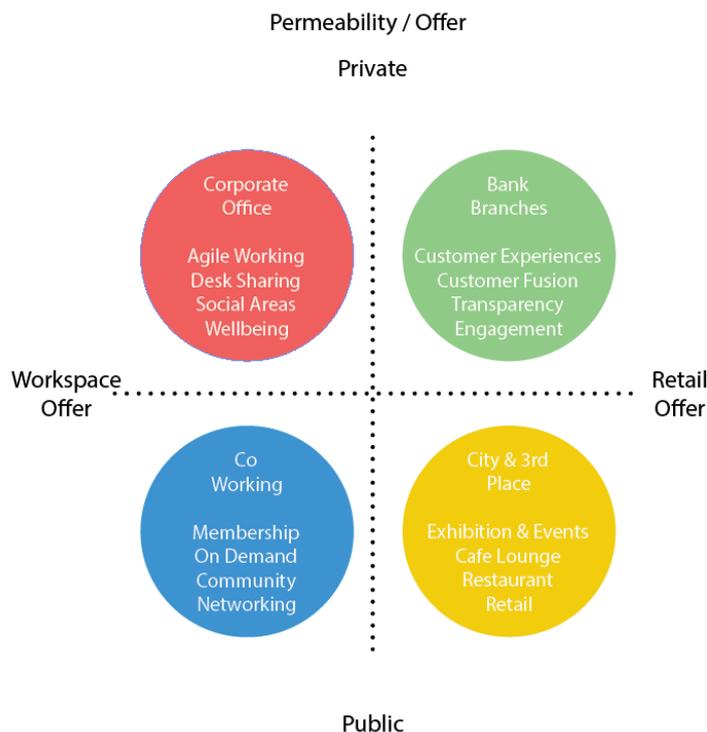


Figure 3: Matrix showing four space typologies

The research team organised two study tours – one in London and one in Milan – to look at real-life examples of hybrid spaces that combine elements of workspace, retail, hospitality and bank branch. The team visited different models of curated and serviced office space, new retail and hospitality environments and new bank branch formats, looking for emerging

examples of hybrid space. At each place, the design approach was analysed from the perspectives of offer/service, curation/delivery and interior style. This precedent study painted a rich picture of the different hybrid spaces currently on the market. Each visit was recorded diagrammatically using a colour coding of red for banking, blue for work, yellow for hospitality and green for retail to chart the different elements in relation to each other.

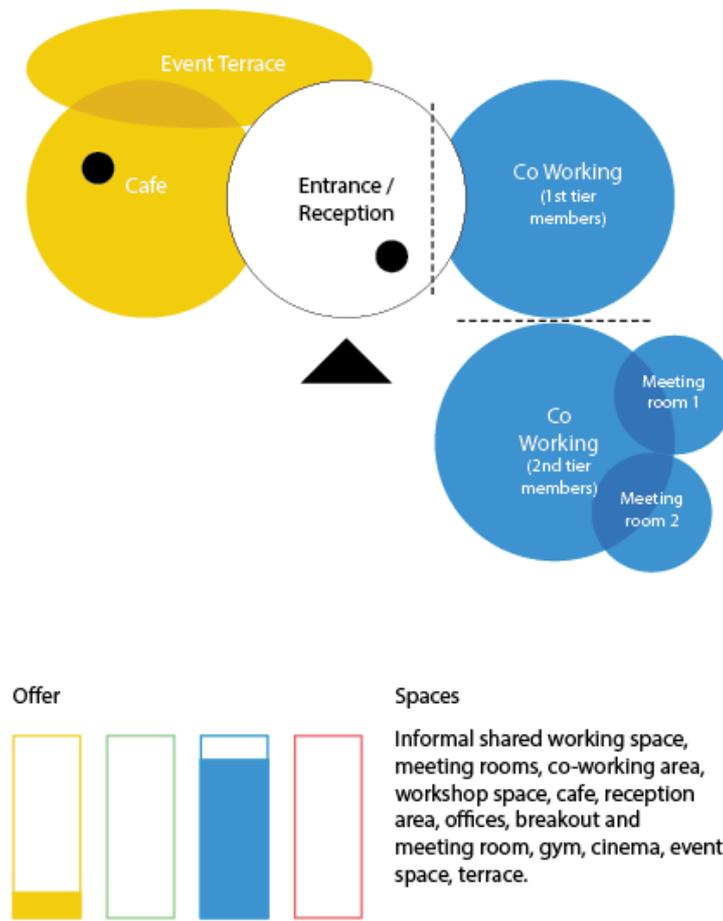


Figure 4: Copernico in Milan, showing mixes of uses in diagram

In Milan, for example, the researchers visited the Copernico co-working space and public café, and a new city-centre bank branch format for Intesa Sanpaolo that features a collaboration with a furniture company to help foster better relationships with clients by creating a public ‘square’ to host events. In London, we visited novel concepts such as the O2 Store retail store at Westfield, which rethinks the traditional mobile phone shop as an inspirational showcase for the latest technology, and Virgin Money Lounge, which reimagines the delivery of banking services through a free, open, tech-enabled community hub.

Each place we visited was then mapped onto UniCredit’s space typology matrix. A databank swiftly built up to show the range of hybrid possibilities, which enabled us to identify some essential characteristics of retail, work, bank branch or hospitality related to dwell time, permeability, flexibility, security/privacy, interaction and ambiance. This body of work also pointed the way to the creation of over-arching frameworks for the architectural, digital and

people elements of the project.

## Architectural Framework

The project addressed the challenge of creating an architectural vocabulary for hybrid space. Our analysis identified and articulated a series of core settings – advisory, service, lounge community, meeting, exhibit and foyer – and placed a service bar at the centre of the model as the main activation element for the space.



### Service Bar

For serving and undertaking transactions with customers who have accounts. Often found at the back of the branch the service bar rarely takes prominent position due to security reasons. It is often a built in structure, sometime enclosed by glass screens with some variation in how desktop is laid out and relationship created between customer and employee.



### Reception Bar

For greeting and checking-in. It acts as an interaction point for people wishing to enter or use the space. Usually located at entrance or boundary between public and private space. Often enclosed and manned, it can act as booth a permanent or temporary workstation.



### Sales Bar

Fixed point of contact for customer interaction, usually at point of a sale. Located in convenient position, sometimes in numerous points around the space. Usually found as simple bar with work stations at regular intervals. Sometimes smaller transactions stations for up-to one customer at a time can be found around the store.



### Cafe Bar

As a point of service for refreshments. Located in variety of locations depending space available, design styling and desired prominence. Cafe bars usually have somebody serving but can also be self service depending on refreshments available.

Figure 5: Architectural Framework

Whether a service, sales, reception or café bar, the bar is a common architectural component that can act as a 'blade' penetrating the space. The bar 'blade' builds on the existing welcome point within the current bank branch, reinforcing the emphasis placed on

the moment a person enters the branch; it nods to the traditions and rituals of retail environments but offers a new and innovative service approach. Critically, it provides the primary point around which a flexible, modular architectural structure can be built; having established the key parameters, the study fleshed out an architectural kit of parts to create each of the identified settings.

### **People Framework**

Hybrid spaces are animated by human behaviour and interaction. So the next phase of the project engaged a mix of bank employees, customers and participants from the wider community to generate insights into real needs and contexts through the recording of personal stories. We wanted to understand user journeys and interactions through digital and physical space as a key contribution to building the narrative of the hybrid branch.

# The People

## Employees

A variety of employees from across the business with particular focus on those working in branch.

- **Front of house.**  
Employees that have high level of interaction with the customer and based in prominent customer facing roles.
- **Back Office**  
Employees that work in branch but are more involved in back office running and branch operational management.
- **Head Office**  
Employees that have to visit or use branches to undertake their role on a regular basis.

## Customers

A combination of existing and potential customers from a range of backgrounds.

- **Customer**  
Existing , New, Potential
- **Business**  
Small, Medium , Large
- **Private**  
VIP & Business Premium

## Community

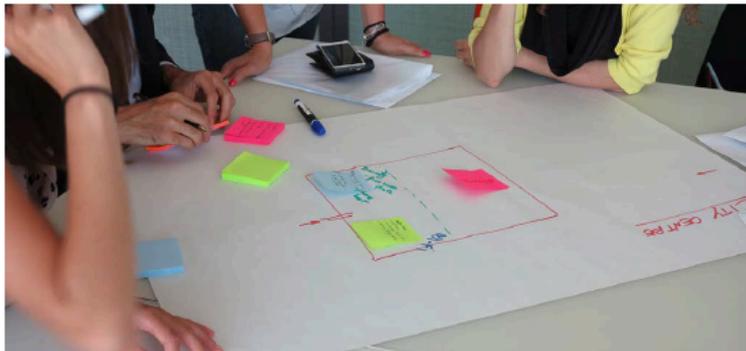
A variety of community users that might be interested in getting involved or have understanding of aims and objectives of hybrid spaces.

- **Small Business**  
People working freelance or as individuals on flexible roaming basis or individuals that work as part of small team that require new space or are taking advantage of new types of working environment.
- **Co-Working Users**  
Individuals involved in the operation or management of co-working or commercial office spaces, or individuals that regularly use co-working office space.



Figure 6: People Framework

Front of house, back office and head office staff; existing, new and potential customers; small business owners, entrepreneurs and freelancers from the wider community – all are players in any hybrid bank branch network of the future. So all were invited to participate in a programme of observations, interviews and workshops in Milan to identify user motivations, expectations and goals responsible for driving behaviour around bank branch use.



*Figure 7: Participatory research exercises*

Not only did we gather rich insights but we also tested our initial architectural ideas on these groups and discovered a real appetite for some of the ideas being described. From this body of ethnographic research, we created four archetypal bank branch users (two young, two older) who have particular unmet needs: Sofia the Urbanite, who views banks currently as old-fashioned and traditional and sees little reason to enter a branch; Gaia the Start Up Entrepreneur, who feels that banks can do more to help her business grow; Pietro the Professional, who misses the personal service and client management earlier in his career; and Antonio the Senior, who struggles with online banking and is sentimental about the local branch of the past. These four personas helped the bank to focus on value and benefits for key customer groups.



Figure 8: The four personas

### Digital Framework

More fluid interactions of a wide range of people with different needs in flexible, modular space necessitated a new approach to the application of digital technology within the physical environment. So the research team developed a smart branch infrastructure with a digital framework based on four levels of interaction: Detect, Connect, Locate and Engage.

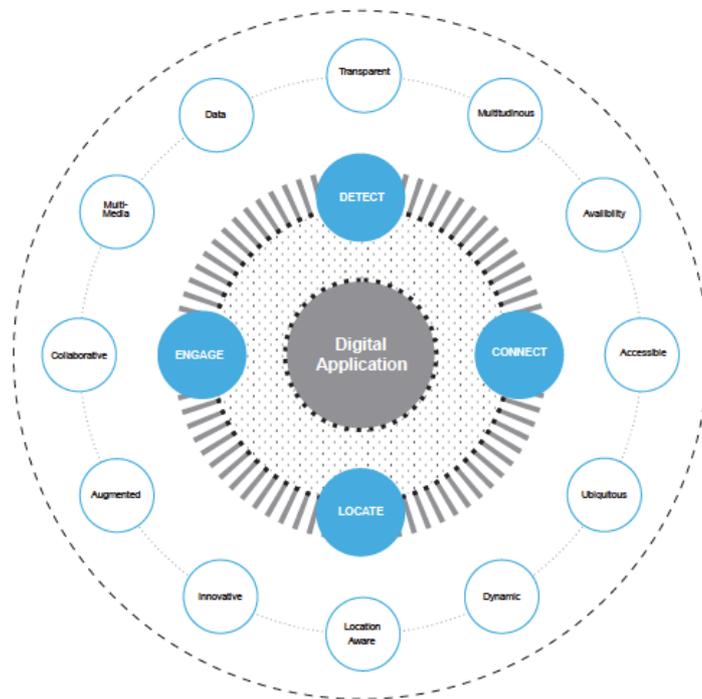


Figure 9: Digital Framework

'Detect' provides *ubiquitous computing*, with customers 'checking in' for free wi-fi. This enables the bank to interact with pre-registered customers on a personalised basis, by utilising customer profiles with banking history, search history, travel data and so on. This system would generate user analytics that could be analysed for real-time adjustments to services.

‘Connect’ provides *ambient informatics*, expanding digital media into the physical environment where data and information is available in space and time as someone requires it. This creates opportunities for the bank to start ‘conversations’ about new products and services with people logged into the system.

‘Locate’ takes this to a more sophisticated level at which *location-based data and locative media* can help the bank to link people and place, improving the user experience, interactions and services both instore and online. There is better navigation through Indoor Positioning Systems (IPS).

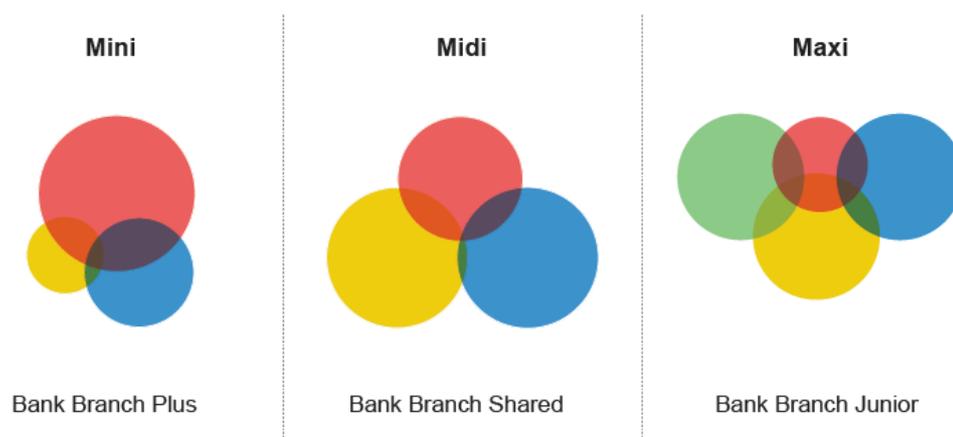
‘Engage’ is the most advanced level: it provides the technology for *synchronous communication and augmented environments*, facilitating continuous two-way transfer of information between any number of users. Real-world environments are augmented by computer-generated sensory input such as sound, video, graphics and GPS data, creating bespoke experiences. There are digital dashboards for both customers and employees, and conferencing and audio-visual capabilities within the branch.

The four levels of the digital framework helped to project to frame the idea of the future hybrid branch as more experiential, community-minded and market focused.

### Three Models of Hybridisation

In bringing the digital framework together with the people and architectural frameworks, the research team developed three different models of the future hybrid bank branch at different scales; Mini Hybrid, also known as Bank Branch Plus; Midi Hybrid – Bank Branch Shared; and Maxi Hybrid – Bank Branch Junior.

Figure 10:



All three models were designed to support UniCredit's drive to leverage its large property portfolio in a more imaginative and cost-effective way, connecting to local communities and customers, and providing a better working environment for staff. All three were designed to build on the architectural, people and digital frameworks established earlier in the study.

## Mini Hybrid



**Mini Hybrid model:** This Bank Branch Plus model is still recognizably a bank branch. It offers up to 90 per cent of space devoted to banking. The bank owns the space and gets a small cost contribution from other partners such as a bookshop in the corner or a coffee shop area. Architectural elements within a Mini Hybrid might include a community co-working area and informal lounge and meeting areas alongside core functions of the bank branch, including advisory settings, self-service areas, private consultation rooms and others. The Mini Hybrid model exploits opportunities to use space within the bank branch more effectively, adapting the infrastructure and layout to offer new services alongside the existing bank branch functions. The bank would operate and manage the new spaces with a focus on improving customer experience, loyalty and acquisition.

## Midi Hybrid



**Midi Hybrid model:** This is the Bank Branch Shared, offering only around 50 per cent of space devoted to banking services. The bank still owns the space but a large proportion of the costs are reimbursed by external partners, helping to leverage the branch network in an economic and community sense. Architectural elements within a Midi Hybrid might expand communal co-working and private individual work areas, meeting room facilities and informal lounge areas alongside core functions of the bank branch. The bank might bring in partners to operate and manage the new spaces as a joint venture, with a growing focus on building membership as part of an enhanced customer experience.

## Maxi Hybrid



**Maxi Hybrid model:** This is the Bank Branch as Junior Partner, devoting only 10 per cent of the space to banking services. Two scenarios exist where the bank still owns the space but it is handed over to a service company or professional property manager to run, or the bank no longer owns the space but rents a portion of the venue alongside other service providers, with a real estate company owning and operating the model. Architectural elements within the Maxi Hybrid might extend to having a mix of retail stores, exhibition areas and interactive zones between other shared and breakout spaces. This model is about increasing customer coverage in a less intensive and more interesting way in which the hybrid space is not perceived as a bank branch anymore but more like a new, mixed-use environment.

Technologies for these hybrid spaces extend with the level of hybridity from basic public wi-fi and video conferencing with bank experts in remote locations (Mini Hybrid) through the provision of wi-fi printing, electronic lockers and an app-based space reservation and check-in system (Midi Hybrid) to advanced cloud-based services and specialist software applications, a genius bar and IT support (Maxi Hybrid).

## Two scenarios

To test the application of the hybridisation model, the research team looked at how the four user personas created by the study (Sofia, Gaia, Pietro, and Antonio) would interact with the hybrid bank branch of the future in two scenarios: a busy city centre urban location (800 sq metres) and a popular holiday coastal location (around 400 sq metres). This marked the final phase of the research and created a platform for questioning the model and identifying services and features that respond to different customer needs. For example, a city-centre hybrid membership club enables Pietro, the Professional, to offer space to his own clients who are in need of somewhere to work; a coastal hybrid branch enables Gaia, the Start-up Entrepreneur, to host a meet-the-innovators event at the bank for local businesses.



Figure 11: Scenarios for use in city-centre and coastal branches examined through personas

Ultimately this body of research provided a blueprint for how Unicredit can adapt its physical and digital spaces to develop the hybrid bank branch network of the future, reaching out to customers, staff and local communities in a more meaningful way while optimising space and managing costs of the corporate real estate portfolio.

### **Implication of Research**

Some first 'physical' implications of the research can be already seen in Milan. In July 2017, UniCredit launched the first Business Center for small and medium enterprises serving around 1,600 business customers in the Milan central commercial area. Following the mini hybrid model, UniCredit converted the former traditional branch in Via Verdi into a hybrid business centre combining traditional banking services (industry specific financial advisory, both individual and automated 24-hour transactional services) and a hybrid service offer for business clients (which they can use on their own or to interact with their clients and providers):

- Co-working rooms
- Meeting area
- Lounge area
- Event space / Agora



*Figure 12: Business Center in Via Verdi, Milan Italy*

### **Conclusions**

From the research and its first applications, it turns out that hybrid space-making might play a key role in the future design of bank branch networks. Nevertheless, the approach is not limited to the financial services industry, but is relevant in all cases, where it comes to the design of experiential spaces and the capitalisation of real estate assets.

Additional social value can be created by opening space to the community, providing a physical platform for interaction and collaboration in the digital world. The principle of using space more efficiently, and to share it with other services in combination with increased user experience, will lead to new models of property management and intermediation.

As in the digital world, aggregators or space platform operators may evolve to host and curate different services (hospitality, co-working, banking, retail, and so on) tailored to a specific community. At the same time, they may act as new intermediaries between long-term real estate investors and space occupiers by transforming long-term rental contracts and big footprints into smaller, more flexible uses.

Such new business models may even accelerate the merging of physical and digital space, since this allows for more fluid interactions between a wide range of people with different needs in flexible, modular spaces fostered by digital technology.

Last but not least, all of the above evolution has to be enabled by a dynamic and hybrid programming of space supported by architectural and digital building blocks – a key objective of the project described in this paper.

*Footnote:*

The authors would like to acknowledge the exceptional contributions of the other members of the research team: Davide Rimonta and Giulia Varano (UniCredit); Philip Ross and Owen King (Unwired); and Andrew Thomson and Imogen Privett (Royal College of Art)