



# **Branches are Dead. *Long Live the Branch.***



Over half (58%) of consumers use mobile apps when looking for banking support, according to an Accenture Strategy [Banking Customer 2020](#) study. Fifty-five percent of consumers would prefer to open a checking account [through digital channels](#). Over a quarter ([30%](#)) of [Americans](#) already have an account or are considering opening an account with an online-only financial institution (FI). Yet, banking experts are confident the bank branch remains an essential part of the banking experience. *And they aren't wrong.*

- Physical locations [are still an important factor](#) when consumers are selecting a new FI.
- Nearly [75% of consumers](#) reported visiting a physical branch at least once a month. 66% of Millennials visited a bank branch in the [previous 6 months](#).
- [65% of consumers](#) prefer to open new mortgage accounts and 62% prefer to open new wealth management accounts in person.

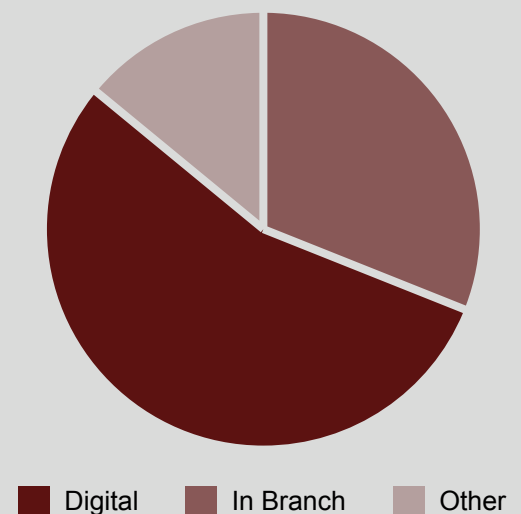
But just as prior industries have been disrupted by the advent of technology, so should the FI branch change its presentation and function in order to survive.

## Self-Service Trends

Digital and mobile disruption of the banking industry is about more than convenience. It is also driven by a tendency for younger generations, who grew up with computers and cell phones, to be more self-service oriented.

Over 30% of 18 to 34-year-olds prefer to use smartphones or tablets to place their food orders, according to [Food Tech Connect](#). Well [over half \(68%\)](#) of general consumers turn to online explainer videos first to solve product-related problems. Similarly, the reported importance of surcharge-free ATM access among consumers has [risen from 18% to 25%](#) over the last decade.

Preferred Way to Opening a Checking Account



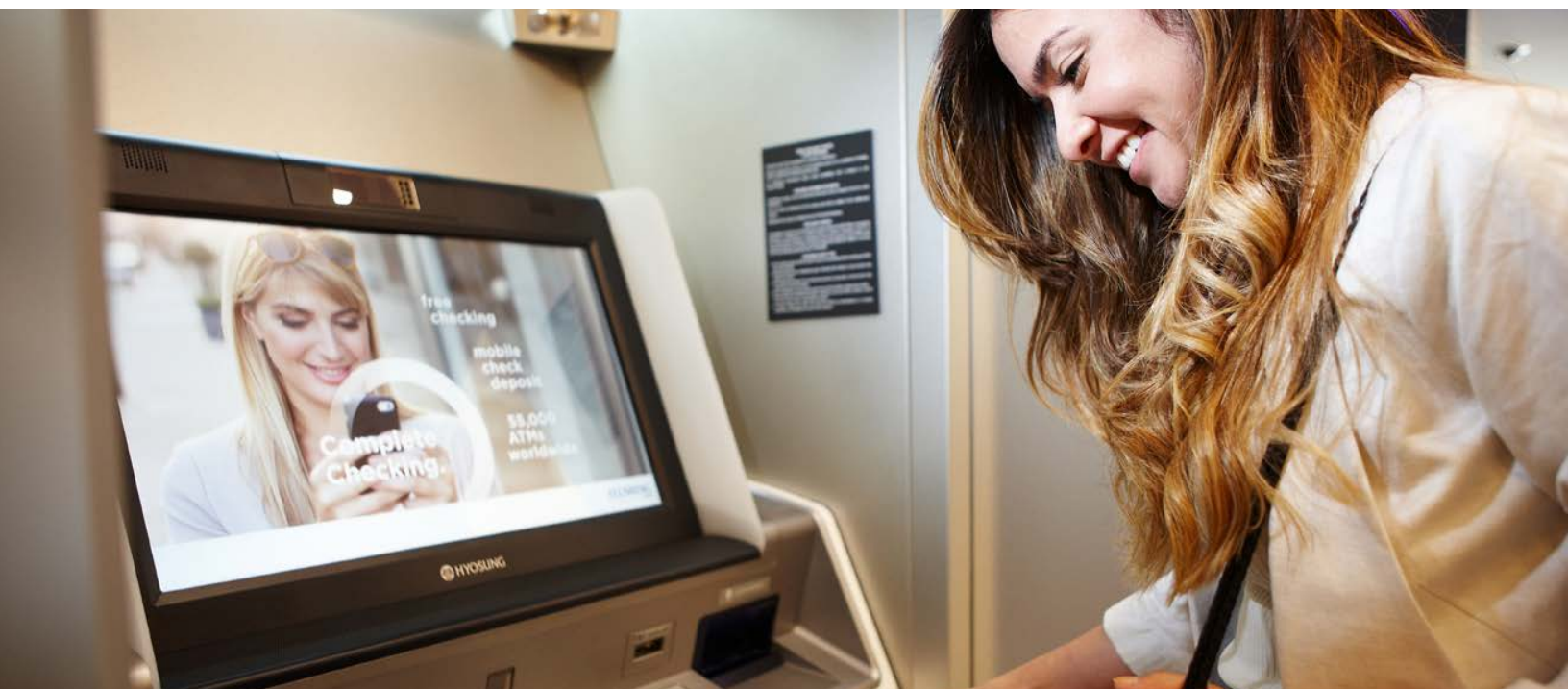
The new branch must recognize the self-service needs of today's consumers when it comes to what are now considered "standard" banking transactions such as:

- **Opening Checking/Savings Accounts**
- **Opening Credit Card Accounts**
- **Depositing Cash and Checks**
- **Cashing Checks**
- **Transferring Funds**
- **Checking Account Balances**

However, just as these types of transactions can be primarily relegated to the digital realm, there are more dynamic and complex transactions for which even those purporting to be "tech-savvy" require personal assistance.

- **Customer Service and Support**
- **Money Management Accounts**
- **Mortgages**
- **Financial Strategy**
- **Investing**

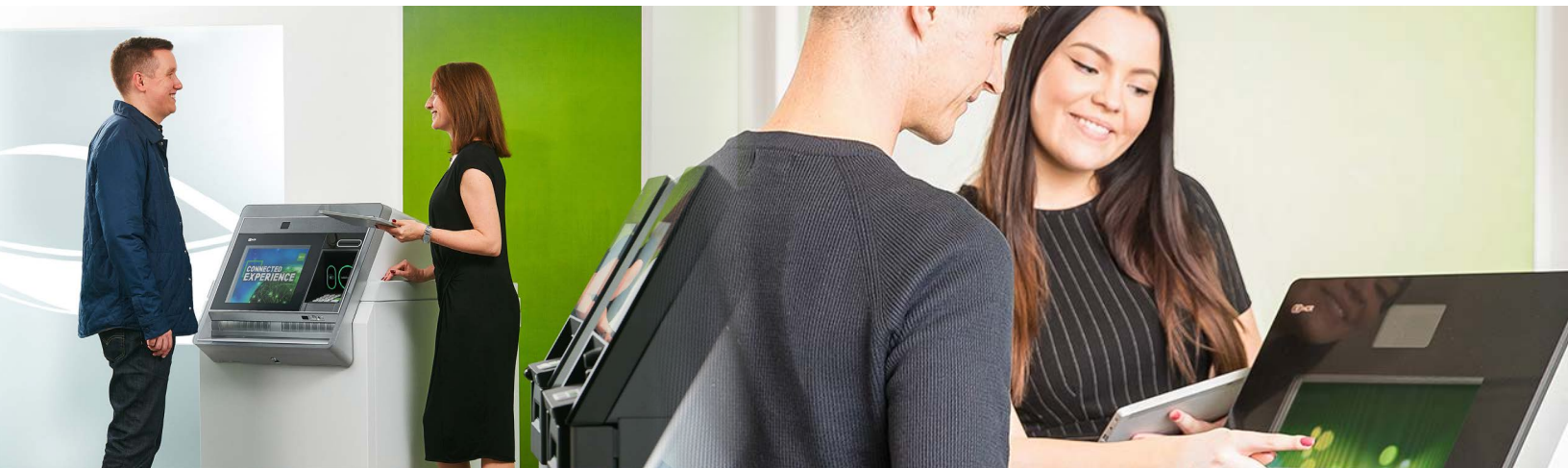
While a focus on self-service within the branch is a growing need, interaction between online, off-line and personal interactions must be fluid. A recent study from [Deloitte](#) found that most consumers would be more open to visiting branches if they could schedule a virtual video meeting with a bank representative or had access to digital self-service screens – with a representative's help, if needed.



## Invest in Branch Talent

Beyond “standard” transactions, accountholders visit the branch to seek advice and address more complicated financial concerns. An emphasis on pushing these transactions to the self-service vehicles provides FIs with the opportunity to free up staff for more meaningful visitor interactions.

Forty percent of FI accountholders would be more inclined to stay with their current bank or credit union if it offered more personalized service. Banking experts agree the industry has become commoditized, with the majority of FIs offering the exact same products and services with only slight variances in interest rates and execution. The true and only differentiator is the customer experience.



“The [accountholders] who are least happy with their institution are those who are digital only,” says Joe Wheeler, Senior Director, Mid-Size Bank Practice Lead at J.D. Power, during a presentation at The Financial Brand Forum. Fortunately, the majority (44%) of accountholders use a mix of digital offerings as well as the branch.

However, these branch-digital users are primarily Generations Y and Z, two groups that are unafraid to change their banking provider if they feel dissatisfied. And that satisfaction relies upon their ability to get what they want from their current FI.

What branch-digital consumers want from their FI:

- **Financial Advice**
- **Financial Education**
- **Help Meeting Financial Goals**
- **Quick Tips for Major Milestones**

To address these preferences, branch staff must be trained and knowledgeable in:

1. **Customer Service**
2. **Digital and Mobile Platforms**
3. **Available Banking Products**
4. **Basic Financial Strategies**

While younger generations are visiting the branch less often (66% versus 81%), their expectations for interaction are much higher. In order to capture and retain these important accountholders, it is essential to invest in talented and engaged staff who have a level of expertise capable of answer more complex financial questions.



*Ahli United Bank of Kuwait Branch Transformation*

## **The Case for Going Beyond Banking**

Branches used to be the only way to bank. As a sole provider, it is no wonder these locations were always packed – sporting lines to the door and multiple tellers to manage the volume. Now, however, digital banking has moved a large number of transactions off-site. Overall branch transactions have dropped more than 45% since 1992 with an ongoing decline of around 6 to 7% year-over-year.

With fewer people walking in the door, it seems reasonable for branch sizes to shrink. Unless there are other ways to get people in the door.



*First Credit Union Branch Transformation*

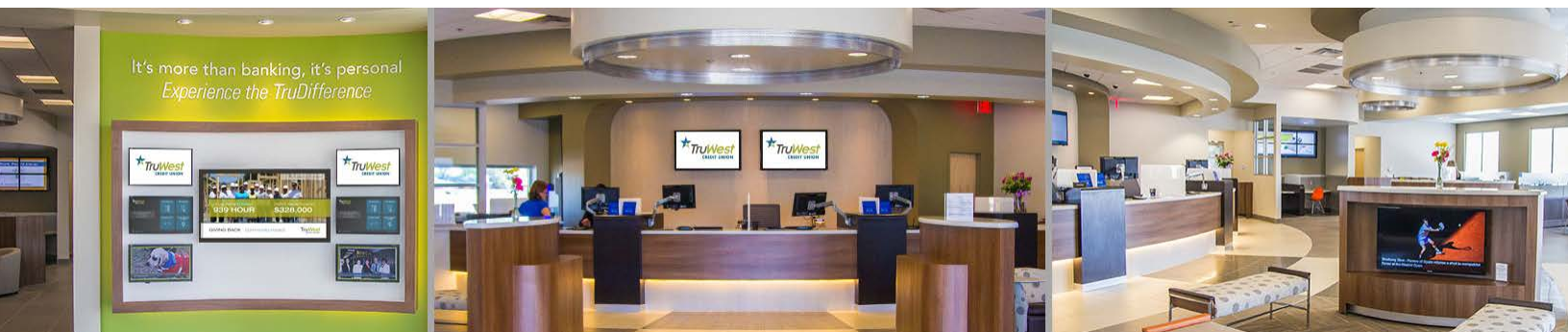
In the Northwestern United States, [Umpqua Bank](#)'s EVP of Corporate Communications, Eve Callahan, looked at their dropping foot traffic numbers and their empty retail space and thought, "...let's operate the stores like community hubs – let's augment the neighborhood around us."

The bank's standard location now sports wide open spaces designed to support the communities in which they are placed – whether that be to offer coworking space, installation art or a yoga studio. The spaces are designed to be versatile for use by those in the community for a variety of events and interactions with the goal of attracting more accountholders and to create more valuable relationships.

But Umpqua is not the only FI to find success by converting existing space to serve their community. In 2016 Poland's [Idea Bank](#) began converting their branches to office space for small businesses complete with Wi-Fi, conference rooms and coffee.

[Spokane Federal Credit Union](#), now renamed Canopy Credit Union, reworked one of their branches to share space with a local coffee shop, Revel 77. The location was launched in mid-2019. Similarly, a [Pinnacle Financial Partners](#) branch in Germantown, TN has seen success converting a part of its interior and one of its drive-thru lanes into a Starbucks location.

*TruWest Credit Union Branch Transformation*



Some experts still have their doubts. “I am a little cynical,” says Jim Burson, Managing Director of Channel Practice at [Cornerstone Advisors](#). “...if I am going to the store and see a Starbucks I might make an impulse purchase. I don’t see banking as generating that same sort of impulse.”

However, a [Deloitte global survey](#) reports nearly 31% of consumers said they would be likely to visit the branch more often if it resembled a café where they could access internet, hang out and work.



*Sun Trust Micro Branch*

## **What Options Are There?**

While there are a multitude of creative choices to be made when it comes to reinventing a FI branch, there are two things that remain consistent – an increase in self-service and investment in branch staff.

Self-service capabilities should be able to integrate with current systems and provide a familiar and/or easy-to-use interface. A combination of tools can help FI branches provide the needed self-service equipment, while increasing efficiency, catering to a lower number of more engaged staff and providing accountholders with more personalized service.

As branch transformation evolves more products and services will become available. Here are just a few of the most popular products on the market today:

- **Tablets** – Many FIs are experimenting with tablets in the branch as a way to engage accountholders at the beginning stages of more complicated transactions such as opening accounts or initiating conversations about loans. In most cases, tablet interactions are a precursor to personal interaction with branch staff.
- **ATMs** – While these may be an old stand-by they are both familiar and expected. Nearly half (47%) of consumers prefer to use the ATM to withdraw cash and 19% prefer it for making deposits.
- **ITMs** – Interactive Teller Machines (ITM) can consolidate branch resources by providing a real bank teller experience within an ATM. Accountholders can use the machine as a self-service tool or initiate the teller when they feel it is necessary.
- **Payment Kiosks** – Kiosks have come a long way in recent years and can be customized to meet just about any payment need, and in most cases use the same components as the manufacturer's ATMs. FIs can incorporate kiosks in their branches to allow accountholders to pay their monthly bills, purchase gift cards and more.
- **Coin Machines** – Self-service coin machines provide a way for accountholders to consolidate their change into bills or gift cards for those whose ultimate desire is to turn their coins into currency for use online.
- **Cash Recyclers** – Cash recycling technology, whether it is used as part of an ATM or ITM or as a standalone model in the branch, provide accountholders with more flexibility to interact with the FI the way they are most comfortable. Cash recyclers are also an easy way for banks and credit unions to save on cash handling costs.
- **Teller Cash Dispensers** – Although not customer facing, teller cash dispensers allow branch staff to automate the cash dispensing process, freeing up their time to focus on the accountholder needs and more profitable tasks.





## Long Live the Changing Branch

Branch transformation is unique to every FI. The end result is largely dependent on each bank or credit union's connection to the community, internal culture, future goals and the capabilities of their core processor.

The end result may include shrinking branch size, opening up community space or partnering with retailers. However, as consumers continue to become more digitally dependent, it is important for FIs to remember that relationships are still built through a personal touch. As such, the branch continues to be an important part of the banking experience.



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