The next chapter in the story of banking will not be about technologies that replace the brick-and-mortar branch. Instead, it will be a story of how technology can help transform the branch into an experience environment. Younger customers are increasingly important to financial institutions, and research shows that, more than their seniors, Gen Ys seek out and respond favorably to new and engaging experiences. Successful financial institutions will provide a quality experience at every channel and realize the in-branch experience offers their best opportunity to stand out.

Every customer and customer group is important to financial institution success, but the banking market is evolving, and over time, new tactics are needed to accommodate changing demographics. Many financial institutions are thinking more about what’s important to Gen Y as that market segment becomes increasingly important to their business model.

And make no mistake, they are important. Definitions vary slightly, but “Generation Y,” also known as “Millennials,” are now anywhere from teenagers to early “thirty-somethings.” There are nearly 100 million of them in the United States alone, and by 2020, they will represent 36 percent of the nation’s adult population. It’s estimated that their annual income in 2020 will be more than $6 trillion.

How Gen Y Is, and Isn’t, Different

As consumers, Gen Ys tend to be quicker to sign up for new services, and quicker to switch products and providers. Research shows that they are more comfortable conducting business and transactions online, and using mobile devices when possible.

But they’re also multichannel consumers and continue to seek onsite and hands-on experiences. They still like to go to stores some of the time. Banking may not be their favorite kind of shopping, but this evidence does support the theory that the branch remains a viable and important service channel. It also underscores the fact that a new kind of branch will eventually become essential to relevance and success.

Of course, like every banking consumer, these younger customers first seek security, convenience and favorable rates. But Gen Ys are also experientially oriented to a degree not seen in older market groups. In general, they prefer to be active participants in banking activities that are personal and relevant. A new, memorable and intelligent experience is something they respond to when looking for a relationship with a financial institution.

Experience Banking and the Re-Envisioned Branch

Certain trends are already becoming apparent. There will continue to be fewer transactions occurring in branches, and the focus will shift to advice, loans and small business services. Self-service technology will become more prevalent, freeing branch staff to spend more time with customers. Branches will become more tightly integrated with other delivery channels (Internet, mobile, tablet, call center), giving customers channel choice, consistent quality and an outstanding experience.

All of this underscores the need for financial institutions to begin transforming traditional banking into experience banking, and the traditional branch into an experience environment.
Experience banking and experience environments are key concepts that are components of an overall strategy that includes analytics, technology, brand and customer experience. Brands define financial organizations, attract business and reinforce loyalty; technology drives process efficiency and new market opportunities; and advanced analytics can inform and guide institutional decision-making. Interacting with each of these areas, the customer experience can create positive, profitable changes in attitudes and behaviors.

For years, the demise of the bank branch has been anticipated, assuming that technology would replace brick-and-mortar with an almost exclusively virtual experience. However, the time has come to consider a different idea – that the branch isn’t doomed, and could in fact become more important than it has been in many years.

There was a time when the branch was the foundation of the banking relationship and online services were a differentiator, but online and mobile banking are now everywhere, and are likely replacing that foundational service that branches and tellers once represented. What if the branch – a modern, re-envisioned branch – is now in a position to become the differentiator that enhances brand, secures relationships, retains deposits and drives new business?

About the Author
Jaime Dominguez is a market strategy director for the Bank Solutions Division at Fiserv, responsible for retail banking channels. He has broad experience with client solutions in a variety of categories, including analysis and planning, sales and marketing, servicing and fulfillment, and customer experience. Dominguez has spent more than 15 years in IT consulting and services. He began his career with EDS and has been with Fiserv for nine years, where his knowledge and practical experience have helped guide the planning and success of countless clients.

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