



WHITEPAPER

# THE BANK BRANCH OF THE FUTURE

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Where customer experience, technology and human  
interaction converge



## Reimagining the role of bank branches

Bank branch networks seem to be in decline everywhere. But, after a record-breaking 2,927 branch closures during 2021, many U.S. banks have opened new branches this year. The freefall in branch closures appears to have stemmed. Why? A look back provides a better view of the way ahead.<sup>1</sup>

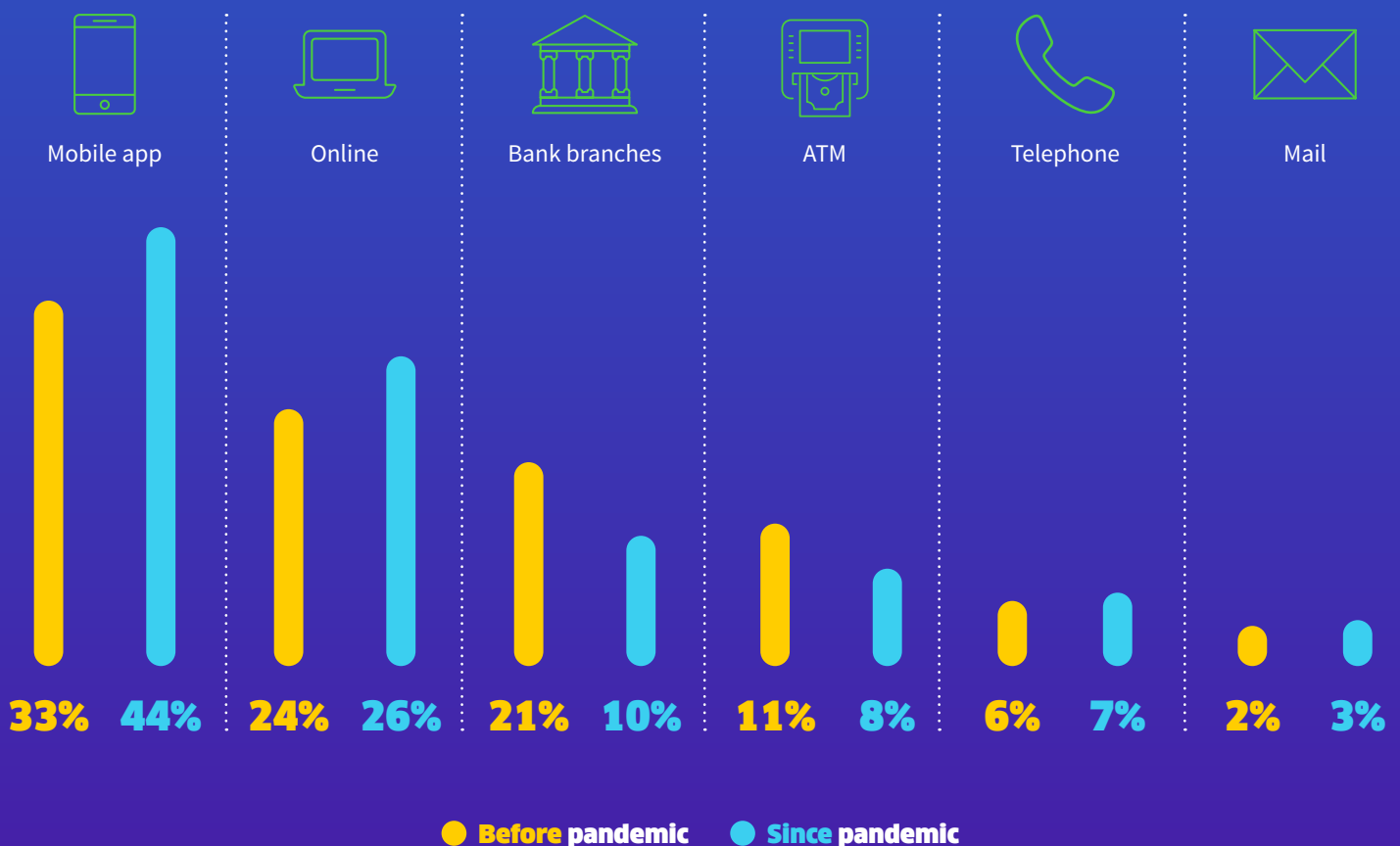
For most banks, digital-first banking has been a priority for many years. And for skeptics the pandemic removed any doubt – banking has become a digital business. In fact, many digital banks are

effectively technology companies operating within the constraints of a banking license.

All over the world, disruptive forces are challenging traditional bank business models and how banks interact with customers. New technologies are redefining what's possible and may, in time, redefine what it means to be a bank. This has serious implications for in-branch banking.

For many banks, branch closure programs have been accelerated by a need to cut costs and address a general fall in branch traffic as transactional banking moved online. Research by The American Bankers Association shows how COVID-19 changed how people bank, boosting online and mobile at the expense of in-branch banking.

**Since the pandemic arrived in the U.S., mobile and online use increased branch visits declined.**



<sup>1</sup>Source: <https://www.bloomberg.com/news/articles/2022-01-21/banks-set-record-for-u-s-branch-closures-as-cost-cuts-sought>

## Reasons to visit a branch bank

Even in this digital age, people visit branches for a variety of reasons and find value in the human interaction and connection in the physical branch. So it's no wonder why 61% of financial executives say one of their top priorities for 2023 is improving the branch experience.<sup>2</sup>

While people may not need to visit a branch, many still do, primarily to:

- Open an account
- Receive advice and guidance, particularly on complex issues, such as retirement planning
- Complete complex or large transactions, like a house purchase
- Conduct small business banking
- Discover and discuss financial products, including mortgages and insurance

Although most customer journeys begin on digital channels, a lot are completed in branch. For many banks, the branch remains a critical customer touchpoint: a physical manifestation of its brand and all that it stands for. The branch is where they build customers trust and a bank often plays a major role at the heart of a community.

Though it may seem like branch closures have dominated the headlines over the past few years, many banks – including startups – are now opening branches, while others are repurposing branches as advice centers. Banks that dispense with their branch networks do so at their peril. This may be a one-way street and there are salutary lessons from other industries that have committed solely to digital: who could have foreseen the resurgence of vinyl records that are currently flying off the shelves?

## Destination bank branch

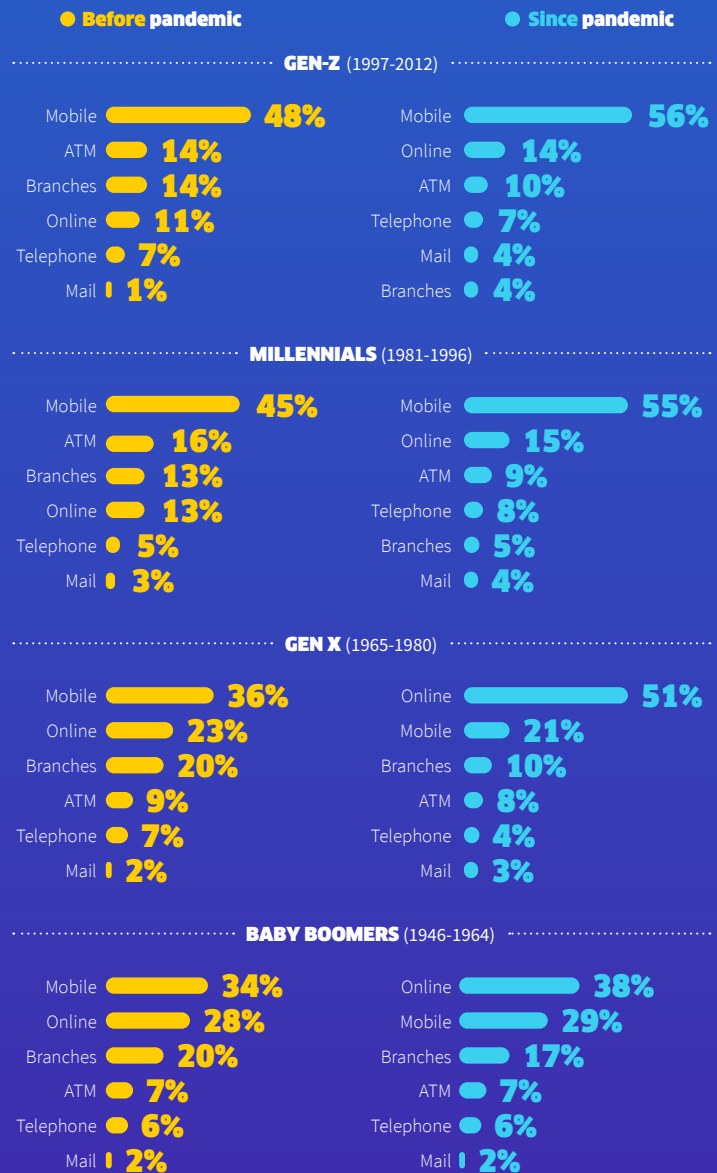
The branch of the future can – and should – form the beating heart of a truly customer-centric banking strategy. In many cases it is the destination for a customer journey and the crucial link between the customer's physical and digital financial worlds. Successful banks will be those that take a multi-action approach to seamlessly integrate the customer experience across digital and in-branch touchpoints.

Here we offer a glimpse into the bank branch of the future: its nature and purpose and how banks must transform to meet emerging customer needs and rising expectations. We believe that, in the age of the customer experience, technology and human interaction should be complements not substitutes.

## The branch of the future – a people business

Branch banking is a people business, but the role of the banker is changing, requiring a renewed focus on staff skills and talent development, including:

**Universal bankers:** As transactional needs decline, more banks must adopt a universal banker model. In practice this is a hybrid role, combining the functions of the traditional teller and the personal banker.



According to Tim Welsh, president of consumer and business banking at U.S. Bancorp, the pandemic accelerated digital banking by about five years. If we extrapolate this trend, the bank branch certainly looks moribund. But many people still like to visit a bank branch, perhaps less frequently than they used to and usually for a different purpose. Why?<sup>3</sup>

<sup>2</sup>Source: CFM+NXtsoft's Annual Retail Banking Technology Trends Report, 2023

<sup>3</sup>Source: <https://www.aba.com/news-research/research-analysis/preferred-banking-methods#>

Universal bankers must be conversant with all aspects of branch banking and able to handle a broad spectrum of customer requests. This is a general role that requires specialist skills. Many banks will need to invest in talent to bridge the gap between the new world of automation and the traditional world of relationship banking.

**Advice and guidance:** Many bank customers visit a branch to seek personal advice about a specific aspect of their life, for example home buying or retirement planning. Here banks can harness the power of technology and data to build an up-to-date picture of a customer's financial world and offer a range of products and services for consideration. In the digital age, one size fits nobody and banks should tailor financial products to meet a customer's personal needs and financial goals. From a bank perspective this elevates the bank's role from banker to trusted adviser, building customer commitment and loyalty.

**Specialists:** Branch visits are increasingly focused on complex transactions, requiring availability of specialists by appointment or remote channels. In many cases, banks have the option of building a pool of specialist talent that can serve multiple branches. Once again, banks must use customer data to gain insight about customer demographics, preferences and spending patterns. Branches (or groups of branches) can then be equipped with specialists who have the right knowledge to build a constructive dialogue with customers.

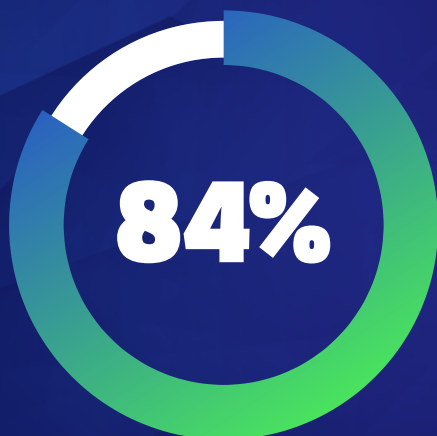
In this new order, many physical branches must be reimagined to facilitate conversations, away from the traditional banking counter. Let's consider some of the core reasons to invest and the common elements in revised branch models.

## Debunking the demise of the branch

For many banks, the branch is a critical component of a bank's customer strategy. But many large banks are moving to a "hub-and-spoke" model with smaller satellite offices surrounding larger branches. Often a large branch is a major point of brand engagement, and where specialist staff are based. But it also means that specialists are available to meet customers in smaller branches when required. The truth is that branch activity is shifting from transactions to advice.

The importance of the branch as an advisory resource endures. Some large banks – such as JPMorgan Chase – still considers its branch network as an essential part of its retail banking strategy. Most new customer come through its 4,800 strong branch network though it is also investing heavily in digital services. Most bank customers prefer to use multiple channels and appreciate a personal touch when needed. Customers have come to expect the same high-quality experience across all their interactions, regardless of the channel.

Many banks still believe that branches are the best way to attract and retain customers. Smaller banks know community integration is a critical differentiation from more distant "digital dominators". Today's customer has significantly more digital alternatives, but many still want to be able to talk to a person for help and hold a conversation for advice. But, to remain relevant, banks shouldn't just add branches: they must reinvent their traditional branch outlet, invest in new strategies and adopt innovative technologies to make that conversation the highest priority.



**Of financial executives who said improving the branch experience was their #1 priority, 84% agreed that universal bankers are highly effective at increasing customer convenience and experience.<sup>3</sup>**

## Branch of the future: Transform, innovate and integrate

The existing branch model has been around for almost as long as banking itself, with a traditional focus on transactional efficiency. Typical branches, as we know them, consist of a teller line and banker-defined areas with desktop computers. In most traditional bank branches, about 70% of the floor space is dedicated to tellers and assisted sales and service, with only 30% dedicated to self-service.

The branch of the future repurposes this space and, in some cases, significantly decreases and simplifies the footprint. Rather than walking in and conducting their banking needs with multiple individuals in segregated areas, customers are greeted with tablets or smart technology where universal bankers can assist them with all their banking needs. Physical branch modernization is essential to deliver a truly integrated customer experience.

### Physical modernization

**Open format:** With branches performing fewer counter services, such as taking deposits and cashing checks, the physical layout of the branch must change. In many cases there is less or no need to have a physical counter and teller lines. The branch can be remodeled to an open, inviting format, more conducive to conversation and emphasizing the human touch.

**Digital-forward branches:** Branches with a smaller footprint must embrace digital self-service to increase efficiency and offer a smooth customer experience. The branch is also the ideal location to showcase digital channels and how they combine to offer an integrated customer experience. But many banks must first break down the silos between channels to allow customers to move seamlessly from one to another.

**Flagships or community centers:** Larger bank branches in key locations can play a crucial role as centers of brand engagement along the lines of Apple stores which customers visit to browse, buy, receive advice and learn about products. In addition, larger bank branches can serve as community centers to increase customer engagement and build trust. Once again, banking can learn from retail – customers are more likely to visit a branch if it looks more like a café and less like a traditional branch.

### Technology transformation

Fostering a good brand image and building customer trust is easier in branch than on digital channels. But banks must blend technology with relationship building. Technology can increase customer convenience while improving the overall experience.

**In-branch screens and terminals:** These empower customers to self-serve with assistance if required. For example, customers can continue or complete a journey that began on a remote channel. Many customers are happy to begin a journey remotely but prefer

to complete it in branch. They may have specific questions that can only be answered by a banker. In-branch screens can also be used to promote new bank products to customers who are likely to want them.

**Customer technology enablement:** The branch of the future will leverage customer devices to reduce friction and enhance the in-branch experience. Banks have the potential to identify individual customers whenever they enter the branch and make sure they are greeted by an appropriate banker.

Customer devices also offer strong identity verification and protection against fraud and can be used to confirm transactions. The technology is available to begin building the smart branch of the future now. Banks should consider upgrading infrastructure, such as customer Wi-Fi.

**Video banking and interactive tellers:** The pandemic created new banking habits. With their branches closed, many banks were forced to find new ways to interact remotely with customers using video links. Video banking is here to stay and offers a bridge between digital and physical channels. It gives banks the opportunity to provide personal assistance remotely.

Video banking can be delivered to customers at home but is also available at interactive teller machines (ITMs). In either case, video banking allows banks to deploy resources more cost effectively, extend opening hours and offer an integrated customer experience.

### Mobile banking

**Tablet technology:** In certain circumstances it may be appropriate to take banking to the customer. By using tablet technology, bankers can meet customers away from the branch to provide advice and perform an expanding array of banking activities with the customer present.

In practice, a portable banker solution is a powerful business development tool that can boost customer engagement and productivity. However, to be effective, the solution must replicate the look and feel of in-branch devices.

**Internet of Things (IoT):** The IoT offers a plethora of options and benefits when integrated into the branch of the future. IoT beacons can recognize a customer's smartphone and track their movement within the branch to provide key insight into customer behavior and patterns.

It also provides a means of delivering personalized messages and experiences via smartphones, kiosks and digital signage. Biometrics can be employed via tablets or self-service kiosks to recognize and authenticate customer interactions. More advanced IoT implementations provide the ability to conduct basic banking using

wearables and conversational or voice banking, tying into the branch for continuous customer engagement. And in situations where advanced advisory services are required, video and chat offer ways to leverage specialist virtually while still maintaining an intimate touch.

In practice, all of the above elements are highly complementary and bring a customer-centric banking strategy to life. The critical factor is that all bank products and services are available across all channels and are aligned closely with customer's needs and

expectations. The digital age is one of customer empowerment so banks must continually strive to increase customer engagement and build loyalty. The bank branch plays a pivotal role in building customer trust, which is why many startups are opening new branches in key locations.

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## Developing a branch strategy

According to research, “The most satisfied retail banking customers use both branch and digital services to conduct their personal banking, while the least satisfied are those who have a digital-only relationship with their bank and do not use branches.”<sup>4</sup> This suggests that the branch is alive plays a crucial role in the life of bank customers. But every bank needs a branch strategy that articulates how its branch network integrates with other channels.

As mentioned above, banking has become a technology business, and this is absolutely the case in the branch. Technology – and data – must play a critical role in delivering an exceptional experience that attracts customers and builds loyalty. As well as offering a seamless digital-to-branch experience, customer data can provide insights into new opportunities to help customers more. But to do this, many banks need to invest in technology to ensure employees are empowered with a holistic view of the customer’s banking data and can support cross-platform engagement.

Developing a holistic plan, tailored to customer journeys and segmentation, can reap early financial benefit and ensure long-term success. Branches – and banks themselves – cannot operate in isolation and are always part of a bigger financial ecosystem. Like all bank channels, branches must be positioned for change and require adaptable evergreen technology. How?

<sup>4</sup>Source: <https://www.jdpower.com/business/press-releases/2020-us-retail-banking-satisfaction-study>

## Low-code and no-code development

To get ahead and stay there, banks need to do more than offer an omnichannel experience – they need to be able to create new experiences quickly and efficiently. Low-code and no-code development solutions empower banks to transform software development and are emerging as viable and convenient alternatives (and complements) to traditional development processes. Although these models vary in detail, they both seek to spare banks from the need to hire great numbers of skilled developers to deliver new banking experiences, on physical or digital channels.

## A branch in the Metaverse?

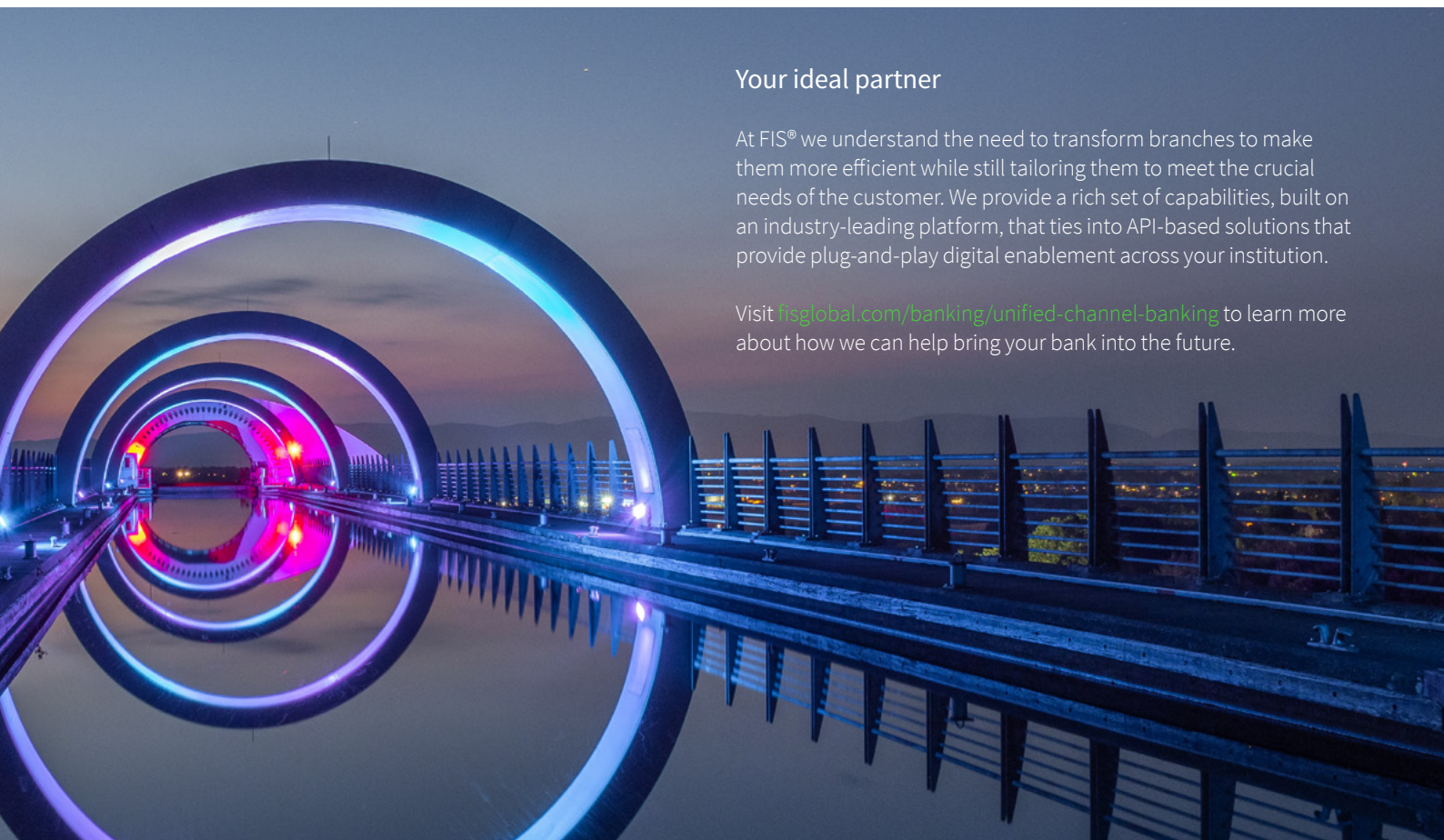
As digital and physical worlds converge, is it ridiculous to imagine branch banking in the Metaverse? Given the immense speculative investment in the area, it may not be as remote as it seems. In fact, JP Morgan claims to have opened the first branch in the Metaverse as an acquisition and customer service channel. The Metaverse promises to reinstate some of the constructive dialogue that might have been lost in digital channels.

While many banks do not have the expertise, budget or desire to colonize the Metaverse, they can repurpose the branch to enrich the dialogue with customers. The bank branch is not dead, but merely needs awakening.

## Your ideal partner

At FIS® we understand the need to transform branches to make them more efficient while still tailoring them to meet the crucial needs of the customer. We provide a rich set of capabilities, built on an industry-leading platform, that ties into API-based solutions that provide plug-and-play digital enablement across your institution.

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