Changing building typologies forum – Observations from practice

Changing the high street retail bank into a brand led customer lounge

Ros Pomeroy, Chrystala Psathiti
Spacelab

Pages: 241-244
Retail banking has been changing. Long gone is the universal traditional model of the local bank dealing largely in cash and with the bank manager who firmly advises how to manage one’s finances. The era of telephone banking, internet banking, non-locally based services and up-selling of an ever widening range of financial products has been developing over many years. Yet the physical branch buildings have remained as a feature on UK high streets, although in much fewer numbers. Between 1989 and 2012, 7,500 bank and building society branches were lost, more than 40% of all branches. (French et al., 2013)

Virgin entered the consumer banking market in 1995 with a fresh approach. By 2012 another change in thinking was taking place. What Virgin Money hit upon was the idea that customers could be interested in using a physical space which did not have to be a ‘bank’ in the traditional sense at all. What has emerged is a new ‘lounge’ concept – spaces on the high street that embody and create a Virgin brand experience for its customers. The lounges do not involve any traditional banking transaction services or indeed any product selling. The smallest concession is a cashpoint in the corner. More recently the Glasgow lounge has been opened with some adjacent transaction facilities. ‘Customers are still free to relax and enjoy coffee without the fear of being “sold” to. The lounges are all part of our ambition to be very different kind of bank - one that makes everyone better off’ (Charley Watkins, Head of Retail Design, Virgin Money, 2014).

Over the last two years, five of these lounges have been designed and fitted out in collaboration with...

Figure 1:
Lounge facilities.
between Allan International (who did the concept design) and Spacelab (the architects). Each lounge has allowed Virgin Money to experiment a little with changes to the configuration and facilities. This article draws on the findings of a detailed research study of three of these lounges in Norwich, Manchester and London to illustrate how the lounges are used by customers and how the spatial concept of the lounges therefore has an impact on redefining retail spaces in general and high street banking in particular. Investigating customer usage patterns and customer perceptions including brand loyalty also allows for drawing conclusions on changing typologies.

Only Virgin Money account holders can use the lounges and as such they are like a members club and act as a reward for becoming a customer.

The design of each lounge typically includes an area that accommodates free refreshment facilities, seating areas that facilitate the use of personal equipment such as laptops and are designed to be places where customers can hang out, can come with their guests in relaxing surroundings and enjoy free amenities provided. The lounges deliberately offer a diverse range of seating styles and facilities (see Figure 2).

But what does this mean in terms of building function and building usage? Examining space usage more closely and the opinions and preferences of customers in three different lounges reveals some interesting comparisons.

The majority of customers (75%) were found to perceive the provision of lounges by the company as a positive gesture that differentiates the bank from other financial services providers in the market. This illustrates the success of Virgin Money Lounges as ‘branded spaces’, which function based on the ‘intention of building or reinforcing the image of the brand rather than operating to sell product at a profit’ (Kozinets et al. 2002, p.17). This means the Lounges represent the brand and its image in the ‘life-world of consumers’ (Arvidsson, 2005). Typologically, in some ways Virgin Money lounges have the features of coffee shops, since a lot of customers compared and contrasted them with normal coffee shops in their qualitative feedback. The reason lies exactly in the fact that approximately 30% of the lounges’ facilities are dedicated to areas of comfy seating (denoted as the ‘Living Room’ in the research study) where people can enjoy a cup of free coffee and have a relaxing time away from the city’s buzz. These areas recorded the highest mean occupancy (see Figure 3) which means they are preferred by customers in relation to other types of facilities (e.g. tables with chairs, kids areas, community rooms).
As in a normal coffee shop, the majority of customers in the lounges read, browse on a mobile device or chat (see Figure 4). A relatively high percentage of interaction was recorded in the lounges with almost 50% of all customers interacting at any one moment in time (see Figure 5).

However, each lounge is much more than a normal coffee shop and far beyond an exclusive customers’ club or a mere branded environment, since the experience offered to the customers constituted ‘a unique experience of feeling at home, feeling receptive and it generated a sense of belonging to a big family as customers characteristically reported, which [creates] (…) a spatial bonding with them’ (Psathiti, 2014). In essence, the lounges constitute a hybrid building type which is neither retail space nor coffee shop although they share properties of both. More than that, in the same way as a retail
outlet would be, they are branded experiences but without the main retail function i.e. selling. Arguably, they do act as a living embodiment of what Virgin Money is, conceptually and organisationally.

With other innovative retailers such as Apple or Nike aiming to increase customer loyalty through spatialised branded experiences through unique store concepts such as the Apple Store or NikeTown (Palaiologou and Penn, 2013), it will be interesting to see how retail functions will shape in the future and redefine what we mean when we say ‘shop’ or ‘bank’.

References


