Point of View

Taking the Digital Dive: Banks Can Flourish by Strengthening All Channels

In the digital age, technology and innovation are everywhere we look. For financial institutions, taking advantage of opportunities in the digital space means adjusting priorities to account for the fact that no channel can single-handedly meet customer expectations. Digital and brick-and-mortar branches work best hand in hand. Emphasizing personalized mobile and digital, with branch personnel serving as support for that technology, allows for stronger customer engagement that drives loyalty, retention and growth.

Consumers are prioritizing digital channels, but they're not necessarily doing it at the expense of the branch. They're simply choosing the channel that offers the most convenience at a given time for a given circumstance. Quarterly research from Fiserv in 2016 showed 61 percent of banking customers visited their branch in the preceding month. On the flip side, 74 percent engaged in online banking and 42 percent in mobile banking.

Additional Fiserv research underscores those trends. The most recent quarterly consumer survey from Fiserv, Expectations & Experiences: Consumer Payments, shows a continuing shift away from in-branch transactions and toward digital channels.

Not surprisingly, banking customers favor digital channels for convenience, ease of use, time saved and the ability to access financial accounts from anywhere. Banks position themselves best when they anticipate those preferences, offering strength and ease across every channel.

It's a matter of taking cues from customers, meeting them wherever they are and understanding that digital preferences aren't making the branch obsolete. They're simply raising the bar for branches to offer the same nimble, convenient, technologically savvy services people have grown accustomed to in other channels.

That means shifting how banks view their branches and where they invest in their services.

Three Branch Technologies to Watch

Instant Issuance. When your customers lose their debit cards, you can replace them on the spot, letting people return to their normal routines with little disruption or inconvenience.

Biometrics. Palm vein authentication, iris scanning and other tools are transforming identity security and improving staff utilization.

Tablets. Tablets get bankers out from behind their desks and into the branch to offer side-by-side guided sales conversations on wealth, lending and other consultative topics.

The Branch Expense

Two of the biggest expenses financial institutions face are branch and personnel costs. Together, they make up 66 percent of banks' overhead expenses, according to data from BankAnalyst® Financial. That's a high number considering the upward trend in mobile and online banking.

Many financial institutions still are spending too much on what is becoming a lower-priority method of banking. As customer preferences continue to shift from the branch to digital, financial institutions can consider ways to shift with them.

One way is to stop investing in the past and look to the future. By becoming more software-oriented, banks can redirect spending toward technology that can evolve as they do. Because of the changes in banking preferences, financial institutions can continue to make investments in mobile and digital channels a priority to keep their customer base satisfied.

Evidence suggests banks are doing just that. Results of the 2017 Retail Banking Agenda CEB Poll show executives have started to prioritize efforts to better support the needs of digital customers. That includes focusing on initiatives that create an engaging work environment that provides personnel with the best capabilities and improves their skills in working with customers.

Branch Purpose Will Change

Despite the growth of mobile and online banking, the branch continues to support transactions. The top four in-branch activities, according to the 2016 Expectations & Experiences: Channels and New Entrants survey from Fiserv, are: depositing a check, withdrawing cash, speaking with a representative and transferring money to another account.

It's crucial for banks to leverage those in-branch transactions for wallet share growth. A 2016 FDIC report showed the number of banks in the U.S. is steadily declining. National projections for bank growth are tepid at best, so financial institutions need to grow wallet share from within their existing customer base to meet shareholder expectations.

The longstanding ways of marketing and selling within the branch are becoming dated. Many banks recognize that and are evolving their branch and staffing models toward becoming advice and sales centers, as opposed to merely transaction centers. In order to be effective, the new centers will be geared toward certain consumer segments, such as small business, wealth or mortgage. It is essential that financial institutions understand, invest in and successfully execute digital and multichannel marketing and sales strategies to leverage sales among their customer bases.

Digital Enhances the Customer Experience

The future of banking isn't a binary competition between branch and digital channels. In fact, digital channel adoption is a proven driver of customer engagement across other channels. A 2016 Fiserv study with Bank of the West compared, over a two-year period, customers enrolled in digital services with those who weren't. The survey found that after consumers enrolled in digital services, credit and debit transactions increased by 12.9 percent and 14.6 percent respectively, compared with negligible increases for nondigital consumers. Overall, digital enrollment was associated with increased monthly revenue, more product holdings and lower attrition.

Top Four In-Branch Activities

1. Depositing a check
2. Withdrawing cash
3. Speaking with a representative
4. Transferring money to another account

Source: Expectations & Experiences: Channels and New Entrants, Fiserv, 2016

By giving customers a well-conceived digital banking experience aligned with their needs, financial institutions have a better chance of retaining their customers and attracting new ones. In addition, the more interaction a customer has with digital banking, the greater the opportunity the financial institution has to learn from user behavior. That knowledge can then be used to create more relevant marketing and sales messaging.

Banking customers want a best-in-class experience that satisfies their expectations for easy, effortless, personalized banking that simplifies everyday financial tasks. Financial institutions can deliver with digital and in-branch experiences that complement each other.

About the Author

As vice president, Strategic Insights at Fiserv, Andy Grinstead oversees all activities relating to consulting, delivery, sales and thought leadership for the Strategic Insights group. With a career focus on assisting banks of all sizes enhance their franchise value, he leads a team of senior bank strategists and personally works with 50 client banks across the country. Grinstead joined Fiserv in 2006 and has played a vital role in growing the BankAnalyst® client base and advising client banks.

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