

# HOW BANK LEADERS ARE REIMAGINING THEIR BRANCH NETWORKS TO DRIVE BUSINESS GROWTH

Three Ways  
Branches Boost  
Customer Acquisition,  
Satisfaction, and Revenue

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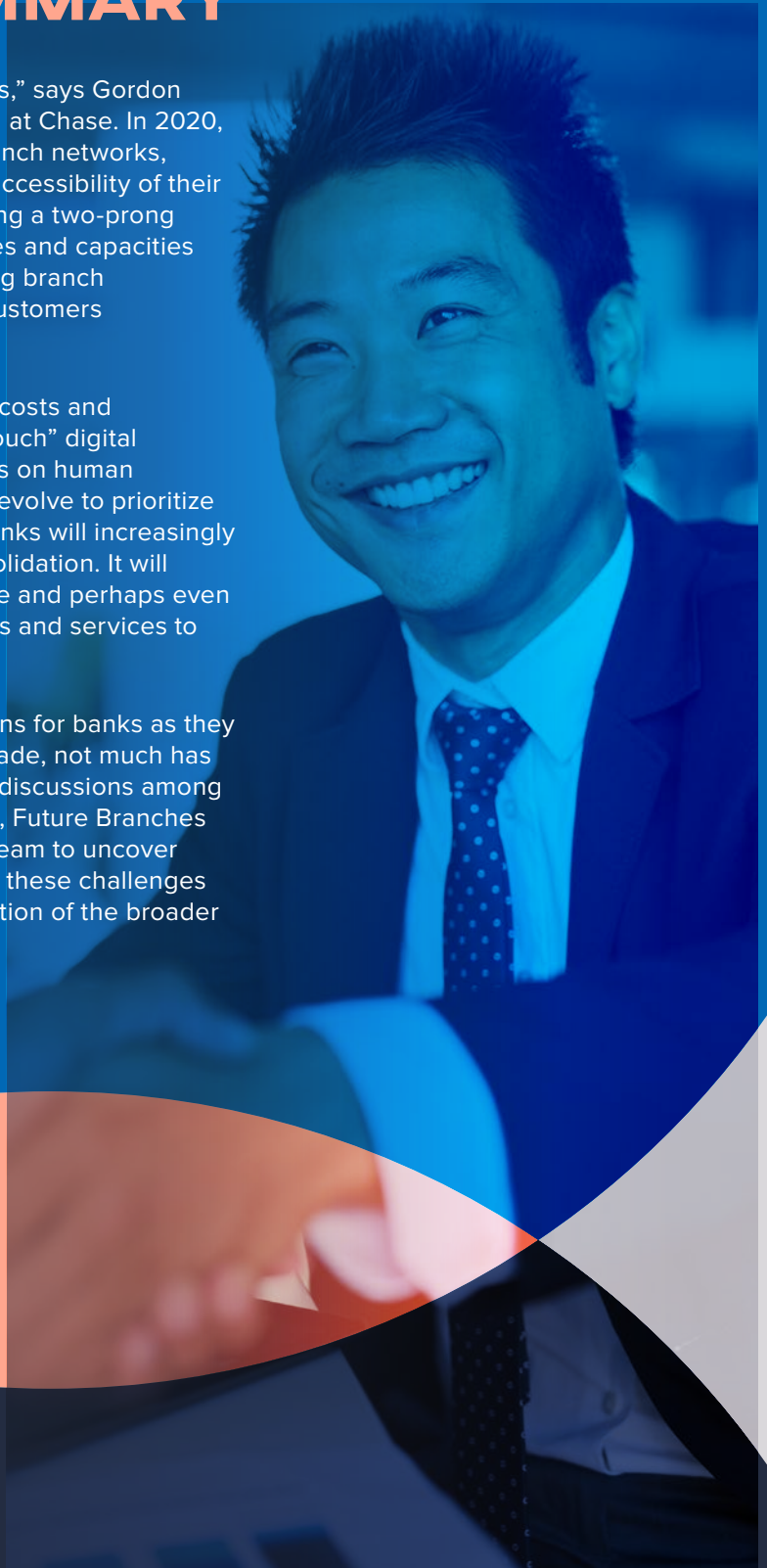


# EXECUTIVE SUMMARY

“The heart of our company is our retail branches,” says Gordon Smith, CEO of Consumer & Community Banking at Chase. In 2020, banks are reimagining the purposes of their branch networks, identifying new ways to expand the value and accessibility of their branches to drive business growth. This is driving a two-prong effort. First, banks are expanding the capabilities and capacities of existing branches. Second, they are managing branch expansion successfully, both to capture more customers and bring in more revenue.

Decision makers will begin by reducing branch costs and transitioning traditional transactions into “low touch” digital environments. Instead, branches will likely focus on human experiences, where physical environments will evolve to prioritize value-adding person-to-person interactions. Banks will increasingly adopt a growth model that is centered on consolidation. It will simultaneously reduce banks' physical presence and perhaps even their carbon footprints while extending products and services to new and existing customers.

But while experts outline clear, practical solutions for banks as they transition their branch networks into a new decade, not much has been published revealing the internal strategic discussions among bank executives on a broad scale. In this report, Future Branches has partnered with the WBR Insights research team to uncover trends in how bank executives are approaching these challenges strategically, yielding key insights into the direction of the broader retail banking market.



## KEY INSIGHTS

- While nearly half of banks (46%) believe most or all of their customers prioritize physical branches for at least one of their banking needs, most banks claim some customers either don't prioritize them at all (48%), or they are not important to any of their customers (6%).
- Most banks (53%) claim improving synergies between digital and in-branch customer experiences is a formal part of their strategy for business growth. Most banks also claim introducing new products, services, and/or capabilities is a formal part (48%) or a generally important part (31%) of their approach.
- In 2020, most banks are using online capabilities to connect remote customers with branch personnel (53%), and most banks are improving in-branch technologies to meet customer preferences as a means to drive business growth.
- Most banks (54%) consider the technological sophistication of their branch models only 'average' when compared to their competitors; however, over one-quarter consider their branch models to be 'above average' (18%) or 'superior' (8%) to their competitors in terms of technological sophistication.
- Most banks are either already using lobby management (37%), remote video conferencing (36%), appointment scheduling (35%), and in-branch analytics (33%) technologies, or these are priorities for one or more of their physical branches, in each case.
- During their internal strategy discussions, most banks prioritize automating the delivery of product recommendations and automating other opportunities for customers (54%) as part of their formal strategies for improving the value of existing customer relationships. Nearly half of banks (48%) prioritize integrating online and in-branch experiences in this capacity as well.

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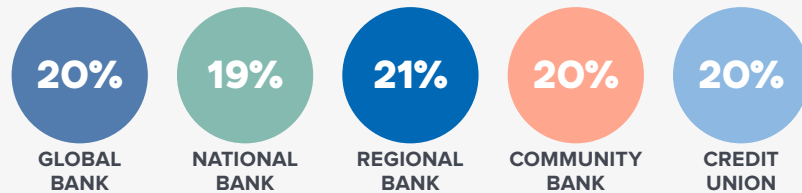




# ABOUT THIS RESEARCH

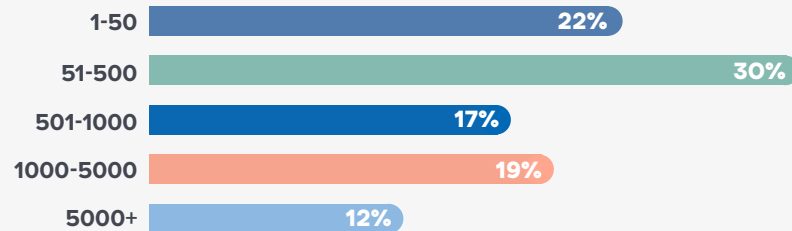
Future Branches and the WBR Insights team surveyed bank leaders to gain a clear picture of how high-level decision making is shaping the bank branch networks of today and tomorrow. Researchers surveyed 100 respondents for this study.

## How would you describe your company?



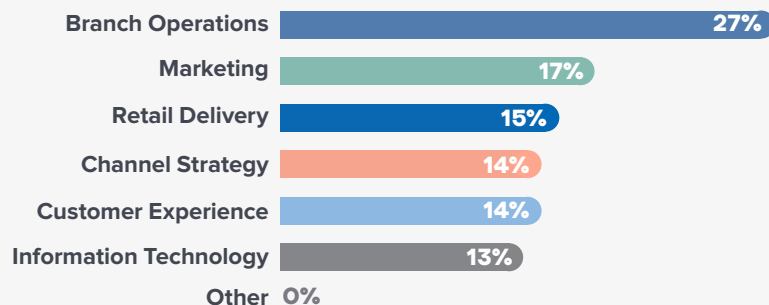
Most respondents represent either a regional bank (21%), a community bank (20%), or a credit union (20%). Of the remaining respondents, 19% represent a national bank and 20% represent a global bank.

## How many physical bank locations do you have?



At 78%, a majority of the respondents' banks have 51 physical branch locations or more, with 19% controlling between 1,001 – 5,000 branches and 12% controlling over 5,000 branches. Only 22% of respondents represent banks or credit unions that have 50 physical branch locations or less.

## Among the following options, which best describes your role?



At 27%, a plurality of respondents occupies a role in branch operations. The remaining respondents occupy roles in marketing (17%), retail delivery (15%), channel strategy (14%), customer experience (14%), and information technology (13%).



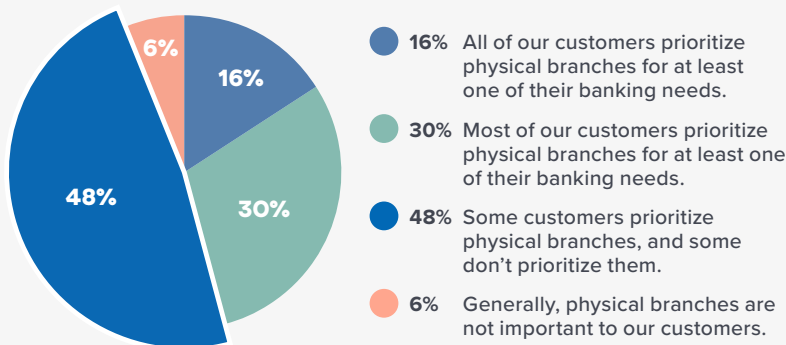
**At 78%, a majority of the respondents' banks have 51 physical branch locations or more**

## CUSTOMERS STILL PRIORITIZE BRANCHES, PRESENTING OPPORTUNITIES FOR BUSINESS GROWTH

Business leaders are working to identify new target markets and untapped value within their existing customer bases, then using their insights to add value to their branch networks. Focusing on business growth as a key objective, many bank leaders understand that there is still enormous potential to expand the business at the branch level. Creating new in-branch customer experiences and catering to those needs that customers identify with branch banking will be crucial in the coming years.

**At 48%, almost half of respondents recognize that some of their customers prioritize physical branches, while others don't prioritize.**

**Consider the perspective of your customers. How would you rate the importance of physical branch locations based on their existing habits and preferences?**



While the role of the physical banking branch is clearly changing, bank leaders recognize that it's still important to their customers. However, only 16% of respondents believe all their customers prioritize physical branches for at least one of their banking needs. At 48%, almost half of respondents recognize that some of their customers prioritize physical branches, while others don't prioritize them.

Still, 30% of bank leaders believe most of their customers prioritize physical branches for at least one of their banking needs. Physical branches and the personal interactions they facilitate are still important for large and complex banking transactions, such as taking out a loan or resolving an issue with the bank. Many customers would still like to meet face to face with a person to resolve such issues. Indeed, only 6% of respondents say physical branches are not important to their customers at all.

Respondents were also asked to describe their bank's strategic response to changing customer attitudes about physical bank branches in their own words. The two key themes that emerge in their responses are a need to introduce new products and services, as well as new technologies, and a need to introduce "more personalization features within branches, so that we keep our customers interested in experiences rather than services," as one marketing leader at a regional bank puts it.

According to one branch operations leader, their credit union plans on "re-inventing our services to provide the same seamless speed of service delivery within a branch that is available on customers' mobile devices." Similarly, a channel strategy leader at a large credit union says their business is focusing on "transforming some of our branches into digital banking stores so that we can attract current and new customers to our branches."

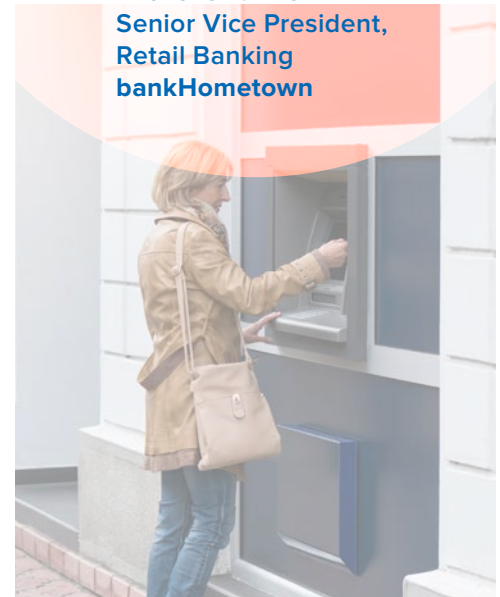
Some bank leaders are also planning to lean heavily into transforming the bank branch into a retail space. One branch operations leader at a national bank says, "Strategically, we are making our banking business look more like the retail service that other businesses are providing in the market to keep customers interested in banking facilities."

It's interesting to note that some respondents indicated they don't have a specific strategy in place to address the challenge of changing customer attitudes. Some even responded with an open question, such as one channel strategy leader at a global bank who openly asks, "How can we be more customer-centric in our branches, and what strategies can we use to enhance personalization within our branches?"

Not every respondent is convinced that the physical branch is still as viable a location for business growth — at least, not as much as it once was. According to one channel strategy leader at a national bank, "Physical bank branches no longer have the demand they used to have. Our strategic focus is on increasing online services and keeping enough branches to provide an omnichannel service feature."

*"One of the most valuable benefits that banks and credit unions can bring to their communities is financial wellness. As bankers, we are subject-matter experts on a variety of financial topics. The ability for communities to access free financial advice through banks and credit unions all across America is truly priceless, and our frontline employees are providing that value-added service each and every day."*

— Michelle L. Kile  
Senior Vice President,  
Retail Banking  
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Nonetheless, most respondents recognize the potential physical branches present to expand their business through technological disruption and personalization. To capitalize on the in-branch experience, respondents are incorporating a variety of branch strategies into their organizations' approach to business growth.



At 53%, a slight majority of respondents are focusing on improving synergies between digital and in-branch customer experiences. Another 28% aren't using this strategy as a formal part of their business growth strategies, but they recognize its importance.

Most banking executives recognize that both the physical and digital channels of the bank are now operating not exclusively but in tandem. Although banking customers tend to use their mobile devices for everyday transactions, such as transferring funds, the bank branch is still an epicenter for high-value transactions. Ideally, banks will be able to bridge these two channels to create a seamless banking experience, with little friction for customers when they move from digital to physical, then back again.

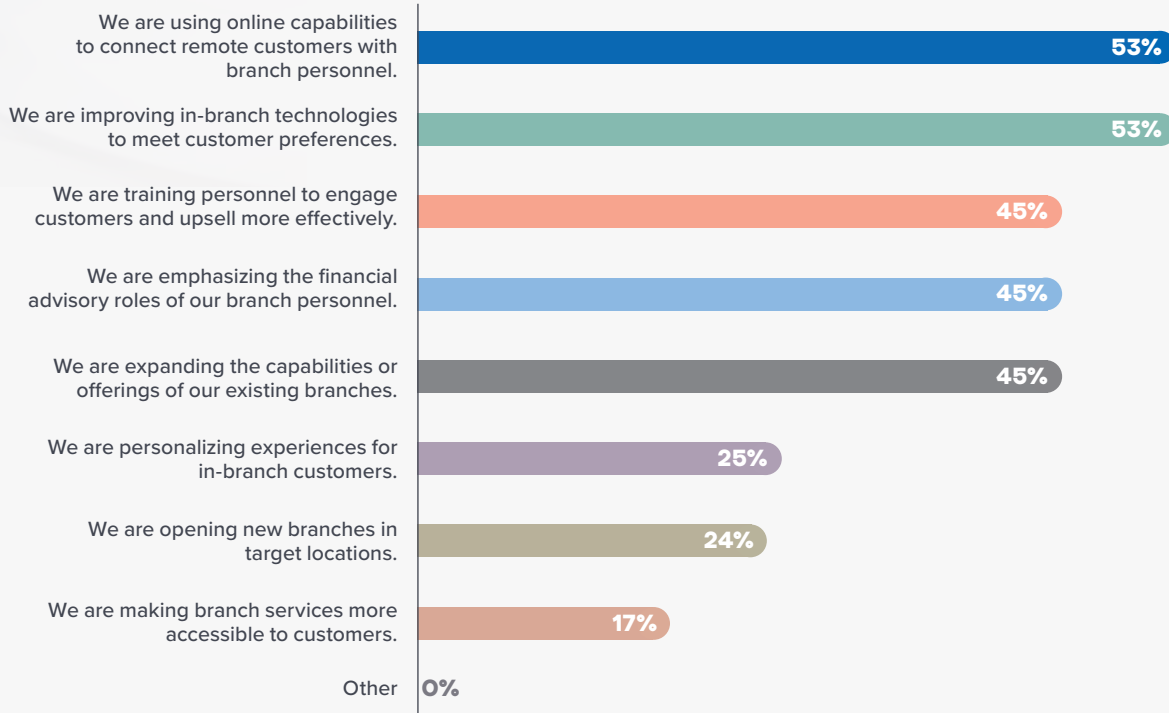
In each case, almost half of respondents are introducing new products, services, and capabilities (48%), leveraging untapped value in their existing customer bases (46%), and expanding their branch network to new regional markets (46%) as formal objectives in their business growth strategies. Most respondents who aren't pursuing these objectives formally say their organizations still recognize them as important.



## BANKS HAVE ROOM TO IMPROVE THEIR IN-BRANCH TECHNOLOGY

The customer experience is now paramount to driving business growth through the bank branch. But as we've seen in previous responses, not every bank leader is convinced of the right strategy to move forward. Researchers asked the respondents to dive deeper into how they are using their branch network to drive business growth in 2020.

### How are you using your branch network to drive business growth in 2020?



In each case, 53% of respondents say their banks are using online capabilities to connect remote customers with branch personnel and improving in-branch technologies to meet customer preferences. This indicates that bank leaders are reimagining the purpose of the bank branch, treating it less like a retail outlet and more like a hub for financial activity.

*“When opening a new branch, a financial institution should establish a detailed plan that includes acquisition targets over specified periods of time. Acquisition targets should include both consumer and business growth in deposits, select products and services, and other key metrics. Once targets are in place, the detailed action plan should outline how these goals will be achieved—breaking them down into phases if necessary.”*

— Michelle L. Kile  
Senior Vice President,  
Retail Banking  
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Using online capabilities to connect remote customers to branches themselves is perhaps one of the most promising strategies. In the past, remote banking customers would have to rely on phone calls, and in some cases a hotline, when they couldn't physically reach a bank. Empowering a branch with online conferencing capabilities allows the branch to bring customers' banking community directly into their homes. Instead of interacting with an anonymous call center, they can reach out to the bank personnel they trust.

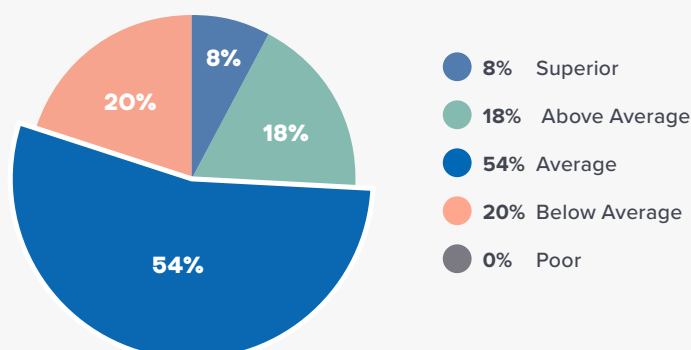
Similarly, improving in-branch technologies can work to meet a variety of customer preferences. Those customers who simply wish to make a simple transaction can do so using smart ATMs or other interactive terminals, freeing up branch personnel to focus on the customers who need them.

In each case, 45% of respondents are training personnel to engage and upsell customers, emphasizing the financial advisory roles of their branch personnel, and expanding the capabilities or offerings of their existing branches. In other words, almost half of respondents are focusing on building out traditional branch capabilities and focusing heavily on the value their personnel bring to the customer experience. After all, branches still play a significant role in opening new accounts and other high-value transactions.

Interestingly, only 25% of respondents are focusing on personalization, despite this being a key theme in qualitative responses. Meanwhile, 24% of respondents are opening new branches in target locations and just 17% are focusing on accessibility.

As we mentioned, in-branch technology will play a significant role in how branches are transformed to encourage business growth. Researchers asked the respondents to rate the technological sophistication of their branch models.

#### How would you rate the technological sophistication of your branch models when compared to your competitors?





**At 74%, almost three-fourths of the respondents rate their branches' technological sophistication as "average"**

At 74%, almost three-fourths of the respondents rate their branches' technological sophistication as "average" (54%) or "below average" (20%). The remaining respondents rate their branches as "above average" or higher in terms of technological sophistication.

Respondents who rated their branches as "superior" or "above average" were asked to describe the specific technologies and capabilities that give them their edge. While many of the respondents mention the importance of data, it's how they use that data to enhance the customer experience that they say gives them an advantage. Automation, customer AI assistants, and even robotics were all technologies being deployed in their branches.

As one branch operations expert at a global bank puts it, "Our focus is not on data alone. We have automated a list of technologies that focus on customer service up-front, rather than at the back-end." Similarly, a branch operations leader at a regional bank says, "A digitally enhanced customer analysis system is in place in some of our branches that provides us all the necessary information we need of a new and existing customer when they make certain banking service requests. This system is fast and accurately predictive."

Meanwhile, respondents who rated their branches' technological sophistication as "below average" or "poor" were asked to describe what ways they'd like to improve their in-branch capabilities. If there's a single technology that most of these respondents are interested in, it's AI technology — specifically "interactive AI technology" that can analyze customers and the customer journey, providing a frictionless experience for customers and new customer insights for the bank.

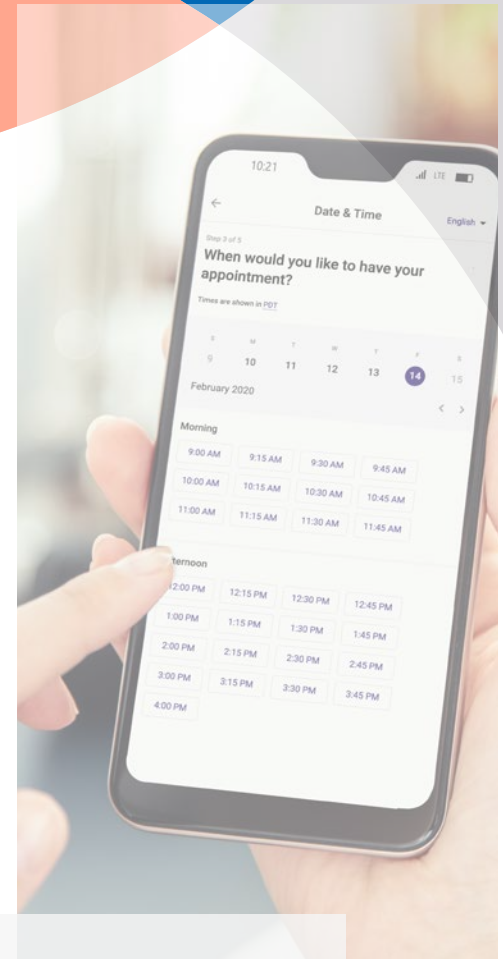
As one respondent from a community bank puts it, "It's simple. Bringing in interactive AI technology will help us analyze customers better and also help us provide a better customer experience."

Other technologies that are of interest to these respondents include "new digital payment capabilities," "live data analytics," and "data protection support" technologies.

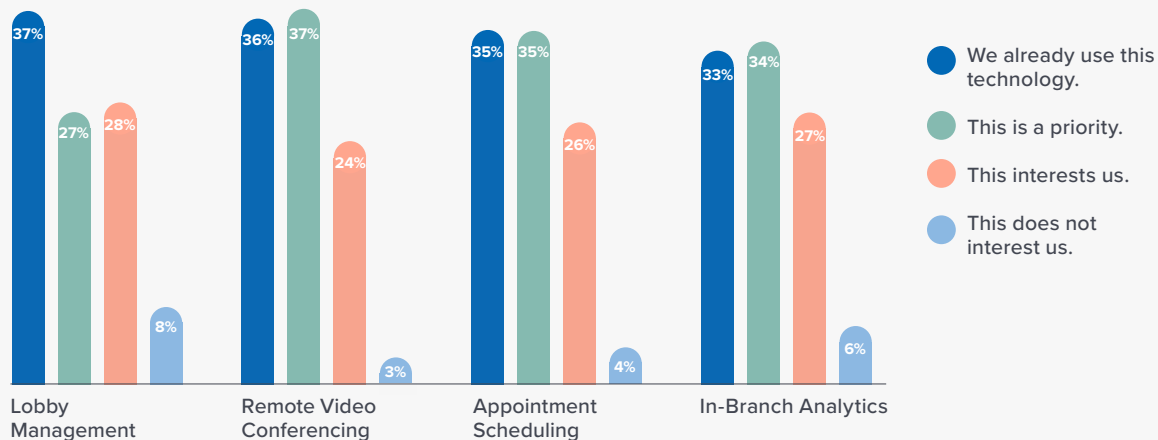
# BANKS WILL INCORPORATE AUTOMATION AND CHANNEL INTEGRATION INTO THEIR BRANCH STRATEGIES TO DRIVE BUSINESS GROWTH

To prepare for the future of the bank branch, most banks will need to implement not just new technologies, but also new capabilities. These capabilities must not only improve the customer experience but also branch management.

Researchers presented the respondents with four digital capabilities and asked them to rate which ones were a priority, as well as which ones the respondents' banks have already put into use.



**Which of the following digital capabilities are a priority for one or more of your physical branches?**



At 37%, more respondents are already leveraging a digital lobby management capability than any other capability on the list, but not by much. In each case, about one-third of respondents are also already using remote video conferencing (36%), appointment scheduling (35%), and in-branch analytics (33%) in their physical branches.

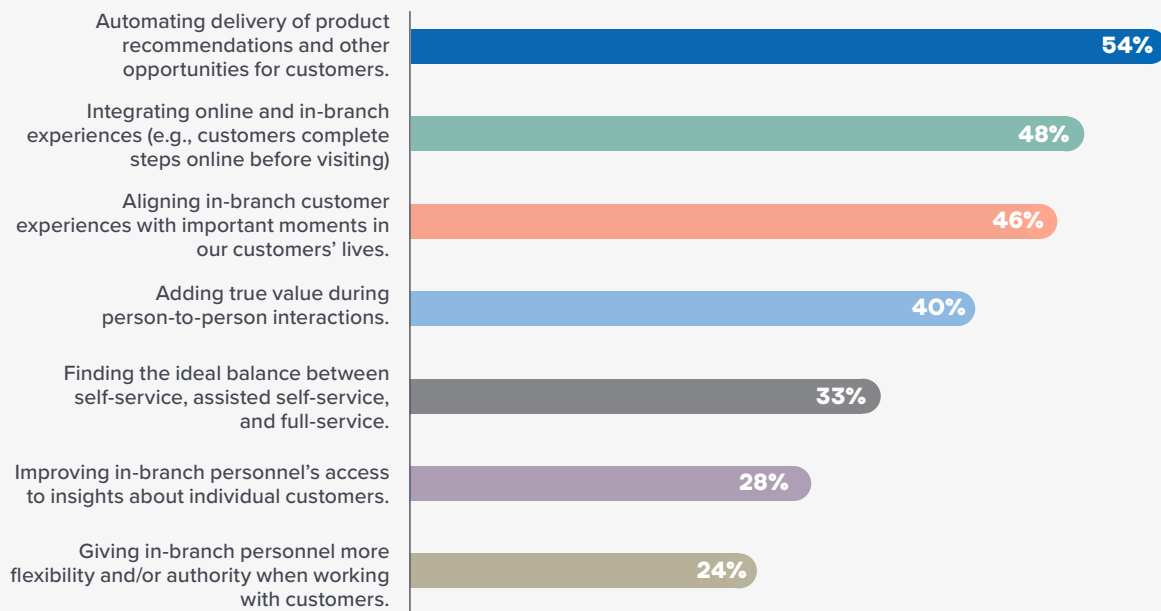


Not surprisingly, remote video conferencing is one technology that many respondents view as a priority — 37% of respondents will prioritize this capability in the coming months and years. This aligns with results from a previous question, in which 53% of respondents say their banks are using online capabilities to connect remote customers with branch personnel. This will be a pivotal capability moving forward, as it presents more opportunities to enhance synergy between the digital and physical banking channels.

About one-quarter of the remaining respondents are interested in all four capabilities, in each case. And fewer than 10% of respondents aren't interested in the four capabilities presented in this study.

Any in-branch technologies that banks invest in, and any capabilities they facilitate, must align with banks' formal growth strategies. These strategies are designed to improve existing customer relationships while also encouraging the next generation of banking customers to engage with physical branches.

**Consider your internal strategy discussions. Which of following are formal strategies for improving the value of existing customer relationships?**



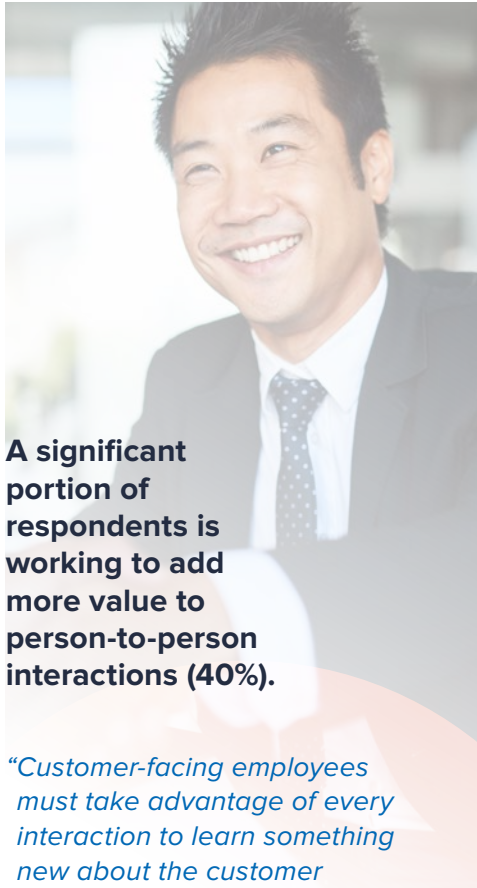
A slight majority of bank leaders, 54%, are automating the delivery of product recommendations and other opportunities for customers as a formal growth strategy. Using customer data, automated product recommendations have the potential to present customers with the right opportunity at the right moment, with minimal interjection from branch personnel. Many consumers are already familiar with these types of recommendations, as they are often presented to them on eCommerce sites and elsewhere online.

Meanwhile, almost half of the respondents are integrating online and in-branch experiences as a formal strategy (48%) and aligning in-branch customer experiences with important moments in their customers' lives (46%). Both strategies are important for improving the relevance of the bank branch for customers. Some major financial milestones, like taking out a mortgage to buy a home, can be accomplished online, but they often require a human touch as well. Integrating the physical and digital banking channels is key to creating a smooth customer experience during such major events.

A significant portion of respondents is working to add more value to person-to-person interactions (40%). Despite many banks prioritizing AI and other digital solutions, customer service is still essential to the branch experience. As we noted before, 45% of banks are training more personnel to engage and upsell their customers.

Fewer respondents are working to achieve an ideal balance between self-service, assisted self-service, and full-service (33%). Some banking transactions could incorporate all three of these modes of service, so it's possible that banks are more concerned with making it frictionless for customers to move between them.

Finally, 28% of respondents are improving in-branch personnel's access to insights about individual customers as a formal strategy, and just 24% are giving in-branch personnel more flexibility or authority when working with customers. While most banks seek to empower in-branch personnel with technology, they may be wary of overburdening their personnel with both information and responsibilities.



**A significant portion of respondents is working to add more value to person-to-person interactions (40%).**

*“Customer-facing employees must take advantage of every interaction to learn something new about the customer and to build upon previous conversations. To do so, financial institutions should ensure that employees—regardless of channel—are able to share information about customer interactions with one another. Employees must also learn to recognize opportunities to transition from learning about customers to pinpointing a specific need for a product or service.”*

— Michelle L. Kile  
Senior Vice President,  
Retail Banking  
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# CONCLUSION

To understand how banks are prioritizing physical branches in the future, researchers asked them to describe their key considerations before opening a new branch. They also asked them to describe how those criteria have changed in the past few years. This question is particularly important given the rate at which bank branches have closed in recent years and the slow rate at which new branches have opened.

Customer demographics, branch size considerations, risk, operational expenses, and, of course, location are all significant factors in the respondents' decisions. These are also traditional factors that would influence the decision-making process. Given the rate of branch closures across the world, it isn't surprising that "operational costs" was cited as a key determining factor by multiple respondents.

However, some respondents are looking at how they deploy bank branches differently. They focus instead on how best to serve customers and how they can disrupt the local banking environment with technology.

"Before opening a new branch, we analyze whether the branch will meet our strategic needs of growth," says a branch operations leader at a regional bank. "We also consider whether it will fit within a certain operational budget as we can probably fit most of our banking functions within a couple of machines and set them up in easy locations." Technology considerations are also important to other respondents. "We specifically concentrate on digital technology to support us in new branch banking operations," says a channel strategy leader at a regional bank.

One channel strategy leader at a national bank says their bank has fundamentally changed the way they view branch implementation.

"We used to prefer uniformity in our branches so that we could hold better control over branch operations," they say. Now, the bank asks, "What sort of customers will we be serving in that location?" Their goal is instead to customize the branch to the needs of their unique customer segments.

Still, other respondents aren't focusing on opening new branches at all. "Our strategy is to increase our presence in the market without rushing into opening new branches," says one retail delivery expert at a Credit Union. Similarly, a marketing leader at a regional bank says, "Earlier, we always worked on opening new branches but now the focus is less on new branch openings but more on disruptive technology."

One respondent even suggested that their bank might reduce its number of branches. "With the current situation, we would reconsider the current number of branches and could work on reducing a few to manage costs better," they say.

While it's clear that the role of the physical branch is changing, banks still value branches as business growth centers. The challenge they face now is deciding how to deploy their branch network and what types of in-branch technologies they'll require to meet the needs of the next generation of banking customers. No matter what, AI, data analytics, and other disruptive in-branch technologies will take precedence at banks that intend to grow.

*"A role still very much exists for the branch network. If we exceed the customer's expectations, he or she is far more likely to continue banking with us, to continue seeking our financial advice, to continue utilizing our products and services, and to refer new customers."*

— Michelle L. Kile  
Senior Vice President,  
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