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## SERVICE DESIGN AND INNOVATION IN BANK BRANCHES

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# 1 TABLE OF CONTENTS

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1	Introduction.....	1
2	Literature Review.....	4
2.1	Service Design Process.....	4
2.2	Service Dimensions and Capabilities for realising new service experience.....	6
2.3	Service Opportunity Matrix.....	10
3	Research Method.....	13
3.1	Data Gathering and Analysis.....	13
3.2	Design Agencies.....	15
3.2.1	Frog Design.....	15
3.2.2	Crea International.....	16
3.2.3	DINN!.....	16
3.2.4	Public Design Group.....	16
4	Results.....	17
4.1	Branch Concepts.....	17
4.1.1	My House Bank.....	17
4.1.2	Botanical Garden Experience.....	18
4.1.3	Restaurant Experience Banking.....	20
4.1.4	Connecting Bank.....	21
4.1.5	Natural Tech.....	22

4.1.6	The “Hub” of the real economy .....	24
4.1.7	E-Branch .....	25
4.1.8	Lifestyle Bank .....	26
4.1.9	It’s Possible to Love a Bank .....	27
4.1.10	Pop-up Branch.....	29
4.2	Branch Cases Summary .....	30
5	Discussion.....	32
5.1	Classification of the Branches Strategies .....	32
5.2	Service Dimension and Capabilities .....	35
5.3	Service Design Thinking Process .....	44
5.4	Findings .....	49
6	Conclusions .....	52
6.1	Contributions .....	52
6.2	Managerial Implications.....	55
6.3	Limitations and Suggestions for Further Research .....	64
7	References .....	66

## 2 TABLE OF FIGURES

---

Figure 1. Number of Bank Branches for Euro Area and Italy .....	3
Figure 2: Service design thinking process .....	6
Figure 3: Six-dimensional model and the capabilities for realising new service experience and solution... 9	
Figure 4: Service Opportunity Matrix (SOM) .....	11
Figure 5. My House Bank Branch .....	18
Figure 6. Botanical Garden Experience Branch.....	20
Figure 7. Restaurant Experience Banking Branch .....	21
Figure 8. Connecting Bank Branch .....	22
Figure 9. Natural Tech Branch.....	23
Figure 10. The 'hub' of real economy branch .....	25
Figure 11. E-Branch.....	26
Figure 12. Lifestyle Bank Branch .....	27
Figure 13. It's Possible to Love a Bank Branch.....	28
Figure 14. Pop-up Branch.....	29
Figure 15: Branch concepts classified in the SOM.....	34

## 3 TABLE OF TABLES

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Table 1: Branch cases summary.....	32
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## ABSTRACT

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Questo lavoro si concentra sull'innovazione nell'industria del retail banking, in particolare nell'innovazione effettuata nelle filiali bancarie. L'innovazione aveva svolto un ruolo importante nella fonte competitiva per le imprese di servizio, con un impatto positivo sulla crescita economica delle imprese. L'attività bancaria ha dovuto affrontare alcune difficoltà negli ultimi anni, spingendo l'industria ad innovare per recuperare la propria posizione persa. L'innovazione bancaria si è concentrata sui canali, sul servizio clienti e sull'esperienza. L'aumento della banca on-line ha attirato l'attenzione dei ricercatori per studiare le innovazioni bancarie, lasciando da parte le esperienze fisiche. Tuttavia, il settore bancario retail coopera con agenzie di design per reinventare l'esperienza della filiale bancaria, implementando metodologie di disegno per innovare che hanno fornito un nuovo approccio nel settore. Nel tentativo di studiare l'innovazione fatta nei sportelli bancari, questo lavoro discute dieci casi di banche sono stati una metodologia di disegno utilizzata per creare il concetto in collaborazione con un'agenzia di disegno. Il lavoro utilizza approcci manageriali e di disegno per identificare la strategia adottata e come è stato sviluppato il servizio. Inoltre, seguendo la tipologia proposta da Sawhney e compagni di lavoro, lo studio propone che le innovazioni del ramo siano classificate in quattro strategie principali che tentano di fornire una nuova esperienza in modi diversi. Gli sportelli bancari forniscono esperienze aggiuntive per creare una comunità, automatizzare le operazioni riducendo i costi operativi, fornire un ambiente confortevole per facilitare le conversazioni o spostare i rami da terra a cellulare per rispondere alla domanda del cliente.

Parole chiave: innovazione, disegno, disegno dei servizi, strategia di servizio, retail banking

## ABSTRACT

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This work focuses on the innovation in the retail banking industry, specifically in the innovation done in the branches. Innovation had played a major role in the competitive source for service firms, impacting positively in the economic growth of the businesses. Banking had faced some difficulties in the past years, pushing the industry to innovate to recover their position lost. The banking innovation had focused in channels, customer service and experience. The increase of online banking captured the attention of scholars to study the banking innovations, leaving aside the physical experiences. However, the retail banking industry partner up with design agencies to reinvent the branch experience, implementing design methodologies to innovate that provided a new approach in the industry. In the attempt to study the innovation done in the branches, this work discusses ten branch cases where a design methodology was used to create the concept in partnership with a design agency. The work uses managerial and design approaches to identify the strategy adopted and how the service was developed. Moreover, by following the typology proposed by Sawhney and workmates, the study proposes that the branch innovations are classified into four main strategies that attempt to provide a new experience in diverse ways. The branches provide additional experiences to create a community, automatize the operations reducing the operational cost, provides a comfortable environment to facilitate the conversations, or shifts the branches from grounded into mobile to respond the customer demand.

Keywords: innovation, design, service design, service strategy, retail banking





# EXECUTIVE SUMMARY

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## Introduzione

L'innovazione è stata una fonte di crescita grazie alla sua fonte critica di vantaggio competitivo in molte industrie. L'innovazione dei servizi ha un ruolo importante nella creazione della crescita economica. Questa è la motivazione seguita dalle economie sviluppate per passare a quello che si chiama "economia di servizio". Questo concetto può essere spiegato come un'economia altamente dipendente dall'industria dei servizi, che hanno fatto un impatto significativo sulla crescita economica delle economie sviluppate. A questo proposito, il risultato è stato l'influenza di diverse discipline come marketing e gestione a casi di ingegneria, scienze informatiche, scienze comportamentali o di progettazione, tra gli altri.

L'industria bancaria al dettaglio, nel corso degli ultimi dieci anni, ha dovuto affrontare difficoltà che hanno costretto l'industria a trovare nuove strategie per innovare. Nel 2008 il 37% delle banche ha avuto una strategia di innovazione, raggiungendo il 74% delle banche con una strategia di innovazione nel 2016. Le innovazioni sono state focalizzate principalmente sui canali, sul servizio clienti e sull'esperienza.

Questo sforzo per innovare nei canali aveva seguito la tendenza in cui la maggior parte degli utenti avevano aumentato l'interazione mobile, dando come conseguenza la diminuzione dell'interazione con i canali fisici. Questa bassa interazione con i rami era stata una delle motivazioni per l'industria bancaria a cominciare a diminuire la loro presenza fisica per rafforzare la propria esperienza online. In particolare, il numero di succursali della zona euro ha subito una costante diminuzione dei rami dal 2009.

Nell'impegno per le banche di reinventare l'esperienza fisica, hanno guardato la partnership con agenzie di disegno che potrebbero creare nuovi concetti di filiali che potrebbero sentirsi moderni e che soddisfino il bisogno e l'attesa dei clienti attuali.

L'obiettivo di questo lavoro è quello di comprendere le strategie adottate dall'industria bancaria al dettaglio per reinventare l'esperienza fisica, evidenziare le caratteristiche comuni che gli sportelli bancari condividono e capire il processo di progettazione dietro.

### **Rassegna della letteratura sul tema**

Questo lavoro ha due dimensioni principali della ricerca, uno relativo al design dei servizi e ad altri alla strategia di innovazione dei servizi. Per iniziare la revisione della letteratura, descriverà le fasi di progettazione per sviluppare un servizio, descriverà le dimensioni e le capacità necessarie per sviluppare un servizio e finirà con le strategie che possono essere utilizzate per la crescita con i servizi.

Il Thinking Design Service proposto da Stickdorn e Schneider (2010) è una metodologia che presenta un processo non lineare, il che significa che in ogni fase del processo potrebbe essere necessario tornare indietro o addirittura all'inizio. Le fasi sono quattro: Esplorazione, Creazione, Riflessione e Attuazione. La fase di Esplorazione scopre le esigenze aziendali e il problema che dovrebbe funzionare e determinare il problema reale da un punto di vista del cliente. La fase di creazione tiene conto dei risultati della fase precedente e propone soluzioni per risolvere le esigenze. La fase di riflessione mira a testare le soluzioni con gli utenti finali per individuare i potenziali problemi. La fase di attuazione è dove il servizio è attuato e lanciato sul mercato.

I servizi sono importanti per la crescita e l'innovazione. Quindi è importante comprendere in profondità i fattori che influenzano il servizio. Per questo, Hertog, van der Aa e de Jong (2010) hanno sviluppato un modello per comprendere tutti i componenti e le relazioni che interessano un servizio, fornendo le dimensioni del servizio e le capacità per sviluppare una nuova esperienza di servizio.

Ci sono sei dimensioni dei servizi. Il primo è il nuovo concetto di servizio che descrive la nuova idea. Nuova interazione con i clienti che descrive i ruoli dei clienti nella creazione di valore. Nuovo partner di affari che è coinvolto in joint-production. Nuovo modello di reddito che determina le revisioni e il costo del servizio.

Nuovo sistema di consegna: personale, organizzazione, cultura che mostra il cambiamento culturale e organizzativo in azienda. Inoltre, nuovo sistema di consegna: tecnologico che evidenzia la nuova tecnologia del servizio.

Le prime funzionalità citate sono le necessità degli utenti e le opzioni tecnologiche che evidenziano le esigenze degli utenti e esplora le opzioni tecnologiche da utilizzare. Concettualizzare un servizio che non è tangibile. Capacità di (un-)bundling per riorganizzare diversi servizi esistenti. Co-produzione e orchestrazione dei diversi partner. Scalare e allungare il nuovo servizio. Inoltre, apprendimento e adattamento per migliorare il servizio in futuro.

I servizi offrono opportunità di crescita, quindi un modello sviluppato da Sawhney, Balasubramanian e Krishnan (2004) propone quattro principali direzioni di servizio crescono. Questo modello è stato chiamato Service Opportunity Matrix (SOM). Le dimensioni della crescita sono legate al modo e al punto da crescere. Come fornisce l'opzione per aggiungere nuove attività o per riconfigurare quelle esistenti. La dove fornisce l'opzione di crescita nell'area corrente, oppure guardare avanti e crescere in un'area adiacente. La croce di entrambe le dimensioni crea quattro opportunità per creare un nuovo servizio mescolando la creazione o la riconfigurazione delle attività nella catena di attività corrente o adiacente.

### **Metodo di ricerca**

A causa dell'obiettivo di questa ricerca, l'approccio utilizzato è quello di analizzare diversi casi che le agenzie di progettazione e le banche hanno progettato insieme un nuovo concetto di filiale. La maggior parte dei casi provengono da agenzie di design italiane che hanno collaborato con diversi tipi di banche operanti in Italia (banche regionali, nazionali o internazionali). Tuttavia, alcuni casi provengono da banche in altri paesi che completano il SOM con più esempi e soddisfano tutti i quadranti di esso, per cui tutte le diverse strategie possono essere mostrate.

Le diverse strategie adottate dalla banca saranno classificate secondo la SOM. Il risultato di questa classificazione riunirà analoghi approcci di innovazione adottati dalle banche, creando gruppi di concetti di settore da analizzare. Dopo questa segmentazione, per capire e identificare le caratteristiche del servizio, verrà utilizzato il modello a sei dimensioni sviluppato da den Hertog, van der Aa e de Jong. Questo modello rileverà tutte le dimensioni relative a questi servizi. Per essere in grado di comprendere il processo di progettazione del processo di progettazione di questi servizi, il modello sviluppato da den Hertog, van der Aa e de Jong fornisce anche le capacità per creare un'esperienza di servizio. Vengono descritte solo le principali funzionalità relative al bollettino di servizio perché alcune funzionalità sono fondamentali per la progettazione delle nuove innovazioni di servizio e alcune altre funzionalità non sono necessarie o non sono pertinenti nella creazione. Infine, il processo di Thinking Design Service utilizzerà per descrivere il processo di progettazione dietro il servizio.

Il punto di partenza per scegliere i casi in cui le agenzie di design hanno creato un'esperienza nuova per le banche. Dove hanno preso quattro agenzie di disegno: Crea International, DINN!, Frog Design e Public Design Group e dieci banche con branche: Crédit Agricole, BPER Banca, ChiantiBanca, BNL, CheBanca!, Intesa Sanpaolo, Piraeus Bank, Solo Bank, Queensland e PNC Bank.

## **Risultati**

Le banche hanno dimensioni e influenza distinte nel territorio che operano, dalle banche regionali con un focus locale a banche multinazionali con un'elevata partecipazione al mercato. La maggior parte di loro operano sul mercato italiano, ma anche alcune banche riprogettano i loro filiali in altri paesi. Lo studio ha analizzato dieci casi di filiali.

La My House Bank di Crédit Agricole che supporta un'esperienza cliente facile, rilassata e familiare creando un paesaggio di banche a casa con una tecnologia limitata nel negozio. Dopo un anno, aumentare il loro ROI nelle attività commerciali del 20 per cento.

L'esperienza botanica di BPER Banca aumenta il modello relazionale bancario caratterizzato da dialogo, vicinanza e competenza, eliminando barriere fisiche e aumentando l'ospitalità. Il 95% del cliente era pienamente soddisfatto.

Il Ristorante ChiantiBanca's Experience Banking che unisce il patrimonio locale (toscano) e rafforza l'esperienza dei clienti integrando un ambiente familiare locale con la promozione di prodotti locali in una vetrina.

BNL's Connecting Bank, che propone un nuovo codice al dettaglio che introduce soluzioni digitali e migliora la qualità del rapporto con il cliente con l'introduzione di soluzioni self-service e personale flessibile per muoversi con clienti da spazi aperti a privati.

Tech Tech di CheBanca!, Che fornisce un ambiente bancario aperto, dove il cliente è al centro di esso, incoraggiando i clienti a svolgere operazioni in modalità autonoma o con il supporto del personale.

Intesa Sanpaolo Il "Hub" dell'economia reale che crea una piattaforma sociale che pone i clienti al centro, consentendo loro di acquisire nuove competenze e partecipare alle iniziative.

E-Branch della Piraeus Bank che modifica la tipica freddezza dei rami digitali principali in tutto il mondo in una nuova e-branch completamente automatizzata.

Solo Bank's Lifestyle Bank, che introduce un nuovo modello bancario basato su offerte in stile concierge, servizi personalizzati e un ambiente elegante che esclude lusso ed esclusività.

Banca del Queensland's è possibile amare una banca che rimuove tutte le barriere e le operazioni vengono fatte unite, integrando promozioni e eventi locali.

Il ramo Pop-up di PNC che ha creato un ramo mobile per valutare se un mercato particolare fosse necessario o potrebbe anche sostenere una posizione bancaria più permanente.

## Discussione

La classificazione secondo il SOM delle dieci filiali li ha assegnati nei quattro diversi quadranti della matrice.

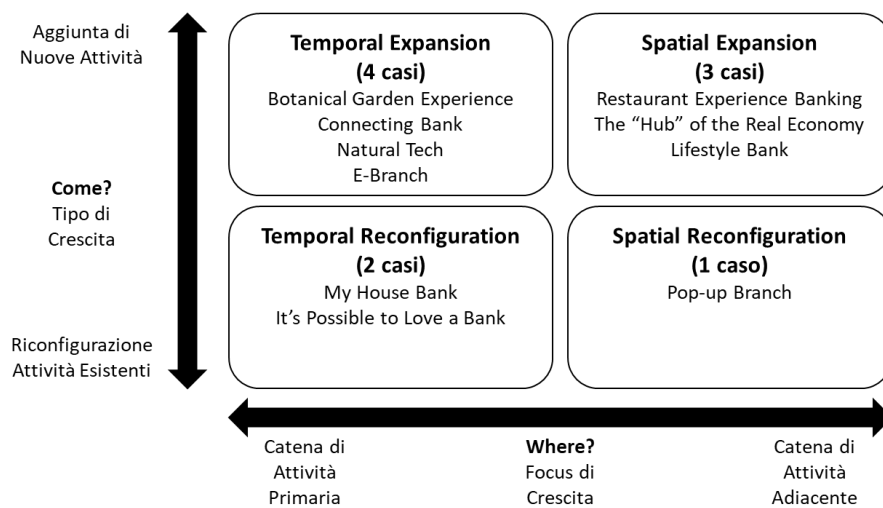


Figura: Concetti di filiali di banca classificati in SOM.

I casi temporali di espansione hanno centrato la loro innovazione nella creazione di aree self-service che offrono nuove attività da svolgere ai clienti. Qui le opzioni tecnologiche svolgono un ruolo fondamentale nella progettazione dell'esperienza, senza che questa soluzione non possa essere possibile.

I casi di espansione spaziale hanno centrato la loro innovazione nell'aggiunta di nuove esperienze nel ramo grazie alla partnership con altre aziende. Le capacità di aggregazione, co-produzione e orchestrazione forniscono un ruolo importante nella creazione di servizi, dove la partnership con fornitori locali offre esperienze locali e uniche.

I casi temporali di riconfigurazione hanno centrato la loro innovazione nel rafforzamento dei rapporti tra clienti e banca. La comunicazione diretta tra clienti e banche offre l'opportunità di imparare direttamente da loro e di adattarsi in futuro.

Il caso della riconfigurazione spaziale ha centrato la sua innovazione nell'offerta dell'esperienza di ramo in luoghi dove sono richiesti, approfittando di più delle usanze dei filiali. La standardizzazione dei filiali consente la possibilità di scalare e di aumentare facilmente.

## **Conclusioni**

Nel tentativo di studiare questa nuova collaborazione tra le agenzie e le banche, questo studio analizza dieci casi di branche dove è stata fatta un'innovazione radicale. Questo lavoro adotta due prospettive: una prospettiva manageriale e una progettazione. La prospettiva manageriale è adottata con la matrice di strategia proposta da Sawhney, Balasubramanian e Krishnan. Mentre la prospettiva del progetto viene adottata con il modello dimensionale e di capacità proposto, den Hertog, van der Aa e de Jong e il processo di progettazione menzionato nel libro di Stickdorn e Schneider. Con il mix di entrambe le prospettive, il lavoro concepito propone un nuovo modo per capire l'innovazione fatta, in particolare, nei rami bancari.

Le diverse strategie adottate dalle banche mostrano che, in base alle capacità che la banca vuole sfruttare e alle esigenze che si vuole coprire, una strategia proposta nella Matrice Opportunità di Servizio si adatta meglio. Inoltre, il processo di progettazione dietro al servizio condivide molti passi, ma con alcune differenze. Questo studio beneficerà non solo dell'industria retail banking e delle agenzie di design ma anche dei ricercatori dell'innovazione dei servizi perché fornisce un'analisi preliminare delle strategie di innovazione create con una prospettiva di progettazione.

Come ogni altro studio, questo lavoro ha diversi limiti che rappresentano tuttavia opportunità di ricerca futura. In primo luogo, la dimensione del campione dei casi che rendono difficile trovare relazioni significative dai dati analizzati. In secondo luogo, i dati utilizzati in questo lavoro derivano da fonti secondarie. Queste fonti sono i siti web delle agenzie di design e le relazioni bancarie, che mostrano i concetti di settore. Le informazioni ottenute in molti casi erano incomplete. Infine, questo lavoro si concentra sulle strategie di innovazione applicate solo ai cambiamenti nelle esperienze dei rami. Non



studia le strategie di innovazione in altri canali di interazione tra i clienti e le banche. La ricerca futura dovrebbe concentrarsi sui diversi canali e su come l'omnichannelità influenza l'esperienza del cliente in tutte le dimensioni e l'impatto sulle prestazioni. Nonostante queste limitazioni, questo lavoro interseca i processi di progettazione e le strategie di servizi che mostrano casi empirici che aprono un interessante approccio di ricerca.

# EXECUTIVE SUMMARY

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## **Introduction**

Innovation has been a source of growth due to its critical source of competitive advantage in many industries over the. Service innovation has a major role in creating economic growth. This is the motivation followed by developed economies to move to what it is called “service economy”. This concept can be explained as an economy highly dependent on the service industry, which made a significant impact on the economic growth of the developed economies. About this, the result was the affecting of several disciplines like marketing and management to cases of engineering, computer sciences, behavioural science, or design, among others.

The retail banking industry, during the past decade, has faced difficulties that had forced the industry to find new strategies to innovate. In 2008, 37 per cent of the banks had an innovation strategy, reaching the 74 per cent of banks with an innovation strategy in 2016. These innovations have been focused mainly on channels, customer service and experience.

This effort to innovate in channels had followed the trend where most of the users had increased the mobile interaction, giving as a result the decreased of the interaction with physical channels. This low user interaction with branches had been one of the motivations for the bank industry to start to decrease their physical presence to strength their online experience. In particular, the number of branches in the Euro Area had suffered a constant decrease in the branches from 2009.

In the effort to for banks to reinvent the physical experience, they looked the partnership with design agencies that could create new branches concepts that could feel modern and that satisfy the current customers’ need and expectation.

The aim of this work is to understand the strategies adopted by the retail bank industry to reinvent the physical experience, highlight the common features that the branches share and understand the design process behind.

### **Literature Review**

This work has two main dimensions of research, one related to service design and other to the innovation strategy of the services. To start the literature review, will describe the design stages to develop a service, then will describe the dimensions and capabilities required to develop a service, and will finish with the strategies that can be used to growth with services.

Service Design Thinking proposed by Stickdorn and Schneider (2010) is a methodology that presents a nonlinear process, meaning that at every stage of the process it might be necessary to return a stage back or even to the start. The stages are four: Exploration, Creation, Reflection and Implementation. The Exploration stage discovers the company needs and the problem that should be work and determine the real issue from a customer point of view. The Creation stage takes into consideration the findings of the previous stage and proposes solutions to solve the needs. The Reflection stage aims to test the solutions with the final users to identify potential problems. The Implementation stage is where the service is implemented and launched into the market.

Services are important to growth and innovate. Therefore it is important to understand in deep the factors that affect the service. For this, den Hertog, van der Aa and de Jong (2010), developed a model to understand all the components and relationships that affect a service, providing the dimensions of the service and the capabilities to develop a new service experience.

There are six dimensions of the services. The first is the New service concept which describes the new idea. New customer interaction which describes the roles of the customers in the value creation. New business partner that is involved in jointly co-producing. New revenue model which determine the revues

and cost of the service. New delivery system: personnel, organisation, culture which shows the cultural and organisational change in the company. Moreover, New delivery system: technological which highlight the new technology of the service.

The first capabilities mentioned is the Signalling users' needs and technological options which highlight the user needs and explores technological options to be used. Conceptualising a service that is not tangible. (Un-)bundling capability for reorganising different existing services. Co-producing and orchestrating the different partners. Scaling and stretching the new service. Moreover, Learning and adapting to improve the service in the future.

Services provide opportunities for grow, so a model developed by Sawhney, Balasubramanian and Krishnan (2004) propose four main directions of service grow. This model was called Service Opportunity Matrix (SOM). The dimensions of growth are related to the how and where to grow. The how provides the option to add new activities or to reconfigure the existing ones. The where provides the option to growth in the current area, or to look forward and grow in an adjacent area. The cross of both dimensions creates four opportunities to create a new service by mixing the creation or reconfiguration of activities in the current or adjacent activity chain.

## **Research Method**

Due to the aim of this research, the approach utilised is to analyse different cases that design agencies and banks designed a new branch concept together. Most of the cases come from Italian design agencies that collaborated with diverse kinds of banks that operate in Italy (regional, national or international banks). However, some cases are coming from banks in other countries that to complete the SOM with more examples and fulfil all the quadrants of it, so all the different strategies can be shown.

The different strategies adopted by the bank will be classified according to the SOM. The result of this classification will group similar innovation approaches adopted by the banks, creating groups of branch

concepts to be analysed. After this segmentation, to understand and identify the service characteristics will be using the six-dimensional model developed by den Hertog, van der Aa and de Jong. This model will detect all the dimensions related to these services. To be able to understand the design process behind the design process of those services, the model developed by den Hertog, van der Aa and de Jong also provide the capabilities to create a service experience. Only the main capabilities related to the service will be described because some capabilities are critical in the design of the new service innovations, and some other capabilities are not required or not too relevant in the creation. Finally, the Service Design Thinking process will use to describe the design process behind the service.

The starting point to choose the branch cases where design agencies that created new branch experience for the banks. Where took four design agencies: Crea International, DINN!, Frog Design and Public Design Group, and ten banks with branch cases: Crédit Agricole, BPER Banca, ChiantiBanca, BNL, CheBanca!, Intesa Sanpaolo, Piraeus Bank, Solo Bank, Bank of Queensland and PNC Bank.

## **Results**

The banks have distinct size and influence in the territory that they operate, from regional banks with a local focus to multinational banks with high participation in the market. Most of them operate in the Italian market, but also some banks redesign their branches in other countries. The study analysed ten branch cases.

Crédit Agricole's My House Bank which supports an easy, relaxed and familiar customer experience by creating a house bank landscape with limited in-store technology.

BPER Banca's Botanical Garden Experience boosts the bank relational model characterised by dialogue, proximity and competence by removing physical barriers and increasing hospitality.

ChiantiBanca's Restaurant Experience Banking which Blend the local heritage (Tuscan) and strengthen the customer experience by integrating a familiar local environment with promotion of local products in a showcase.

BNL's Connecting Bank which proposes a new retail code introducing digital solutions and improving the quality of the relationship with the client by the introduction of self-service solutions and staff flexible to move with client from open to private spaces.

CheBanca!'s Natural Tech which provide an open banking environment, where client is at the centre of it by boosting customers to perform operations in self-mode or with support of the staff.

Intesa Sanpaolo's The "Hub" of the real economy which creates a social platform that places the customers at the centre, allowing them to obtain new skills and participate in initiatives.

Piraeus Bank's E-Branch which changes the typical coldness of main digital branches around the world into a new e-branch full automated.

Solo Bank's Lifestyle Bank which introduces a new banking model based on concierge-style offerings, personalised services and an upscale environment that exudes luxury and exclusivity.

Bank of Queensland's It's Possible to Love a Bank which removes all barriers and operations are done side-by-side, integrating local promotions and events.

PNC's Pop-up branch which created a mobile branch to evaluate whether a particular market needed- or could even support a more permanent banking location.

## **Discussion**

The classification according to the SOM of the ten branches allocated them into the four different quadrants of the matrix.

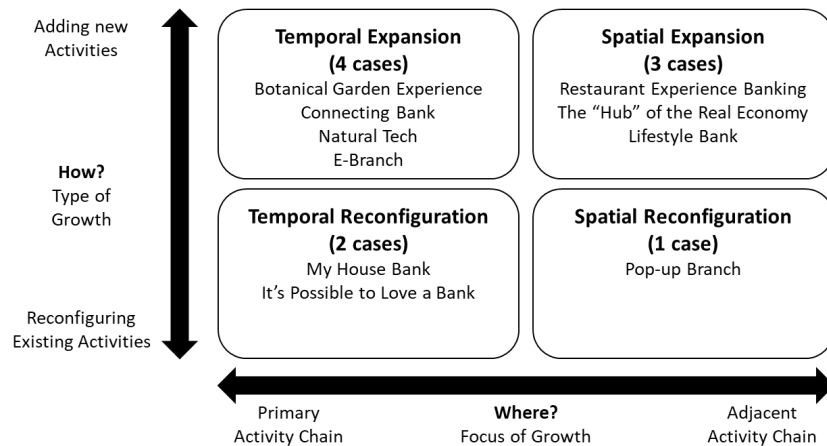


Figure: Branch concepts classified in the SOM.

Temporal Expansion cases centred their innovation in the creation of self-service areas providing new activities to be done to the customers. Here the technological options play a major role in the design of the experience, that without it this solution could not be possible to make.

Spatial Expansion cases centred their innovation in the addition of new experiences in the branch thanks to the partnership with other companies. The (Un-)Bundling, Co-producing and orchestrating capabilities provide a major role in the service creation, where the partnership with local providers offers local and unique experiences.

Temporal Reconfiguration cases centred their innovation in the strengthening of the relationships between customers and bank. The direct communication between customers and bank provides the opportunity to learn directly from them and adapt in the future.

Spatial Reconfiguration case centred its innovation in the offering of the branch experience in locations where are demanded, taking better advantage of the branches use. The standardisation of the branches allows the possibility to easily scale and growth.

## **Conclusions**

In the attempt to study this new collaboration between the agencies and the banks, this study analyses ten branch cases where a radical innovation had been done. This work adopts two perspectives: a managerial perspective and design one. The managerial perspective is adopted with the strategy matrix proposed by Sawhney, Balasubramanian and Krishnan. While the design perspective is adopted with the dimensional and capabilities model proposed den Hertog, van der Aa and de Jong, and the design process mentioned in the book of Stickdorn and Schneider. With the mix of both perspectives, wit work proposes a new way to understand the innovation done, in particular, in the bank branches.

The different strategies adopted by the banks show that according to the capabilities that the bank wants to exploit and the needs that are wanted to cover, a strategy proposed in the Service Opportunity Matrix fits better. Also, the design process behind the service share many steps, but with some differences. This study benefits not only to the retail banking industry and the design agencies but also to the service innovation researchers because it provides a preliminary analysis of innovation strategies that were created with a design perspective.

Like any other study, this work has several limitations that nonetheless represent opportunities for future research. First, the sample size of the cases that make difficult to find significant relationships from the data analysed. Second, the data used in this work comes from secondary sources. These sources are the design agencies website and bank reports, which show the branch concepts. The information that was obtained in many cases were incomplete. Finally, this work focuses on the innovation strategies applied to only changes in branch experiences. It does not study innovations strategies in other interaction channels between the customers and the banks. Future research should focus on the different channels and how the omnichannelity affects the client's experience in all the dimensions and the impact on performance. Notwithstanding these limitations, this work intersects design processes and services strategies showing empirical cases which open an interesting research approach.





# 1 INTRODUCTION

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Innovation has been a source of growth due to its critical source of competitive advantage in many industries over the time (Ireland & Hitt, 1992; Amit & Zott, 2001; Weerawardena & Mavondo, 2011; Dereli, 2015; Chang & Chen, 2016; Borseková, Vaňová, & Vitálišová, 2017). In particular, service innovation has a major role in creating economic growth. (Coombs & Miles, 2000; Gallouj, 2002). This is the motivation followed by developed economies to move to what it is called “service economy”. This concept can be explained as an economy highly dependent on the service industry. Taking the case of the European Union in 2007, services represented 69.2 per cent of the total employment. It is important to recall that in this aspect, 71.6 per cent of the gross value added, was generated by the conglomerated of countries. This situation made a great impact on the economic growth of the developed economies. About this, the result was the affecting of several disciplines. Starting from marketing and management to cases of engineering, computer sciences, behavioural science, or design, among others. (Meroni & Sangiorgi, 2011).

Therefore, service industries, keep focusing their effort to innovate and keep their leadership. This can be shown through service innovation (Berry, Shankar, Parish, Cadwallader, & Dotzel, 2016).

Following the idea before explained, the design was one of those affected disciplines that started to take services into consideration from decades ago (Shostack G. L., 1982, 1984).

The best example to explain this idea is to take the next example as situation: if there are two different coffee shops right next to each other, and each sells the same coffee at the same exact price, service design is what makes you walk into one and not the other (31 volts service design, 2008). It is important not to forget that service design is a design specialist that helps develop and deliver excellent services. Service design projects improve factors like the ease of use, satisfaction, loyalty and efficiency right across areas

such as environment, communications and products – and not forgetting the people who deliver the service (Engine, 2009).

This is a world where many companies deliver the same service. So at the end of the day, what is important are the differences, what makes that company in that selected field unique, creating more value and offering a differentiated experience (Pine & Gilmore, 1999).

The retail banking industry, during the past decade, has faced difficulties that had forced the industry to find new strategies to innovate, all related to the ideas before explained. In 2008, 37 per cent of the banks had an innovation strategy. After this changes, the increased was considerable, reaching the 74 per cent of banks with an innovation strategy in 2016. These innovations have been focused in different areas. Areas like process, products, sales and marketing. Even if the focus in many areas, the main investments had been made mainly in channels, customer service and experience (European Financial Management Association, 2016).

This effort to innovate in channels had followed the trend where most of the users had increased the mobile interaction, giving as a result the decreased of the interaction with physical channels, like branches (du Toit & Burns, 2016). Taking into consideration the Italian customer behaviour as an example, the users currently are using off-branch channels to interact with the banks by 50 percent, in contrast to the 14 per cent of the users that use only branches to interact. About the remind 32 per cent, they use a multichannel interaction mixing online and physical channels. These numbers change if the type of bank is mainly focused on off-branch experience with a low quantity of branches, where 69 per cent of the customers use off-branch channels to interact with the bank, in contrast with the 10 per cent that uses physical channels (CheBanca!, 2013).

This low user interaction with branches had been one of the motivations for the bank industry to start to decrease their physical presence to strength their online experience. In particular, the number of branches

in the Euro Area had suffered a constant decrease in the branches from 2009. Following the idea before, in Italy, this decline started in 2008 (World Bank, 2014).

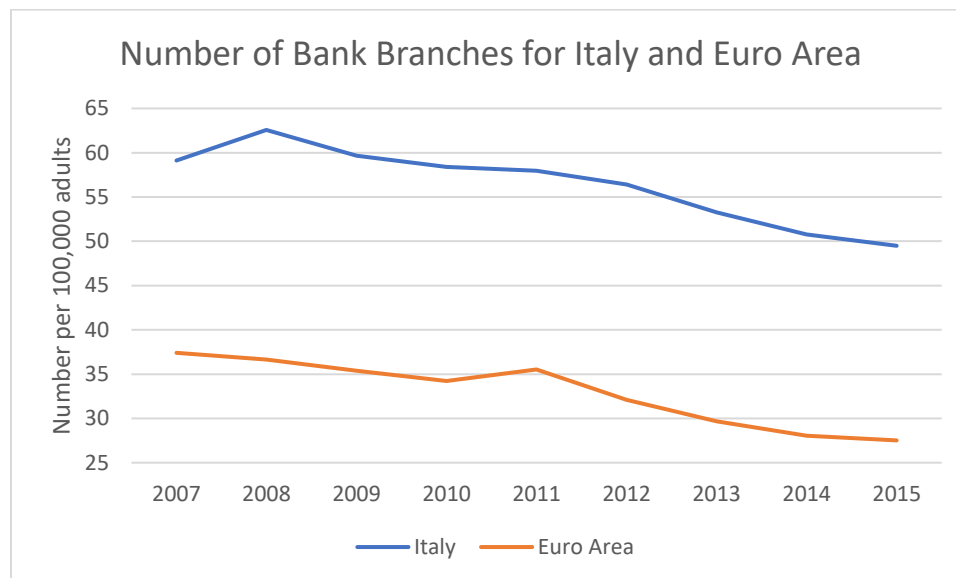


Figure 1. Number of Bank Branches for Euro Area and Italy. Source: The World Bank.

These are one of the motivations for scholars to focus their studies in online channels when researching service innovation in the bank industry (van der Boor, Oliveira, & Veloso, 2014; Laukkanen, 2016; Sinha & Mukherjee, 2016).

Even after all the changes that the retail banking industry is suffering, branches still play a major role in banking. Branches aim to achieve three things that only digital banks can not do; these are trust, brand and service. A branch provides trust to the clients of the bank because the customer can see where the money is located, so the clients feel more comfortable knowing this. Also, branches allow to increase the brand awareness of banks, and today is one of the most important channels to gain new customers. From all the new customers that a branch gains per month, 63 per cent comes from the direct physical contact with the customer, in contrast to the 37 percent is generated by online channels. Moreover, branches are

a service used by the customer, where between 30 and 40 percent, use only branches or a multichannel interaction, making branches still part of the service that some customer expect (Skinner, 2017).

This is why many banks tried to reinvent the physical experience. To design a unique experience that fits with the bank, they looked the partnership with design agencies that could create new branches concepts that could feel modern and that satisfy the current customers' need and expectation.

According to what has been said, the aim of this work is to understand the strategies adopted by the retail bank industry to reinvent the physical experience, highlight the common features that the branches share and understand the design process behind.

## 2 LITERATURE REVIEW

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This work has two main dimensions of research; one related to service design, the stages of design and the characteristics of the services. The other is related to the way of innovation using services and the different strategies to achieve a specific goal.

The literature review will start with the dimensions and capabilities required to develop a service, then continue with the service design stages to develop a service, and will finish with the strategies that can be used to growth with services.

### 2.1 SERVICE DESIGN PROCESS

Each service has a unique experience according to the customer that use the service and the service provider. To be able to create a custom experience that fulfils a segment, a design process called Service Design Thinking proposed as a framework to develop a service in the book "This is Service Design Thinking" (Stickdorn & Schneider, 2010). This structure follows the design ideas coming from other models that use

design methodologies that can solve complex problems by using design methodologies (Lawson, 1980; Rowe, 1987; Kelley & Littman, 2001, Best, 2006; Mager, 2009).

The principles followed by service design thinking are following:

1. User-Centered: service should be experienced through the customer's eyes;
2. Co-Creative: all stakeholders should be included in the service design process;
3. Sequencing: the service should be visualised as a sequence of interrelated actions;
4. Evidencing: intangible services should be visualised in term of physical artefacts;
5. Holistic: the entire environment of a service should be considered.

The principles mentioned had the mission to create a service aligned with the customers and their experience, creating a service from the client's perspective that can be easily followed by anyone.

These principles are present in all four stages of the design thinking process. The stages are following ones:

1. Exploration stage has three main tasks. The first one is to understand the current context: culture and goals of the company and identify the problem that should be work. The second task is to determine the real issue, understanding the situation from a current and potential customer point of view. The last task is to visualise these findings and underlying structure of previously intangible services;
2. Creation stage aims to consolidate the findings from Exploration stage into an action plan. This stage should be integrated an interdisciplinary team that includes customers, employees, and manager, as well as engineers, designers and other stakeholders involved to achieve co-creation for a service design;

3. Reflection stage, also called Prototyping, is where are tested the ideas and concepts from the previous staged. The main feature is to highlight potential future mistakes and avoid changes in the final service;
4. Implementation stage is where a new service is implemented, and it needs a process of change in the company. The change should be based and tested in the previous phases. Also, feedback collection from customers helps in the future when improvements are needed.

The stages are nonlinear, meaning that at every stage of the process it might be necessary return a stage back or even start from the beginning.

Service design thinking is an iterative process.

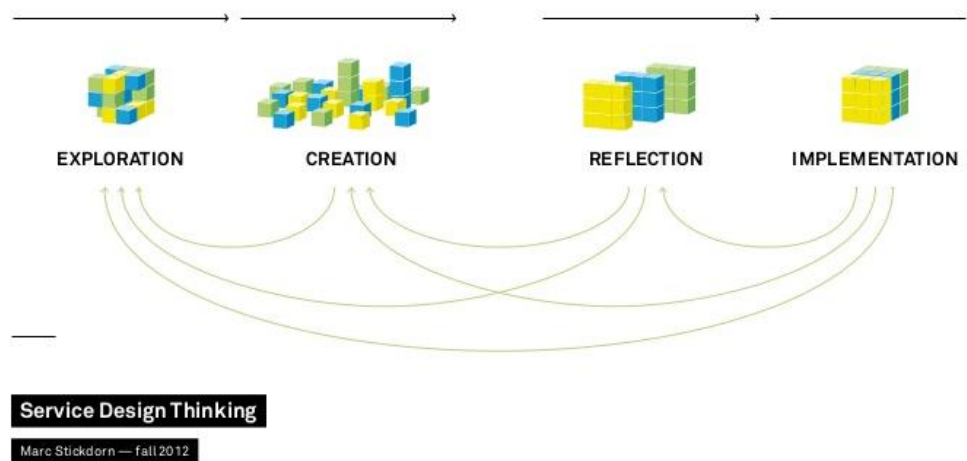


Figure 2: Service design thinking process

## 2.2 SERVICE DIMENSIONS AND CAPABILITIES FOR REALISING NEW SERVICE EXPERIENCE

Services are important to create economic growth and to innovate, therefore it is important to understand in deep the factors that affect the service (Ireland & Hitt, 1992; Coombs & Miles, 2000; Amit & Zott, 2001; Gallouj, 2002; Weerawardena & Mavondo, 2011; Dereli, 2015; Chang & Chen, 2016; Borseková, Vaňová,

& Vitálišová, 2017). For this, den Hertog, van der Aa and de Jong, developed a model to understand all the components and relationships that affect a service, providing the dimensions of the service and the capabilities to develop a new service experience (den Hertog, van der Aa, & de Jong, 2010). The model divides a service into six dimensions that are the next ones:

1. New service concept that describes the new value that is created by the service provider in collaboration with the customer;
2. New customer interaction and the role customers play in the creation of value;
3. New business partner that are the actors involved in jointly co-producing a service innovation;
4. New revenue model that is important to create because many new service ideas fail as the cost and income do not match;
5. New delivery system: personnel, organisation, culture. It refers to the organisational structure of the service company itself and the interaction with the service as provider of it;
6. New delivery system: technological. The observation of ICTs has numerous services innovations ranging.

With these dimensions, a service can be understood in deep and how the interaction of all the different dimension provide a unique service. Furthermore, the understanding of the dimension is not the only thing required to develop and create a service. The model also specifies a list of capabilities that are used to plan and create a new service experience. These capabilities are:

1. Signalling users' needs and technological options:
  - a. Empathically understand users and sense need well in advance by interacting intensively with clients. Build up a deep customer knowledge;



- b. Provides opportunities to adapt and innovate the service portfolio, including new ways of interacting with their clients, on demand production, enriching service dialogues, offering customised services;
- 2. Conceptualizing:
  - a. A service innovation cannot be researched, developed, prototyped, and tested similarly as physical goods;
- 3. (Un-)bundling capability:
  - a. Service innovation often is new configurations of existing elements supplied in a new context. That means that in practice, many new services are newly bundled, enriched, blended or the opposite of newly unbundled, stripped-down to the bare essential, service offering;
- 4. Co-producing and orchestrating:
  - a. One of the key characteristics of service innovation is its highly combinatory nature. This feature implies that the core service provider has to co-design and co-produce a service innovation with other suppliers and manage the accompanying alliance. Customers will often be involved in these alliances, co-producing and co-designing service innovations
- 5. Scaling and stretching:
  - a. Scaling is mostly about diffusion. To be able to diffuse a new service concept, it needs to be described and the essential elects transplanted to other parts of the firm. In large international service companies with (semi-)standardised services, scaling up successful service innovation is a capability in itself;
  - b. Once established a brand name can be precious for entering new, related service markets, launching innovative service concepts using the existing brand name, and in doing so, stretch the core service offering;

6. Learning and adapting: It is the capability that ables the opportunity to learn from the way service innovation is managed. Thanks to the learning acquired, the adaptation can promote further the service innovation.

In addition to this capabilities and dimensions, the company needs a structure to support the creation of a new service experience. This structure is the different business areas like marketing and strategy, sales, human resource, and more. This environment helps to leverage the resources of the company and exploit all the capabilities when creating the new service.

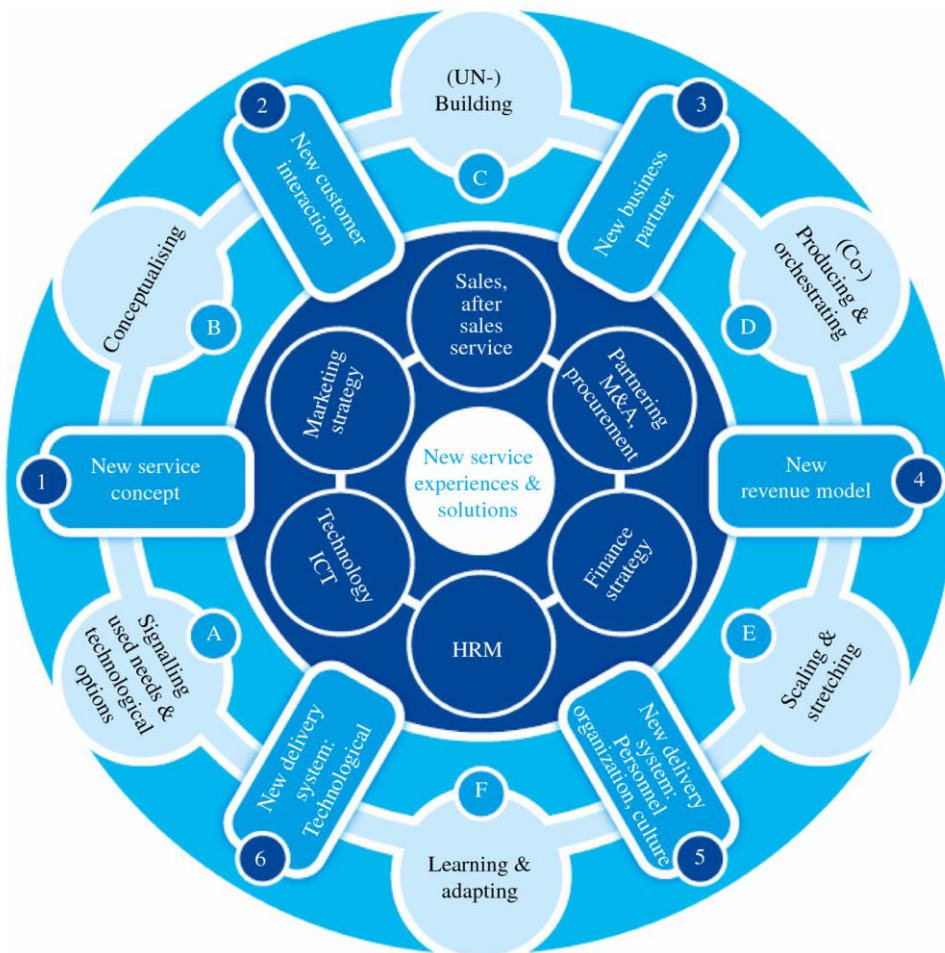


Figure 3: Six-dimensional model and the capabilities for realising new service experience and solution

### 2.3 SERVICE OPPORTUNITY MATRIX

Developed by Sawhney, Balasubramanian, and Krishnan (2004), the Service Opportunity Matrix categorises four different strategies that can choose and follow when innovating services. The authors propose two dimensions: the focus of growth (where does growth occur?) and the type of growth (how does growth occur?).

The first dimension, the focus of growth, can be done in the primary activity chain or in an adjacent activity chain. A primary activity chain is end-to-end temporal sequential of logically related activities that the customer has an interest in. In the other hand, the set of complementary activities related to the primary activity is the adjacent activity chain.

This dimension can be seen in terms of temporality or spatiality. The first one considers the time that a customer needs to reach a specific output in the main activity chain. In the other hand, the complementary activities that are not part of the primary chain, but are in an adjacent one, aims to extend the service into a new space.

The other dimension, the type of growth, can be done in two ways; expanding or reconfiguring. The expansion adds new activities and expands the set of activities done by the customer. In the other hand, the reconfiguration of activities, reconfigures the current activities done by the company or the customer reconfiguring the activities done by the customer.

The crossing of the two dimensions forms four strategies to growth with services:

1. Temporal Expansion adds new services that help people perform activities in the primary activity chain;
2. Spatial Expansion adds new services in an adjacent activity chain; linking services broaden customer relationship;

3. Temporal Reconfiguration: shift the boundaries of the activities done by the customers by a change of structure of activities in the primary activity chain;
4. Spatial Reconfiguration when a company is present in a customer's primary activity chain can take charge of activities in an adjacent chain.

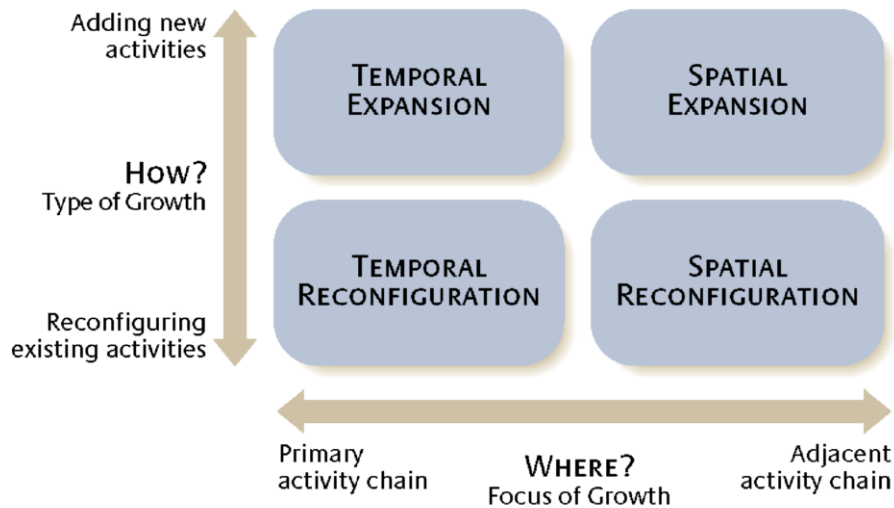


Figure 4: Service Opportunity Matrix (SOM)

Each quadrant has a specific goal according to the authors.

Temporal Expansion aims to complement the current core product by adding services that precede or follow the product. Also, it can be added a new service to accompany it, or augmented the product with network-bases service, or updated with service. In other words, this quadrant tries to add new services to the core product to potentiate it.

Spatial Expansion tries to use services that allow products to become platforms for embedded services. Also, tries to leverage existing customer interface and “rent” the customer base to exploit them with other services. The use of the current customer base aims that the customer can use a new service in an adjacent activity chain with new activities not directly related to the core product.

Temporal Reconfiguration seeks to reconfigure the current activities that the customer and company are doing. This is done by reducing the customer burdens involving customization or product storage, or by leveraging process expertise, or by replacing customers' inventory control and stocking process, or by taken over processes unrelated to customers' core competencies or strategic objectives.

Spatial Reconfiguration aims to add services to integrate complementary customer activities or to leverage the brand, or shift services from grounded to mobile assets, or user services to change the way customers acquire products.

Retail banking industry had faced difficulties during the past years that forced the industry to increase their innovation efforts to keep their competitive advantage. These efforts are mainly focused in two directions customer service and experience, and channels. The online channels are keeping most of the efforts to innovate in customer service and expertise due to the shifting forward online banking, meaning a disuse of the physical branch. This had hit strong the number of branches in Europe where the branches had decreased in the past years. However, branches are still part of the banking service, and the innovation efforts to increase the customer experience in branches had taken a particular direction. The partnership with design agencies in order to reinvent the customer experience in bank branches had introduced new concepts in the industry. This is the main motivation to select branches to be studied, where those branches were designed together with banks and design agencies.

This study aims to explore the change in physical bank branches to understand:

- The different strategies adopted by the banks to improve the physical experience;
- The common characteristics that the new branches share between them;
- Understand the design process behind the new service creation.

### 3 RESEARCH METHOD

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Due to the aim of this research, the approach utilised is to analyse different cases that design agencies and banks designed a new branch concept together. Most of the cases come from Italian design agencies that collaborated with diverse kinds of banks that operate in Italy (regional, national or international banks). However, some cases are coming from banks in other countries that to complete the SOM with more examples and fulfil all the quadrants of it, so all the different strategies can be shown.

The different strategies adopted by the bank will be classified according to the Service Opportunity Matrix. The result of this classification will group similar innovation approaches adopted by the banks, creating groups of branch concepts to be analysed. After this segmentation, to understand and identify the service characteristics will be using the six-dimensional model developed by den Hertog, van der Aa and de Jong. This model will detect all the dimensions related to these services. To be able to understand the design process behind the design process of those services, the model developed by den Hertog, van der Aa and de Jong also provides the capabilities to create a service experience. Only the main capabilities related to the service will be described due to the fact that some capabilities are critical in the design of the new service innovations, and some other capabilities are not required or not too relevant in the creation. Finally, the Service Design Thinking process will use to describe the design process behind the service.

With the description of the services and the design process related, will be described the managerial implications of designing and executing a service design innovation in the particular case of physical bank branches.

#### 3.1 DATA GATHERING AND ANALYSIS

The study will analyse branch cases that already designed and are operating. The sample size that will be analysed is ten cases coming mainly from branches and design agencies that operate in Italy. The selection

of the cases is based on new service concept that those branches offer to their customers and that was launched into the market couple years ago. The starting point to select those cases where the design agencies that collaborated in the creation of those concepts. For this have been chosen four design agencies: Crea International, DINNI!, Frog Design and Public Design Group, that had collaborated with banks in order to reinvent the physical experience. The first three design agencies operate in Italy, allowing to collaborate with many banks that operate in Italy. Those agencies worked together with different banks to improve the branch experience, identifying ten new branch concepts that improve the customer experience. The agencies used design methodologies with the collaboration of the bank to go further the traditional branches to create a new experience, and that could improve the banking performance. The main driver to select the cases where the new concept proposed, the recent market release and a clear design methodology adopted in the cases.

Most of the cases come from the Italian market, where regional, international and foreign banks that operate in Italy developed new concepts. Those banks are Crédit Agricole, BPER Banca, ChiantiBanca, BNL, CheBanca! and Intesa Sanpaolo. Other cases are a collaboration between banks and agencies to create a branch in other countries. These banks are Piraeus Bank, Solo Bank, Bank of Queensland and PNC Bank.

The cases were gathered from secondary sources of information, coming directly from the website of the design agencies and banks reports that explained the new branch concept, the major impact on the customer experience and the major benefits for the bank because of the implementation of the innovation.

These cases will be analysed according to the theoretical frameworks proposed in the literature review. The cases will be classified according to the Service Opportunity Matrix, and they will be analysed the service dimensions and capabilities to create the experience with the dimensional model of den Hertog

et al. (2010), and the design process of the service with the Service Design Thinking process of Stickdorn and Schneider (2010).

To understand the branch concepts, it is important to know about the agencies that collaborated with the creation of the experience. The next section will introduce the design agencies and the aim that the agencies have.

## 3.2 DESIGN AGENCIES

To start the description of the scenarios to be analysed will be mentioned the different design agencies that collaborated with banks to develop a new branch concept. After this description will be presented all the different branch innovations, will be mentioned the bank that implemented the concept and the branch concept details.

The design agencies selected, as said before, operate and have offices in Italy, specifically in the city of Milan. These agencies focus on creating value through creation of new customer experience that are aligned with the company that is working for. Additionally, these companies are not only focusing on design but also create new strategies to those firms. The agencies selected are:

### 3.2.1 Frog Design

Frog is a global design and strategy firm. They transform businesses at scale by creating systems of brand, product and service that deliver a distinctly better experience. As they say: “they partner with clients to anticipate the future, evolve organizations and advance the human experience.”

Founded in 1969 in Mutlangen, Germany. Currently, the headquarter is in San Francisco, CA, USA and has offices all over the world, having one in Milan, Italy.



### 3.2.2 Crea International

Crea is an Italian design company founded in 2002, based in Milan, Italy. They had worked with banks, telecommunication companies and developed concepts in different fields such as food, fashion and beauty and commercial centre.

They define themselves as design storytellers for the unique ability to tell a story of the vision of the brand through the forms and the service oriented design because they believe in the courage to innovate and create unique value for the brand.

### 3.2.3 DINNI

DINNI, an acronym for Design and Innovation, is a design and innovation company with a strategic and consultancy focus. They say, "We challenge your business goals with genuine ideas achieving step ahead projects and concrete results." They had work in several industries related to food, financial services, telecoms, and leisure.

The agency based in Milan was found in 2013, and currently, has another office in Singapore.

### 3.2.4 Public Design Group

It is an Australian design agency founded in 2003. They get an in-depth understanding of human behaviour, brand behaviour and business imperatives to deliver results. They are highly strategic in their approach to every project, ensuring that the result of creating great customer experiences is increasing business performance.

These agencies collaborated with banks to redesign the customer experience in the branches that operate in European countries mainly.

## 4 RESULTS

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In this section of the work will be shown the different branch concepts found. These branches design were the result of the collaboration between the banks and design agencies to reinvent their branches, increase their performance, and increase the customer experience of their current clients and to attract new ones.

### 4.1 BRANCH CONCEPTS

The banks have distinct size and influence in the territory that they operate, from regional banks with a local focus to multinational banks with high participation in the market. Most of them operate in the Italian market, but also some banks redesign their branches in other countries. The study analysed ten branch cases that are the following ones:

#### 4.1.1 My House Bank

Crédit Agricole is a French multinational bank founded in 1894. They have work around local presence, responsibility and solidarity as their main pillars.

In the year 2013, with DINN! as a collaborator, they restructure their branches in Italy with the goal to increase their return on investment (ROI) by 20% within a year, but also to improve the customer experience. Among those purposes, they had the desire to attract new clients, increase the cross-selling activities and streamline the branch network.

The concept developed, My House Bank, combines the aesthetics of a private home with a design that supports an intimate customer experience by transforming the branch into an easy and relaxed area that simulates a house. In this concept is reversed the traditional bank proportion to have 80% of its space dedicated to management offices and 20% for public spaces.

Because the branch is modelled as a house, the clients are welcomed by the employees like at any home. There are not tickets, and the customers sit until an employee is free to assist them. The client is considered a guest in the bank, and this creates a stronger relationship between the consultant and client.

After a year of the opening of the branches, the bank reached an ROI of 20% as estimated.



Figure 5. My House Bank Branch. Source: DINN!

#### 4.1.2 Botanical Garden Experience

BPER Banca, formerly known as Banca Popolare dell'Emilia Romagna, is an Italian multi-regional bank originated from the merger of two banks from the Italian region of Emilia-Romagna in 1992. The main pillars followed by the banks are integrity, respect, team spirit, the valorization of human capital and federalism.

In 2015 with the collaboration of DINNI, BPER Banca wanted a new way of dealing with banking services by boosting its relational model characterised by dialogue, proximity and competence. This concept is called “The Botanical Garden”, a place where the main values of the bank growth.

The concept offers a high level of opening and transparency by the removal of all physical barriers between the customers and the bank. This includes the removal of the branch security doors that let customers feel safe and encourage them to enter.

The clients that arrive at the bank without an appointment receive a beeper. With this device, the client does not wait for his turn and can move around the store without putting attention to his turn. This allows the customer to discover the branch and its products while waiting for the call.

A division was made to separate the operational area from the public area. There are no offices anymore seen by the customers. According to the types of counselling required by the customers, there are areas from total privacy to soft ones.

From a survey organised by BPER Banca, 95% of visitors were fully satisfied from the new branches. The most appreciated features are brightness, a guarantee of privacy and hospitality.



Figure 6. Botanical Garden Experience Branch. Source: DINN!

#### 4.1.3 Restaurant Experience Banking

ChiantiBanca is Italian bank founded in 2010. The bank focuses its operation in the Tuscany region. The bank centred on the promotion of local development and the social responsibility, not only financial, and the civilian economy.

ChiantiBanca with the partnership of Crea International and DINN! in the year 2013 developed a new branch concept called Restaurant Experience Banking. The concept to integrate ChiantiBanca's customer services with a familiar local environment, such as a bar or a restaurant. The promotion of local products became an addition to the daily banking transactions.

The innovation is perceived from the branch entrance with an informal open space, where clients are welcomed by the bank attendants to take a seat in the centrally arranged high bar tables with stools.

Digital tools also are present, new VTM (Video Teller Machine) stations, supported by remote advisory, are set for providing automated cash services.

ChiantiBanca strong link with the Tuscan territory and typical local agricultural products is represented in their “*Bacheca del Chianti*” (Chianti’s showcase). It is a touchscreen communication video wall which enhances the identity of the bank.



Figure 7. Restaurant Experience Banking Branch. Source: DINN!

#### 4.1.4 Connecting Bank

Banca Nazionale del Lavoro (BNL) is an Italian national bank, subsidiary of BNP Paribas. Their main pillars are the customer at the centre of the organisation, strong human and social values, meaning that customer is the key to the development of the organisation.

In collaboration with Crea International, BNL launched the concept Connecting Bank. It is a new banking service model introduced to empower the new branch format innovation and digital solutions, taking



close attention on the quality of the relationship with the clients though: welcoming, informative, support, assistance and advisory.

It is supported by technological features that allow flexibility in the mobility within the branch. The staff can freely move in the open space and the waiting area offering consultation and support to the clients

Also, it offers educational points, which are areas where the customers can perform operations by their self, with assistance if required while in the operation area. Also, exists the possibility to have remote advisory with a product specialist that can be accessed inside the Hi-room together with an advisor in branch offering smarter convenience.



*Figure 8. Connecting Bank Branch. Source: Crea International.*

#### 4.1.5 Natural Tech

CheBanca! is an Italian bank, part of the Mediobanca Group dedicated to savings and investment. It was created in 2008, combining the expertise and skills in the Group's financial markets with a strong

component of digital innovation. The main values of CheBanca! are ethical, transparency, warm & innovation.

With Crea International, CheBanca! developed a new modern bank that goes back to essential and simplicity under the warmth and yellow of the sun in a technological but friendly environment. This concept is called Natural Tech.

The design idea is that the things that surrounding of customers should get back to essential: the warmth and light of the sun, of a technological but friendly one.

With the help of technology, clients can perform operations in self-mode or with the support of the staff. This area increased 15% the up- and cross-selling in the bank.



Figure 9. Natural Tech Branch. Source: Crea International.



#### 4.1.6 The “Hub” of the real economy

Intesa Sanpaolo is an Italian international banking group resulting from the merger in 2010, between Banca Intesa and Sanpaolo IMI. They are committed to work together to provide to their customers with banking and financial services of excellence and to activate drivers for the development of the local territories in which they operate. Their growth strategy aimed to create real, sustainable value from an economic, financial, social and environmental point of view, built on the trust of all the people and entities they deal with.

After eight months of working with Frog Design, they created a new format that focuses in transform a branch into a “hub” of the real economy. This hub is a place of dialogue, meetings, communication and work for families, businesses, professionals, businesswomen who are looking for new professional opportunities and start-ups or young people looking for educational and opportunities. The layout of the new branch was developed as a modular space to organise diverse activities and events of different kinds, including artistic, cultural and third sector events.

Even if more than 80 percent of transactions are carried out through non-physical channels, although the branch continues to play a central role in providing advisory services and assisting customers to make their most important choices.

The employees receive 54 hours of training a year, that intends to increase the service quality and human relationships with the customers. Technology is a constant but discrete presence: Wi-Fi, lockers for e-commerce purchases, tablets for customers, information monitors and video-conference facilities.



Figure 10. The 'hub' of real economy branch. Source: Frog.

#### 4.1.7 E-Branch

Piraeus Bank is a Greek multinational bank founded in 1916. Their main values are innovative entrepreneurship, service, vision, empowerment, integrity, social responsibility and collaboration.

In 2016, with DINN!, designed a fully automated e-branch to operate in Greece. The main goals are to make combine digital innovation and warmth, creating an e-branch where customers are satisfied in a self-service mode.

“Remote cashiers” are able in every e-branch that gives the possibility to customers to perform over 90% of all operations of a conventional cashier desk with the assistance of a trained cashier through a video call. The branches operate in extended opening hours during the weekdays and Saturdays.

After three months of operations, the results obtained by the e-branch were promising. The 50% of the transactions were done with 20% of people cost compared to traditional branch. Piraeus Bank wants to keep improving the model to reach the 80% of their operations with 30% if people cost.



Figure 11. E-Branch. Source: DINN!

#### 4.1.8 Lifestyle Bank

SOLO Bank is a Georgian bank founded in 2015. The bank wanted to offer a distinct offer to the people, so with the help of DINN! developed a new concept that integrates a boutique and hotel. The concept developed was called lifestyle lounge.

SOLO offered comfort and distinctive opulence that welcome the customers and could feel a privileged atmosphere that features Italian furniture combined with a luxury environment. Everything that the clients see can be bought; from furniture, perfumes, wine or Italian coffee.

Also, there is a dedicated space where SOLO can host different events such as fashion shows, musical concerts or films previews. This creates the sensation of been part of an exclusive club, while if needed banking services are available for the customers.

After a year of the implementation of the concept, the bank increased its customer by 48 percent, from 7,971 to 11,869 clients. This was considered a major success to the bank.



*Figure 12. Lifestyle Bank Branch. Source: DINN!*

#### 4.1.9 It's Possible to Love a Bank

Bank of Queensland (BoQ) is an Australian bank founded 1874. The mayor values of the bank are Integrity: doing the right thing; Collaboration: working together to deliver results; Impact: continuously raising the bar for BOQ and their customers; Passion: love our clients and what they do.



With the collaboration of Public Design Group, the bank redesigned the interaction with the customers. The increasing of online banking leads the traditional operations in branch obsolete, so the need to understanding why customer required to go to the branch was the starting point. The need for a face-to-face interactional conversation within a branch for more complex type discussion was the main motivation for clients to go. Older branch design and configuration did not match the customer proposition of real partnership and relationship.

The concept allows the customer be in charge of the conversation and allows a true partnership with the bank, side-by-side with the client when they have their conversations.

This model was recognised in 2014 by winning the retail category at the Sydney Design Awards.



*Figure 13. It's Possible to Love a Bank Branch. Source: Public Design Group.*

#### 4.1.10 Pop-up Branch

PNC is a bank founded in 1845 in the United States of America. The main pillars of the bank are Performance, Customer Focus, Respect, Integrity, Diversity and Teamwork.

PNC has developed a new type of branch that can be easily moved and cost one-tenth of a traditional branch might cost to build. The branch has an ATM and customer service centre.

It is used to evaluate whether a location needed a branch, or could even support a more permanent banking location. This provides flexibility according to the demand for the customers and can be easily installed and move whenever it is required. A plus us the low cost to place one.



Figure 14. Pop-up Branch. Source: PNC.

## 4.2 BRANCH CASES SUMMARY

In order to classify the branch concepts, the major and more significant changes will be take in consideration. The Table 1 shows a summary of the branch cases and the most significant changes.

Concept	Bank	Design Agency	Idea	Major changes	Results
My House Bank	Crédit Agricole	DINN!	Support an easy, relaxed and familiar customer experience	A house bank landscape and limited in-store technology	Increased ROI in commercial activities by 20% in the first year
Botanical Garden Experience	BPER Banca	DINN!	Boost BPER Banca's relational model characterised by dialogue, proximity and competence	Removal of physical barriers between customers and bank (security doors, offices), and increased hospitality (beepers and open spaces)	95% of visitors fully satisfied
Restaurant Experience Banking	ChiantiBanca	DINN! & Crea International	Blend the local heritage (Tuscan) and strength customer experience	Integrates a familiar local environment with promotion of local products in a showcase	-
Connecting Bank	BNL	Crea International	New retail code introducing digital solutions and improving quality of the relationship with the client	Self-service solutions (educational points and remote advisory). Staff flexible to move with client from open to private spaces	-

Natural Tech	CheBanca!	Crea International	Provide an open banking environment, where client is at the centre of it	Booths where customers can perform operations in self-mode or with support of the staff	15% up- and cross-selling
The “Hub” of the real economy	Intesa Sanpaolo	Frog Design	Create a social platform that places the customers at the centre, allowing them to obtain new skills and participate in initiatives and events that do not only concern banking or finance	Spaces to experience together and for dedicated meetings, with long opening times, proposals for events that combine entrepreneurship, innovation, art, culture and the third sector	Solution developed in 8 months
E-Branch	Piraeus Bank (Greece)	DINN!	Connect “digital and physical” and to change the typical coldness of main digital branches around the world into a new e-branch full automated	Self-service operations are done in remote cashiers, remote advisory rooms and kitchen living for human interaction	50% of transactions with 20% of people cost compared to traditional bank
Lifestyle Bank	Solo (Georgia)	DINN!	A new banking model based on concierge-style offerings, personalised services and an upscale environment that exudes luxury and exclusivity	A hub where to live the essence of SOLO and feel part to an exclusive club. A place designed to host different events such as fashion shows, film previews, musical concerts	48% new clients in a year (11,869, up from 7,971)



It's Possible to Love a Bank	BoQ (Australia)	Public Design Group (Australia)	Customer being in charge and true partnership	Removal of all barriers and operations are done side-by-side, integrating local promotions and events	Retail category at the Sydney Design Awards (2014)
Pop-up Branch	PNC (U.S.A.)	-	Evaluate whether a particular market needed- or could even support a more permanent banking location	The branch is an ATM and customer service centre, using little more space than they typical bedroom	Cost one-tenth what a typical location cost to build

Table 1: Branch cases summary

## 5 DISCUSSION

In this section are presented the classification of the branches concepts in the Service Opportunity Matrix, following the analysis of the concepts of the Service Design Thinking process and the Six-dimensional model previously mentioned.

### 5.1 CLASSIFICATION OF THE BRANCHES STRATEGIES

The classification according to the SOM of the ten branches allocated them into the four different quadrants of the matrix. The allocation followed the basis of this definitions:

- Temporal Expansion, which centres the changes in the addition of new activities to the sequence of interactions between the client and the bank. For example, window-shopping while waiting in queue, self-service areas where the customers can perform operations by their self with the help of an employee if required;

- Spatial Expansion, which focuses in the addition of new activities to adjacent activity chains that are connected to the banking process. For example, the addition of degustation and promotion of local products, conferences in the branch, and promotion of social events like parties, music concert, cooking and art gallery;
- Temporal Reconfiguration, which changes of structure and control of activities performed by customers on the primary activity chain. In this case the restructuring of human interaction to become closer to the client, by providing soft environments, side-by-side conversations and limited in-store technology;
- Spatial Reconfiguration, which provides a new way that service is offered to the customers. For example, by providing mobile branch according to customer demand and needs and consultants that operate with the universal model, in other words, they can perform all operations of the branch.

With the matrix, the ten branch cases were grouped in the four quadrants of it. Four cases corresponding to the BPER Banca's Botanical Garden Experience, BNL's Connecting Bank, CheBanca!'s Natural Tech and Piraeus Bank's E-Branch are classified as Temporal Expansion strategies because addition of technology that fills the gaps in the customer activity chain. Three cases corresponding to ChiantiBanca's Restaurant Experience Banking, Intesa Sanpaolo's The "hub" of the Real Economy and Solo Bank's Lifestyle Bank are classified as Spatial Reconfiguration strategies because the addition of new activities and services that are not related to the bank. Two cases corresponding to Crédit Agricole's My House Bank and Bank of Queensland's It's Possible to Love a Bank are classified as Temporal Reconfiguration strategies because of the reconfiguration of the activity and space to create a comfortable environment that facilitates the conversation. Only one case corresponding to PNC Bank's Pop-up Branch is classified as a Spatial Reconfiguration because shifts the grounded branch into mobile that allows to manage the risk of the positioning of the branch and adapts according to the customer's demand.

Most of the cases, seven out of ten, were categorised in the superior part of the matrix, in other words, those concepts added new activities to the customer in the primary or an adjacent activity chain. In contrast, 3 out of 10 cases were classified in the area where activities are reconfigured.

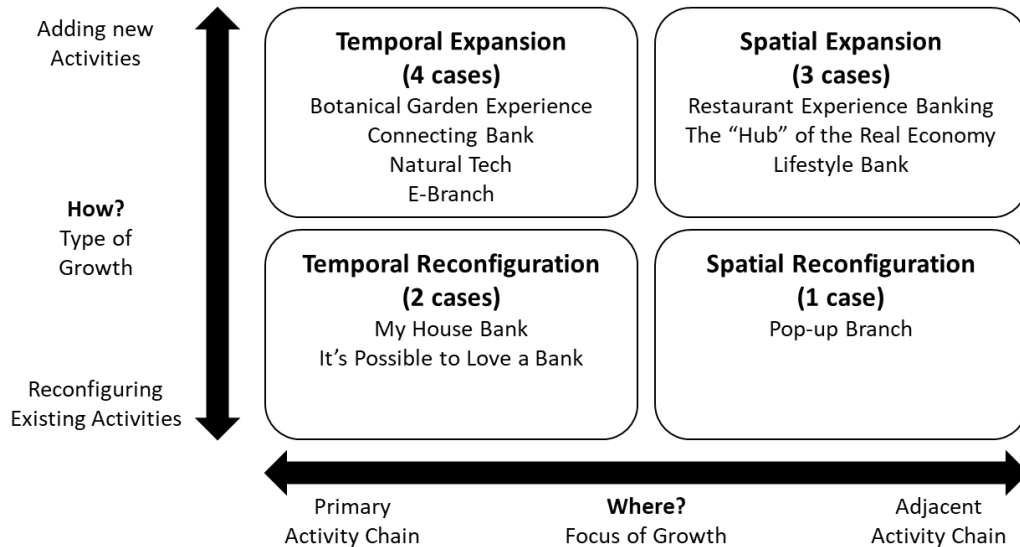


Figure 15: Branch concepts classified in the SOM.

In Temporal Expansion, can be found four of the cases. The changes adopted here are mainly visible with the use of technology in the branch. These technological changes allow the banks to create a new area, called educational point or area, where the clients can perform most of the operations by them self. Half of the strategies are mainly focused in-branch technology on promoting a better customer service. In contrast, the two other cases have a high-level reorganisation in the organisation of the branch to promote the integration and sensitivity of the bank to be closer to the client. This increase of proximity with the client also can be found in Temporal Reconfiguration, where the bank reconfigures its activities to be closer and increase the relationship with the customers. Because the addition and reconfiguration of activities were done in parallel, the addition of new activities was the main driver to allocate this mixed strategy into Temporal Expansion.

Spatial Expansion has three out ten strategies by adding activities adjacent to the primary activity chain. The main strategy in these cases where the addition of social activities that allow the clients to experiment new services, like a tour of the Tuscan region by degustation of local products or the utilisation of the space to perform different events that the customer may like.

Temporal reconfiguration has two strategies focused in the reconfiguration of activities in the main activity chain. These strategies achieve the increase of relationship with the customer by allowing them to sit at the same level while discussing financial themes.

Only one strategy is located under the Spatial Reconfiguration strategy. This strategy aimed to shift its grounded assets, in this case, the physical branch, into a mobile asset by placing mobile branches. This adds to the bank the responsibility for risk management, that is an adjacent activity chain.

## 5.2 SERVICE DIMENSION AND CAPABILITIES

Starting for the classification of the ten cases with the Service Opportunity Matrix, each main strategy shares common characteristics that are described by the model defined by den Hertog, van der Aa & de Jong.

Temporal Expansion strategies can be divided in two: one mainly focused in self-service, and other that complements self-service areas with a high degree of human interaction. First will be detailed the dimension and capabilities of the service focused on self-attention. The dimensions are:

- New service concept, which is the shift from human cashier and consultancy to a full automated experience where the customer can perform by himself all the operations via smart ATM, or rooms where remote video advisory can be done;
- New customer interaction by changing the operations performed by the bank to be carried out exclusively by the customer, that creates its value;

- New business partner that is two, an ICT partner to support the self-service areas, and a design agency that created the experience;
- New revenue model, which is the reduction of personnel in the branch and reduction of operational cost;
- New delivery system: personnel, organisation, culture; the changes are related to the restructuration of the branch and employees. The employees support the clients to operate the stations. This change the culture of the bank shifting to a complete automatization of the services;
- New delivery system: technological; new smart cashiers and ATM that provide the experience to the customer.

This strategy aims to provide a similar online experience to the customer, where he can perform all the operations without any employee or use a video call to contact a specialist if required. This tries to emulate the online experience that most of the clients are used to interact with the bank, offering a familiar experience to them. The interaction with the branch becomes mainly in self-service modules where low interaction with an employee can be done in most of the cases only if required, in the event of assistance to operate the modules or if a specialist is needed. For the creation of the experience, the new technology implemented in the branch gives the main distinction to the concept. This technology enables the possibility to the customers to access to the bank operations by themselves and changes the interaction of the customers and the employees. The personnel of the branch work as a support in case of someone has troubles operating the modules. This leads to a reduction of people required per branch, implicating a reduction of operational cost.

Continuing with the strategy centred in self-service areas, the main capabilities to design a service focused are:

- Signalling users' needs and technological options that started with the discovery of the needs of the customer that are shifting to online banking. To provide an online experience in the branches, the technological options are important because it offers the solution for self-service areas;
- Scaling, which can be exploited thanks to the (semi-)standardised services, which are educational areas, can scale easily and be replicated in other branches without creating an entirely new experience.

Signalling users' needs and technological options, and scaling are the critical capabilities in this concept. This is because starting with the identification of the needs gave the possibility to ideate a strategy around the customers' behaviours. The technological options available to exploit, allow the possibility to create a new area that satisfied the needs of the customers. Moreover, thanks to the facility to scale the new areas, this capability can be leveraged to replicate the concept easily in other branches.

The other strategy in Temporal Expansion, in addition to the self-service areas, kept the human interaction with the customer for complex discussions. In this case, new activities are added, but a reconfiguration of the activities also was done. The dimensions of this strategy are:

- New service concept, which is the new area that allows the customer to perform operations by their self. Also, a restructuring of the branch to increase the relationships that are done where the customers and the bank are at the same level;
- New customer interaction that is done by the customer in the self-service stations. Also, in case of complex discussions, the interaction of the customer and bank are at the same level, where client leads the conversation and bank supports him;
- New business partner who is an ICT partner to support self-service operations and a design agency that created the experience;

- New revenue model that can be translated regarding cost reduction by the reduction of personnel. Also, an increase of customer experience that increases loyalty and brand image;
- New delivery system: personnel, organisation, culture; which implies a restructuration of employees to support the stations. Also, personnel must be able to be part of discussions with clients. The culture of the bank follows the needs of the customer by providing areas that customer can perform operations like online banking, but also keeping the human touch;
- New delivery system: technological; which adds technologies to support self-service stations.

This strategy aimed to provide a better and a complete customer experience in a branch. The customer is familiar with online banking; this is the motivation to allow the customers perform operations in self-service areas. However, one of the motivations to go to the branch is to be able to discuss and ask for advice to the employees. It is hard to create a deep connection and understanding in a conversation between the customers and the personnel if this is not done face to face. Therefore, the possibility to operate in a hybrid form, mixing self-service areas and private spaces for conversations, allows to the customers to access to all the operations according to their needs. To be able to offer this experience, technology enables the possibility to provide a new service area, but also the design agency plays a critical role in the design of the areas dedicated to the conversation between the customers and the bank. The personnel of the branch work have a dual mission in the branch, must be a support in case of someone has troubles operating the modules and must establish a deep connection with the customer during the conversations.

Continuing with this strategy, the main capabilities for creating this experience are:

- Signalling users' needs and technological options; like the other strategy in Temporal Expansion, the users are shifting to online banking, but are going to the branch for complex discussions and

advice. For this reason, the customer needed to feel comfortable and at the same level of the bank. The technological options available provided the support to create a self-service area;

- Scaling, which can be exploited in the self-service areas like the other strategy in Temporal Expansion;
- Learning and adapting, which can be exploited thanks to direct interaction with the customers.

This communication allows to learn their needs and adapt.

As the other Temporal Expansion strategy, signalling users' needs and technological options, and scaling is capabilities that stand out in this service because of the implementation of a self-service area. In addition to those capabilities, learning and adapting are exploited in this case because of the close relationship that the bank can establish with its customers, promoting the direct interaction that facilitates the learning capability. This learning can be translated into changes, in other words, the concept adapts according to the users' needs.

Temporal Expansion strategies can be divided in two: one mainly focused in self-service, and other that complements self-service areas with a high degree of human interaction. First will be detailed the dimension and capabilities of the service focused on self-attention. The dimensions are:

Spatial Expansion strategies share the addition of new activities in an adjacent activity chain. The dimensions are:

- New service concept, which provides a new experience not closely related to banking by the creation of space to explore new experiences;
- New customer interaction, where customer interacts with the space dedicated to other activities, creating a new value thanks to the interaction with the branch and other clients;
- New business partner; which is a design agency, that created the branch concept, and external service providers. These providers offer new activities not related to banking to the customers;



- New revenue model; which focuses on the increase of brand awareness and loyalty, and provides a unique customer experience;
- New delivery system: personnel, organisation, culture; the organisation of the branch changes by the addition of new services. The employees promote these activities to enlarge the experience, and the culture of the bank adds the promotion of local experiences and the branch as a meeting point.
- New delivery system: technological; where the ICT supports the enlargement of experiences.

This strategy aims to provide extra value to the customer that goes to the branch. The branch is transformed into a space able to offer a different experience that is not related to banking. These experiences can be from conferences to books readings, concerts or cooking spaces. This allows to the customer to learn new abilities, enjoy a real time, and to connect with other people in this space while experimenting these experiences. To be able to create these experiences, a business partner that can offer them is one of the most critical dimensions of the service. Because the bank focuses on its core activity, a service provider can use the space to offer an activity that complements the branch experience. This new strategy adopted to increase the value perceived by the customers, increasing the brand awareness and loyalty, meaning a higher retention of the customers and the possibility to attract new customers. The change of the culture of the bank allows the promotion of local experiences, creating a local community around the branch.

The main capabilities for the design of this strategy are:

- Signalling users' needs, related to the needs of the customer's behaviours to explore new spaces and the need for a meeting point in the city;

- (Un-)Bundling capability, which is crucial to provide different experiences. The addition of new services to the branches allow to create a new experience, which is the main feature of this strategy;
- Co-producing and orchestrating, which are related with the co-production of the service with the service providers and the customers. In this case the orchestration of the services, in other words, the management with the providers, is fundamental to give a good and unique service experience;
- Stretching, meaning to leverage the brand of the bank to support the introduction of new services, especially when the service provider is not well known by the customers.

The main capabilities related to the Spatial Expansion strategy are signalling users' needs, (un-) bundling capability, co-producing and orchestrating, and stretching. Signalling users' needs allowed to create an experience unique to other banks by identifying the need for the exploration of new spaces. The (Un-) bundling capability, co-producing and orchestrating are the critical capabilities in this strategy. This is because the new service offered is the differentiator of the experience. To be able to (un-) bundle different services to complement the branch service and to co-producing and orchestrating with the service provider create a unique and different experience in each branch. The stretching is important to leverage the bank brand with the other brands that provide the experience, allowing that both can strengthen their brands together and be more recognised by the customers.

Temporal Reconfiguration strategies focused in the reconfiguration of the way of interaction between the bank and the customers. The dimensions related to this strategy are:

- New service concept, one that increases the customer experience by placing the customer at the centre of the organisation and by creating a deep relationship between with the customers;
- New customer interaction, where the customer performs all the interaction face-to-face with the personnel of the bank;

- New business partner, which is a design agency that designed experience centred in the human interaction;
- New revenue model, centred in the increase of customer experience and loyalty;
- New delivery system: personnel, organisation, culture; in which the employees puts the customer in the centre, and the creation of a true relationship between the actors is the main goal;
- New delivery system: technological; in the branches, the focus is the human interaction, this is why there is a limited technology in store.

The Temporal Reconfiguration strategy achieves a new way to establish a relation between the bank and its customers. The customer perceives this relationship in a friendlier way, where the customer is not more afraid of the unequal relationship where the bank has all the control of the conversation, and the customer has not any power to discuss. The new relationship is at the same level between the bank and the customer, allowing to the clients to be in charge and lead the discussion and the bank will support the decisions of the customer. To be able to achieve this concept, the design agency is an important partner because the designers can create a soft and warm environment where the conversation can flow easily. Therefore, the technology in-store is limited to focus on the relationship. This increased and profound communication with the customer increases the customer experience and loyalty with the customers, increasing the retention of clients and the possibility to attract new ones.

The main capabilities to develop this Temporal Reconfiguration strategy are:

- Signalling users' needs, where the identification of the user need to go to the branch is due the need for discussion and advisory;
- Learning and adapting, which can be exploited thanks to the direct interaction with the customer.

The main capabilities are signalling users' needs and learning and adapting. The users 'needs allow the possibility to create a service around the client's experience and the conversation. This close conversation

with the customer also allows to learn from this direct contact with the customer and to adapt from the learnings. This learning and adapting capability allow to keep innovation around the customer and to increase the experience in the branch.

Finally, Spatial Reconfiguration strategy focused in the reconfiguration of the branch to shift the branch from a physical asset into a mobile one. The dimensions of this service are:

- New service concept, which is a mobile branch capable of supporting operations in areas with high demand or places where there is not a branch available;
- New customer interaction, where the customer can interact with the bank in a location that was not possible before;
- New business partner; which are the local authorities that give permission to move the branch into a public space;
- New revenue model, which is a cost reduction to create and place a new branch;
- New delivery system: personnel, organisation, culture; where personnel must operate with the universal model that means to be able to perform all the operations in the branch.

This Spatial Reconfiguration service aims to offer a branch on-demand where the customers can access according to their demands. This provides flexibility with the branch that is mobile and can satisfy the demand of branches in any place required. The customer can interact with the bank in locations where was not possible before, and the employee that is in charge of the branch can provide all the products to the clients. This associate universal model reduces the time to the customer to get a product because client does not need to talk with different employees in different areas. Also, the employee can offer the best combination of products thanks to the knowledge of all the product gamma. The cost to create a new branch provides a reduction of cost benefit, where in addition to the mobility of the branch, it can be constructed fast and operative with a low cost.

Moreover, the main capabilities to develop this strategy are:

- Signalling users' needs, which identified the demand of the users and according to it, the bank can offer a branch to serve to its clients;
- Scaling: the mobile branch is a standardised service that can scale up easily thanks to its cost and usability.

The users' needs provided to the strategy the opportunity to transform the branches from a grounded asset to a mobile one. The lack of a branch according to the demand was the need covered with the mobile branch. This concept is a high standardised branch that can be easily scaled and put into function with less cost and time than traditional branches.

### 5.3 SERVICE DESIGN THINKING PROCESS

Continuing with the segmentation done with the Service Opportunity Matrix, the Service Design Thinking process will be used to detail how a design service creation was carried out in all the different stages.

Temporal Expansion strategies have two main strategies: one centred in self-service areas and the other that offers self-service areas with the complementation of human interaction. The design process behind the concept centred on self-service areas is:

- Exploration stage where the identification of the users' behaviour to perform bank operations by themselves by using computers, cell phones or tablets, in other words using online banking;
- Creation stage, where was designed the self-service experience that followed the users' behaviour for online banking;
- Reflection stage, where was tested the interactions with clients with the self-service areas and with the employees as support for the self-service modules;

- Implementation stage, where was implemented the changes, with the modification of the role of the employees as support and physical changes in the branch.

In this strategy, the exploration stage was the starting point for the development of the self-service areas. The exploration identified the current customer behaviour to use online banking as the main way to interact with the bank, so the customers are more familiar with the online interaction than the traditional physical interaction of the branches. The translation of this finding into the bank was the self-service modules, which were designed in the creation stage. The self-service areas try to find a way where the customer can interact with the branch in the way that the customers are used to interact with the bank, in other words, by allowing them to perform the operations by themselves. This concept had to be tested with the customer and the employees to detect possible misunderstandings with the new area, in order to correct the problems and provide a better experience. Finally, during the implementation stage, all the changes had to be presented to the customers and show them the benefits of having this new branch.

The design process behind the other strategy found in Temporal Expansion, the one related to self-service areas with the complementation of human interaction, has many similarities with the other Temporal Expansion strategy. The process behind the new areas shares the same design process. However, the addition of the human touch pursues other customer needs. The design process behind this need is:

- Exploration stage wherein addition to the current behaviour of the client to use online banking as the main way of interaction, the discovery of the motivation to go to the branch to discuss and ask for advice with an employee was found;
- Creation stage, where was designed the self-service experience and the user experience when a human interaction with the employees was needed;
- Reflection stage, where was tested the self-service areas, and the direct interaction between the customer and the employees;

- Implementation stage, where was implemented the changes, with the physical change in the branch and the new organisation in the branch where the employees must create a deeper connection with the customers.

This strategy, as mention before, shares many characteristics with the other Temporal Expansion strategy. However, the difference in design started in the exploration stage, where in this strategy was identified the customer behaviour to use online banking as a main way of interaction, but also was identified the need to discuss and ask advice to the bank. This last need in the creation stage was tried to be solved with the design of a new way of interaction where the customer feels comfortable and leading the conversation with the employees. It was not designed to be everything done by the customer in a self-service module, where the customer could ask for advice via a remote station because, in a high-level conversation, a deep connection with a person means very much to the customer. These ideas were tested in the reflexion stage, where the customer and the employees were asked about the possible changes to be improved. Finally, during the implementation stage, all the changes had to be presented to the customers and show them the benefits of having this new branch as the other strategy.

Spatial Expansion strategy, where the addition of the activities not directly related to banking where added, has this design process behind the creation of this service experience:

- Exploration stage where the identification of the users' needs to find a new space where can learn and explore new sensations;
- Creation stage, where was designed a new space in the branch that can be used to perform different events, according to the customers' preferences;
- Reflection stage, where was tested a full-scale branch prototype with clients and employees;
- Implementation of changes in the branch and implementation of a new organisation of the employees.

This strategy started with the finding of the users need for learning and explore new sensations in a space easier to access, and that can be used as a meeting point. This finding was translated and tried to be solved with the design of a new area in the branch where the user can live a new experience. It is not necessary to go to the branch to perform a banking activity to access to this new space; customers can use this space when they feel attracted to the experience that the branch is offering. The design pursuit to use this flexible space to be able to be used with many different experiences, from conferences to art galleries and cooking events. This concept had to be tested in a full-scale branch where some features were available to be tested. This reflexion stage highlighted possible changes that could increase the performance of the concept. At last, the implementation stage was carried out had to be presented to the customers and show them the benefits of having this new branch.

Temporal Reconfiguration strategy, where the focus was to increase the relation between the customer and the bank, has this design process behind:

- Exploration stage where the discovery of the customers' motivation to go to the branch was founded. This motivation was to be able to conversate and ask for advice to the bank and the uneven feeling of power where the bank has all of them were found;
- Creation stage, where a warm environment with limited in-store technology was designed. This allows to centre the attention into a side-by-side interaction;
- Reflection stage, where prototyping and workshop every new idea with clients and employees was done;
- Implementation of the physical changes of the branch and change in the organisation of the branch, where the employees must create a deep connection with the customer.

This design process started with the identification of the client needs to go to the branch, which is to discuss and ask for advice. The current customer way of interaction with the bank is done mainly in off-branch channels, but the physical contact and human touch were still perceived as the main driver to go



to the branch. The creation stage focused on creating an experience where the core activity that is the conversation with the employees could be enlarged. This design stage decided to limit the in-branch technology available to do not lose the attention in the human relationship. The main idea was to keep the digital channel and the branches separated and each one to focus on different services, the online with the banking operations but the branches focused in the advising. The reflexion phase tested the ideas designed in the previous stage. The implementation of the strategy implied to change the physical branches and to modify the organisation to focus on the human touch and the increase of the relationship with the customers.

Spatial Reconfiguration strategy, where the reconfiguration of activities in an adjacent activity chain was done, the design process behind this service is:

- Exploration stage, which detected the need for branches in locations where the bank had not presence or the current branches could not give supply to the customer demands;
- Creation stage, where a small branch concept was ideated. A branch that can be easily constructed moved and fully functional;
- Reflection stage, where a small quantity of the pop-up concept where developed in few temporal locations;
- Implementation of the new branches in more locations and to be part of a solution of the bank.

In this strategy, the exploration stage was the starting point for the development of the pop-up branches. During the exploration, the identification of the customers' demand for branches was detected. This demand could be in zones without a presence of a branch, or in areas with branches of the bank but that the high demand of them could not give supply to the customer demands. With the findings of this stage, the design of a branch that could give support to another branch or provide access to the customers in a place without a branch was ideated. This branch concept was tested with few branches created to test

the concept and see the effectivity. After this stage, the implementation of the branches on a large scale was done, where this type of branches is part of the bank branches network.

## 5.4 FINDINGS

The five strategies found have the target to increase the revenues of the bank via reduction of cost, an increase of clients or promotion of the brand. However, also the new branches had a user centre focus, meaning that each strategy designed to increase the experience that the customer has while interacting with the physical channels. This user centre solution shares a common design experience capability that is the signalling of users' needs. The capacity is shared between them as starting point to, but the direction that each strategy adopted was completely different. The Temporal Expansion and Temporal Reconfiguration strategies found customers' needs related to the interaction with the different channels, online and branch, while spatial expansion strategies found the need of customer to socio and cultural behaviour of the customers. Spatial Reconfiguration strategy detected the need for the presence of branches, that is related to banking, but is not the same as the Temporal strategies that focused on the interaction in the branch. This fits with the emphasis of growth defined in the Service Opportunity Matrix, where the primary activity chain is the activities done in the branch, so the needs found by the Temporal strategies were tightly related to the way that the customer interacts with the activities. In the other hand, the Spatial strategies found needs not related directly with the way of interacting the with the branch activities. Spatial Expansion strategies found needs related to the need of expression and a place to discover new things, while Spatial Reconfiguration strategy found a social need for a branch in a specific location.

The classification with the Service Opportunity Matrix provides five major strategies adopted by the banks, where two of them were Temporal Expansion strategies. These two Temporal Expansion strategies share the creation of a new functional space in the branches, the educational areas. These new areas

allow a new way of interaction based on the increase of online banking, where customers can perform operations by themselves in dedicated areas in the branches. This new zone discovered a need of the client and thanks to the signalling of new technological options capability, was possible to design and create this new experience for the client.

Even the design of a self-service area present in the two Temporal Expansion strategies, both strategies have different focus and experiences offered. The addition of warm and soft environments, which enables a closer relationship between customers and banks, complements the self-service experience. While the educational corner provides the opportunity to perform operations by the customer, emulating the online experience, the warm environment creates a space to start a close conversation with the bank. This conversation is also part of the Temporal Reconfiguration strategies which reconfigure the space and activities to focus only on the core of the branch experience, the conversation and advice. The mixture of strategies provides a complete experience for the customer in the Temporal Expansion strategy, where in one hand the customer can do the banking activities like in an online bank, but when advice is required, an online experience lacks the human touch what is wanted for the customer. The human touch in the conversation is the motivation to keep the employees as consultants and not only as supporters in the branch, to provide the complete experience in the branch and not only part of it.

While some banks showed a clear change in the philosophy in the bank, other kept the traditional philosophy with a better customer experience. The change of philosophy can be seen thanks to the Design Driven-Innovation model proposed by Roberto Verganti (2009) that added an innovation approach to the traditional dichotomy between the technology-push and market-pull approaches (Schmookler, 1966; von Hippel, 1976; Parasuraman, Zeithaml, & Berry, 1988; Goldstein, Johnston, Duffy, & Rao, 2002). Verganti's model proposes that firms can build and nurture a sustained competitive advantage by developing proposals for new ways of satisfying the deeply emotional, psychological and socio-cultural reasons underlying consumer choices. Taking into consideration the particular cases studied, there is possible to

see a Design Driven-Innovation approach in the three cases in the Spatial Expansion quadrant. The case of Intesa Sanpaolo with the branch 'The "Hub" of the real economy', the strategy purposed was to create a sort of social network platform where the branch is the physical space where the customers can interact, focusing on the customer relationship and the gains that they can obtain by participating in this branch. The case of Solo with the Lifestyle Bank concept aimed to create a boutique and luxury experience where the client can always feel comfortable and live unique experiences, where the bank could be in the background. The last case, ChiantiBanca and Restaurant Experience Banking concept aimed to create a local trip to the Tuscan region while visiting the branch, promoting the local products and values. The three cases tried to change the use of the branch as a place exclusive for transactions and advising, for an area where the customers can experience and live new sensations, from local trips to luxury sensations. These new experiences change the philosophy of the traditional branches into an space not only for banking, but also a place to develop and explore new areas.

In the other cases, the branches innovated to offer a better customer experience, but the innovation did not change the branch philosophy. The Temporal Expansion strategies with the addition of the new self-service areas aimed to transform the branch and reduce the operational cost, but the core operations are still present. The innovation has a technology-push approach, where the technological options available to improve the experience took the traditional operations and improved the performance keeping the philosophy of the branch. The Temporal Reconfiguration strategies aimed to improve the feeling of the customer of the uneven and distant relationship between the bank and the customers. The innovation had a market-pull approach from the discovery of the need for a better relationship with the bank when asking advice. Moreover, the Spatial Reconfiguration strategy followed a market-pull approach that satisfies the customer's demand for a branch in a specific location. These strategies focused on other innovative approaches that are not a Design-Driven approach, improving the customer experience and solving customer needs, but keeping the current philosophy of the bank branches.

There are not wrong strategies adopted, not because most of the strategies adopted a market-pull or technology-push approaches and kept the bank branch philosophy were a failure. All of the strategies improved the bank results by increasing the customers or reducing the operational cost. However, the more innovative experience that the customers did not expect to live in a branch is the Spatial Expansion cases, where the innovation around intangible assets provided a unique experience for the customer that is hard to imitate. The expansion into areas that are not related to the retail banking industry to innovate in the experience is more difficult to be imitated in comparison of the implementation of technology in the branches or the reconfiguration of activities to strengthen the relationship with the customer.

## 6 CONCLUSIONS

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### 6.1 CONTRIBUTIONS

This work focuses on service innovation in the retail banking industry. Innovation in services has been acknowledging known as a critical source of competitive advantage, motivating researchers to increase their efforts to study this area. Nevertheless, in the retail banking industry, the researchers had paid more attention to the innovation in online channels leaving aside the efforts of innovation done in the physical channels, in other words, the branches. The innovation done in branches had been realised in collaboration with design agencies. This had been a new phenomenon in the innovation in branches where the collaboration contributed to create new experiences and solutions by using design methodologies.

In the attempt to study this new collaboration between the agencies and the banks, this study analyses ten branch cases where a radical innovation had been done. This work adopts two perspectives: a

managerial perspective and design one. The managerial perspective is adopted with the strategy matrix proposed by Sawhney, Balasubramanian and Krishnan. While the design perspective is adopted with the dimensional and capabilities model proposed den Hertog, van der Aa and de Jong, and the design process mentioned in the book of Stickdorn and Schneider. With the mix of both perspectives, wit work proposes a new way to understand the innovation done, in particular, in the bank branches.

The cases were classified in four strategies according to the Service Opportunity Matrix. Four cases were classified as Temporal Expansion strategies, which extended the customer journey of the customers in the branch. These cases added a new area where clients can perform banking operation by themselves by exploiting the technological capabilities of the bank to offer a new experience for the customers. Three cases were classified as Spatial Expansion strategies, which added new services to the branches where the customers can learn and live new experiences. To create those new experiences, the banks partner up with service providers that could use the branch as a platform to perform their services, exploiting the (un-)bundle and orchestrating capabilities to create and coordinate unique experiences. Two cases were classified as Temporal Reconfiguration strategies, which reconfigure the current activities done in the branch. Those branches reconfigured the activities to create an experience where the client feel more comfortable and could create a stronger bond with the bank, which exploit the capability of learning and adapting thanks of the close communication done. Finally, one case was classified as Spatial Configuration strategy, which reconfigured the activities done in the branch to expand into an adjacent activity chain. The bank converted the grounded assets into mobile, shifting the branch to a risk management, where the scaling capability can be exploited thanks to the standardisation of the branch.

The different strategies adopted by the banks show that according to the capabilities that the bank wants to exploit and the needs that are wanted to cover, a strategy proposed in the Service Opportunity Matrix fits better. Also, the design process behind the service share many steps, but with some differences. This study benefits not only to the retail banking industry and the design agencies, but also to the service

innovation researchers because it provides a preliminary analysis of innovation strategies that were created with a design perspective.

The use of the Service Opportunity Matrix provided a good approach to the innovation with service discipline. The matrix gives the initial point for the companies to start a new service innovation, starting with the areas that can focus to create a new service from the firm's perspective. This view only focuses on the need of the company to create a service, without the need to pay attention to another point of opinion. This starting point coincides with the Discovery stage of Service Design Thinking, which aims to discover not only the customer needs, also to discover the needs of the company to create a service that fits with the requirements and culture of the company. In other words, the SOM provides a part of the Service Design Thinking process which takes into consideration only the company perspective. In order to complete the transition from the service idea provided from the SOM, the Six-dimensional model and capabilities for realising a new service (den Hertog, van der Aa, & de Jong, 2010) and Service Design Thinking (Stickdorn & Schneider, 2010) allow to complete this transition. This last two models provide the customer perspective from the highlighting of their needs and the opinion of the service before released, thanks to the prototyping and testing. Also take the consideration all the stakeholders perspective, putting them in the design and co-creation of the service, and takes puts the attention in the managing of them with the orchestration capability from den Hertog, van der Aa and de Jong's model. Also provides the implementation of the service and takes into consideration the future innovation cycle by the adaptation of the service and to continuous improve it.

Another dimension that the SOM does not take into consideration is the type of innovation done if has a business model, platform or customer experience driven approach. With the bank cases, there are many types of innovations done with different approaches. Some focus on business models innovation with the reduction of the operational cost; others improve the customer experience by enlarging the experience

offered in the branch with the addition of new services. The SOM only provides a general strategy to innovate, missing the type of innovations that can be performed in each quadrant of the matrix.

## 6.2 MANAGERIAL IMPLICATIONS

The different branch strategies analysed in this work are classified into four areas according to the Service Opportunity Matrix. According to the capabilities that an organisation has and the dimensions of the service that is wanted to highlight, the banks can focus their effort to develop a strategy in the matrix quadrant that best fits for them. In particular, taking the cases analysed in this study, there are five different ways to innovate a physical branch.

To complement the work, will be used the concepts mentioned in the book *Ten types of Innovation: Discipline of Building Breakthroughs* (Keeley, Walters, Pikkell, & Quinn, 2013). This book classified innovation in ten different types that are grouped into three main areas: Configuration, Offering and Experience.

Configuration innovations are the types of innovation that are focused in the innermost workings of an enterprise and its business model. There are four innovations in this area: Profit Model, Network, Structure and Process. Profit Model innovation challenge the industry's tired old assumptions about what to offer, what to charge, or how to collect revenues. Network innovation provide a way for firms to take advantage of other companies' processes, technologies, offering, channels, and brands. Structure innovation focuses on organizing company assets – hard, human, or intangible – in unique ways that create value. Process innovation change from business as usual that enables the company to use unique capabilities, function efficiently, adapt quickly, and build market-leading margins.

Offering innovations are the types of innovation that are focused on the enterprise's core product or service, or a collection of its products or service. There are two innovations in this area: Product/Service



Performance and Product/Service System. Product/Service Performance innovation address the value, features, and quality of a company's offering. Product/Service System innovation is rooted in how individual products and services connects or bundle together to create a robust and scalable system.

Experience innovation are the types of innovation that are focused on more customer-facing elements of an enterprise and its business system. There are four innovations in this area: Service, Channel, Brand and Customer Engagement. Service innovation ensure and enhance the utility, performance, and apparent value of an offering. Channel innovation encompass all the ways that a company's offerings relate to the customer. Brand innovation help to ensure that the customers and users recognize, remember, and prefer the offerings to those of competitors and substitutes. Customer Engagement innovation is all about understanding the deep-seated aspirations of customers and users, and using those insights to develop meaningful connections between them and the company.

Starting with the Temporal Expansion strategy, this type centres the effort in the current experience to improve the way that customer interacts with the branch and fill the gaps between the client and the bank. In this quadrant of the matrix, the innovation is a centre of the current activities that the customer needs to perform. This is why the design process focuses their attention during the first steps in the discovery of the needs of the users in the branch and the way of interaction with it. According to the needs founded, a major capability needs to change the experience is the signalling of the technological options, where the technology can transform the current experience into a more efficient and user-friendly to the customer. This capability was found in all the four Temporal Expansion strategies, where all of them used the technology to create a new area that the clients could use to perform their activities by themselves. Without that capability, the final result would be completely different. These technological options are necessary to be tested with the final users, clients and employees of the branch. This testing phase, found in the Reflexion phase of the design process, is important to pay attention the interaction of the users

with the concept's design, where the difficulties of the usage can be solved to improve the experience that is wanted to offer.

Also, the Temporal Expansion strategies can be complemented with a restructure of the current activities, where two of out four strategies analysed did it. This restructuration helped to complement the addition of new activities, but more importantly, solve a customer need of interaction with the branch. This human interaction exploits the capability of learning and adaptation, where the bank can listen and observe from this direct contact where are the next needs to cover.

Taking the innovation types of Keeley et al. (2013), there are six innovations adopted in Temporal Expansion cases. All of these cases adopted an Open Innovation approach, which is a Network innovation, where the collaboration with a design agency gains access to a design methodology which can be adopted in the service creation, leveraging on the expertise of the agency. An IT Integration, which is a Structure innovation that can be used to integrate new technology in branches to create a self-service area. A Service Performance innovation can be adopted by creating an experience that is easy and intuitive to use, this is seen in the educational areas. A Brand innovation can be done by the values alignment of the service, where the service integrates the values of the banks (innovation and customer centre). A Customer Engagement innovation can do by the automation of the experience, in the self-service areas, and by a humanization of the offering, especially seen in the direct communication.

Summarising, if a bank wants to focus on a Temporal Expansion strategy, the main points of attention are the Discovery stage where the needs to be found should be related to the interaction with the bank, and the testing phase is critical to improve the interaction that the customer has with the concept develop. The capabilities that the organisation needs to create this strategy are the signalling of users' needs, that is tightly related to the design Discovery stage, and the signalling of technological options. This last one is the key to propose a different and new experience and the main differentiator with the other Service

Opportunity Matrix strategies because the new technology helps to cover the gap between the customers and the banks by adding new activities to the current activity chain. If the bank wants to exploit the learning and adapting capability, a reconfiguration of the activities can increase the relation between the customers and the bank, creating a direct conversation that allows learning directly from the customer their needs to adapt and increase the client experience. In addition to those capabilities, according to the Ten types of Innovation, the new self-service area is Performance innovation, which must be created to be intuitive to the customers and easy to use. Also, the Customer Engagement is part of the experience by the automation of the experience and the humanization of the service during the direct communication between the customer and the employees. Finishing with this strategy, the main aim of this service is to create a new business model by radical optimising the operations, seen in the new self-service area, and to improve the customer experience by offering a simplification of the branch operations that can be performed by them self.

Continuing with the Spatial Expansion strategy, this centre the service in new areas outside the retail banking industry, which creates synergies to improve the customer experience. This kind of strategy adds new activities to the clients who are not related to banking which complements the experience and offers a new and unique solution. At the beginning of the design phase, the Discovery stage needs to find the needs of the customer for other services outside banking which could be integrated into the banking experience. Therefore it is important the design capability of signalling the users' needs, which focuses on creating a new opportunity to create a new area to innovate. The Design stage is important to take in consideration the option to co-create an experience with a service provider which can offer a new experience, with this the bank can focus on their core activity, which is banking, and partner with others to provide the experience. For this, the capabilities of (un-)bundling and orchestrating are important which facilitate the creation of new services by bundling existing ones and coordinate the service providers with the bank. Also, the stretching capability takes an important role in the new service which

allows to leverage the brands of the bank and the service providers to potentiate and promote all the brands together.

Complementing with the innovation types of Keeley et al. (2013), Spatial Expansion strategy used five types of innovations. These innovations are Network, Process, Service Performance, Service System, Channel, Brand and Customer Engagement. The Network innovation is done by the Open Innovation to use the expertise of a design agency to create an experience and the collaboration with service providers to mutual gain by offering the service. A Process innovation was used by the employ of a purposeful approach that manifests itself across offering, brand and experience. The Service Performance innovation can be done by the feature aggregation which combines different services into a single offering. The Service System by the new service platform that allows to connect different services which create a new experience. The Channel innovation is done by the content specific to the services, that according to the customers' needs and geographical area, the experience is different from other experiences. The Brand innovation is done by the brand leverage which extends the brand into new services and the values alignment of the service, which promotes the community. Finally, the Customer Engagement Innovation is done by the creation of a community around the branches and the feeling of belonging to this community.

Summarising, if a bank wants to focus on a Spatial Expansion strategy, the most important points of attention in the design process are the initial phase and the design of the experience. In the Discovery stage, the finding of the customer needs outside the banking experience is the starting point to find an opportunity to innovate. With this finding in the Design stage the solution that is proposed must be taking in consideration the different actors that will be encouraged to participate in the experience creation. The solution must provide different experiences with the collaboration of service providers which help t create a local and unique experience for the customer. The (Un-)bundling and orchestrating capabilities are critical to create a service environment which can be used in the branch. Also, the branch as a channel of

the experience can provide a content specific according to the local partnership with different service providers. In order to leverage the brand of the bank, the stretching of the brand potentiates the other brands that will be participating in the customer experience, increasing the brand awareness and value of it. Another important point in the Implementation stage, is the promotion of the benefits of the new experience, the creation of community and the promotion of the local products and services create a unique feeling for the customer. This experience must be advertising as an opportunity to discover and learn new things in a space that can be shared with the community. Finishing with this strategy, the main aim of the new service is to create a new business model by the open invitation to encourage others to work with the bank, seen with the service providers, and to improve the customer experience by connecting the community by offering an experience to the consumer that share common interest in a local area.

Following the Temporal Reconfiguration strategy, which focuses on the customer experience by centring their effort in the current experience and improve the way that customer interacts with the branch, but without adding new activities to the customers. This strategy aims to reconfigure the current activities done by the customer in order to increase the experience. During the design process, in the Discovery stage, the detection of the client needs for a close relationship was found in the strategies analysed. To be able to identify the needs of the users the capability of signalling the customers' needs in important because it offers the opportunity to explore an area of innovation and design solutions that taking the current resources of the bank, the reconfiguration of them can offer a better experience for the customers. The Design stage must focus on the interaction with the customer, and because of this, the Reflexion stage is critical to validate the design of the solution. The final user offers feedback about the solution that is taken into consideration to improve the design and experience. Thanks to this focus in the customer, the learning and adapting capability are exploited and offer the possibility to continuing innovating and adapt thanks to the close relationship created with the customers.

Complementing with the innovation types of Keeley et al. (2013), Temporal Reconfiguration strategy used six types of innovations. These innovations are in Network, Process, Service Performance, Channel, Brand and Customer Engagement. The Network innovation is done by the Open Innovation, as the other strategies, to use the expertise of a design agency to create an experience. The Process innovation is done by the strategic design of the experience, which provides a purposeful approach that manifests itself across offering, brand and experience. The Service Performance innovation is done by the reconfiguration of the activities done by the customer which created a simplification of the process. The Channel innovation is done by the change of the operation of the branch, which allows for the employees to go direct to the clients and establish a direct communication with them. The Brand innovation is done by the increase of transparency of the operations with the customer, where the clients are part of the operations and show that the brand is open to the customer. The Customer Engagement innovation is done by the experience simplification, where a branch is a place for discussions with a close relationship, and by the personalization of the experience, which each customer is treated as a unique person and not just a number.

Summarising this strategy, if a bank wants to focus on a Temporal Reconfiguration strategy, in the initial design phase the finding of the real need for a branch is important to be found. The Temporal Reconfiguration cases found that the necessity of a branch was to discuss complex themes besides to perform operations that can be performed with the online banking. With the need founded, the Design stage had to design an experience where the customer can communicate in a direct and to have a close relationship with the bank to discuss their banking need in person. For the creation of a new experience according to the ten innovations (2013), the transparency of the service, the simplification of the experience and the direct communication between the customer and the bank create a customer experience-drive innovation which aligns well with the Temporal Reconfiguration strategy. In the Reflexion, stage is important to pay attention in the way that the relationship is carried out and take the

considerations to improve the experience. During the implementation of the service, the direct and close relationship between the customer and the bank must be highlighted as main the innovation. This change of philosophy in the branch shows that the bank is aware of the needs of the customer and that the clients are in the middle of the organisation. The Temporal Reconfiguration strategy is a Customer Experience-Driver innovation where the customer is the reason of the bank to offer the service.

Ending with the Temporal Reconfiguration strategy, which focuses on the transformation of grounded branches into mobile ones, incurring in the risk management area. This strategy incurs into the risk management area for branches which is an adjacent activity chain, by reconfiguring the current activities of the bank. The starting point of design, the Discovery stage, the identification of the customer' needs is the starting point to find an opportunity to grow and create an experience. In this, like the other strategies, the signalling of the users' needs capability is tightly related with the first design phase, which allows detecting the users' needs to be able to satisfy them. The Design stage must create a concept which optimises the space, reduces the cost and that can be mobile, in order switch from grounded to mobile assets. This concept can be exploited by the scaling capability, which allows to easily replicate the concept by standardising some part of the concept.

According to the Ten types of innovation (2013), Spatial Expansion strategy has four innovations in the new service. These innovations are Structure, Process, Service Performance and Channel. The Structure innovation is done by the asset standardisation by the standardisation of the mobile branch. The Process innovation is done by the localisation of the branch, which able to move according to the need of the customers. The Service Performance innovation is seen in the universal associate model used, where a single employee can perform all the operations in the branch, simplifying the process for the customer. The Channel innovation is done by the pop-up presence which allows to move the branch around reaching a larger quantity of users.

Summarising, if a bank wants to reduce the risk of placing a new branch, it is possible to shift the grounded branch into mobile to enable the possibility of relocation of the branch, creating a Spatial Reconfiguration strategy. In this strategy, the Discovery stage should find the needs of the customer for a branch in a specific location where there is not the presence of the bank. The Design stage must create a solution that fits the needs of the bank and the customers; the mobile branch should have components that are easy to standardise. This standardisation is a capability of the service that allows to create a branch with a lower cost than a traditional one. In the Reflexion stage, the mobility of the branch allows to test different locations to see the demand and how the customers interact with the branch, to be able to collect the interaction to improve the experience. Finally, in the Implementation stage, the increase of performance in the branch, where the employee can perform all the operations, must be advertising to show the benefits for the customer of this branch. This Spatial Reconfiguration strategy is a business-model-driven innovation where the optimisation and cost reduction of the branch is the main driver to choose this strategy.

Concluding, there are two starting points to define a strategy: if the bank wants to innovate in the branch experience by innovating in the process done by the customers in the branch, or if the bank wants to explore options outside the branch to complement the branch experience. The first option fits better with a Temporal strategy and the second option aims for a Spatial strategy. The Temporal strategies, which are Expansion and Reconfiguration, differs according to the needs and capabilities of the banks. If the bank has technological options available, a Temporal Expansion strategy is the indicated one because can exploit this capability to fill the gaps of the experience with new activities supported with technology. In the other hand, if these technological options are not available or are not needed to satisfy the needs of the users, a Temporal Reconfiguration is better. This strategy aims to reconfigure the activities and create a better relationship with the customers, which allows to learn from the clients and to continue adapting to their needs. As saw in some Temporal Expansion strategies, this two strategies, Expansion and



Reconfiguration, can be mixed up to create a complete user experience where all the dimensions are covered, and all the capabilities are exploited.

Taking the Spatial strategies, which focus their attention in other activity chains to complement the current chain, there are two options to innovate: by adding new activities or reconfiguring the current ones. If the bank has the capability to (un-)bundle and orchestrates services to create unique experiences the Spatial Expansion strategy is the perfect one to create. In this, the addition of new services is the key to create a new experience that can be used in the branch. However, if a shift from grounded to mobile assets is wanted, a Spatial Reconfiguration strategy fits better. A benefit of this strategy is the standardisation of the service, which allows to deliver the service quickly.

### **6.3 LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH**

Like any other study, this work has several limitations that nonetheless represent opportunities for future research. First, the sample size of the cases that make difficult to find significant relationships from the data analysed. The cases in this study allowed to show how the different banks are innovating in the branch experience, but the nonexistence of many cases make impossible to apply statistical tests that normally require a larger sample size to ensure a representative distribution of the population and to be considered representative of groups to whom results could be generalised. This is especially seen in the Spatial Reconfiguration quadrant in the Service Opportunity Matrix, where only a case was found and introduced to complete all the four strategies but the case has an absence of a design agency associated, which made difficult to apply the service design process to it.

One of the possibilities that made difficult to find available data is that the innovation in branch experience with the partnership of a design agency is recent phenomena without too many collaborations. Over time, when more innovation projects will be created, will be introduced the opportunity for future research to find trends in this area.

Second, the data used in this work comes from secondary sources. These sources are the design agencies website and bank reports, which show the branch concepts. The information that was obtained in many cases were incomplete. This offers the possibility to future research to use primary sources, especially from banks, to understand in deep all the dimension that were taken in consideration for the reinvention of the branch experience.

Finally, this work focuses on the innovation strategies applied to only changes in branch experiences. It does not study innovations strategies in other interaction channels between the customers and the banks. Future research should focus on the different channels and how the omnichannelity affects the client's experience in all the dimensions and the impact on performance.

Notwithstanding these limitations, this work intersects design processes and services strategies showing empirical cases which open an interesting research approach.

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