

IT'S A BRANCH, BUT NOT AS WE KNOW IT

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"There is no reason anyone would want a computer in their home", claimed Ken Olsen, president, chairman and founder of Digital Equipment Corporation (DEC) back in 1977. He sure got that wrong. Conversely, the history of tech is littered with over-optimistic predictions of how our lives will be transformed. 3D TVs, anyone? And exactly what is happening with driverless cars?

The point is this: tech gurus, pundits and the industry more generally are very good at accurately forecasting what technology will be capable of, but they often struggle to predict the "x-factor" – and that x-factor is peoples' attitudes. Consumer adoption. The users of the tech.

And so when someone digs up the now (in)famous Bill Gates quip that "The world needs banking but it does not need banks", it is worth reminding ourselves of the simple fact that he was also wrong. Without banks, there would be no banking. More specifically, bank branches – the ultimate interface between banks and consumers.

The past ten years have seen a vast number of fintechs come along (and go), usually bringing with them yet another app. From payments and micro loans through to insurance and investments, there is an "app for that". But as [Edelman's research](#) has shown, many fintechs struggle with the prickly question of trust – that strangely irrational but

intensely human emotion. And nothing can beat the level of trust that people build through interactions with other people – and for banks, that also means the physical and very visual presence of a trusted, regulated, and customer service-oriented institution. Physical presence in the local community is one of greatest differentiators between traditional banks and the fintechs and is very difficult to build up at scale.

And yet in the UK alone, research from RBR^(see footnote) shows that the number of bank branches fell by more than 22% between 2016 and the end of 2020, and a further fall of 20% is forecast by the end of 2025. When the last branch in a rural community or neighbourhood closes its door for the last time, consumers are directed to the nearest ATM – but even this has a dark shadow as free to use ATMs have also fallen from almost 54,000 to under 42,000. It has become increasingly difficult for many people to access local banking services.

It's clear that in the world of bank branches, something needs to change.

The Branch Strikes Back

There are numerous initiatives from banks around the world aimed at luring consumers back in the branch, often providing something that the latest app can't offer: coffee shops, community hubs, and yes... yoga classes. Here's three more considerations for the mix.

- Convenience – it's what the fintechs do so well and is arguably core to their

success. For banks, this may be more than right-sizing branch estates. It's about putting the branch where people want or need to be as they go about their daily lives. With the [increase in remote working](#), this also means reaching out to be nearer where people live. Wouldn't it be great to be part of every community, just like convenience stores or post offices?

- People – no matter where you look, automation is at work. Some tasks can be fully automated, but many tasks – particularly around customer-facing services – are often best served in a hybrid manner, using technology that helps humans do a better job. People help to build trust and engagement and can provide practical solutions when the computer says "no". The customer experience can be automated, using technology that complements humans to improve customer interactions.
- Technology – the springboard to new solutions and business models is the

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The number of active bank branches is expected to decline significantly in the coming years. This will have major impacts on rural communities who need local banking services.

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underlying technology. For retail and SMB banking, this means solutions that automate cash transactions (beyond the limitations of an ATM), as well as the infrastructure and connectivity. With the introduction of Open Banking standards, secure connections no longer need to be confined to the four walls of a bank branch. The physical location is no longer a barrier – and shared banking hubs just became a lot easier to implement.

These are not wild predictions about where technology will take us. These are

things that are happening now. The UK based OneBanks is a new initiative aimed at helping communities. Their technology enables multiple banks to offer services from a single physical location at significantly lower cost than a traditional branch. Participating banks' customers – both personal and small business - have free access to multiple transaction types all supported by a member of the OneBanks team who is recruited from the local community.

Now, which tech pundit predicted that ten years ago?

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Footnote:

RBR research findings are from Branch Transformation 2021 (RBR Branch Transformation Report published in March 2021 based on research completed at the end of 2020)

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