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Branch Transformation: Reinventing the Customer Experience Through Digital Growth

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IMPACT POINTS

- This report explores the customer trends shaping the future of banking, the need to transform the role of the branch, how financial institutions (FIs) can create value for customers in a digital environment, and the importance of facilitating the entire customer journey.
- Before the pandemic, many FIs had not transformed the role of the branch, but they were focused on reacting to changing consumer behavior and internal pressures to cut costs, and on determining how to build relationships in what would eventually be a digital-first world.
- The pandemic accelerated many FIs' plans to determine what role the branch will play in the future, what the branch could look like, what technology could be used, how bankers would support that experience, and what digital capabilities they should accelerate implementing to alleviate the impact of the pandemic.
- Aite Group estimates the number of U.S. bank branches to drop from 76,837 in 2019 to 60,133 by 2024. A few executives interviewed indicated they have no plans to close their branches, as showing up in the community and being there for their customers is a core component of their value proposition.
- The path to branch transformation is a digital-first strategy. A digital-first strategy does not mean that all investments and focus go to digital, but rather that FIs build a customer engagement strategy to help orchestrate customers' experiences across products, services, and communication preferences.
- Digital will become a facilitator of customer communication and will merge the branch, contact center, and digital channels through the use of technology—knocking the bricks off the mortar while infusing human help in the digital channels.
- The continued need to connect with customers in a virtual environment to help them with the activities they used to perform in a branch will drive FIs to move toward creating a virtual branch. Virtual branches may or may not replace physical branches, but they provide the means to create a broader interaction model that allows customers to connect with their FI at anytime, anyplace, and in any way they want—branch, contact center, online, mobile, or even a virtual branch.
- As consumers have expanded their definition of community beyond physical proximity into a virtual environment, FIs need to determine how to build and reinforce their brand in a digital environment while delicately balancing their physical and/or virtual branch with their digital capabilities.

INTRODUCTION

The last year has been a year of forced and accelerated transformation. In 2019, Aite Group published a report titled *Branch Transformation: Knocking the Brick off the Mortar*.[1] In that report, Aite Group predicted that the path to branch transformation was through a digital-first strategy. Along came 2020, and a sledgehammer forced many FIs to reevaluate the role of the branch much sooner than expected. Without access to physical distribution points, many FIs are determining how to drive digital growth in what is now a digital-first world without a heavy reliance on branches. A little more than a year into the pandemic, many FIs are moving their focus from settling into the new normal and focusing on how to build, cultivate, and manage customer relationships in the next normal—a shift to a digital-first world.

This report explores the customer trends shaping the future of banking, the need to transform the role of the branch, how FIs can create value for customers in a digital environment, and the importance of facilitating the entire customer journey.

METHODOLOGY

This Impact Report contains analysis from 23 in-depth Aite Group interviews with senior executives at banks, vendors, and consulting firms from various parts of the world who are responsible for the branch experience and are refining their branch strategy or are considering optimizing the branch experience within the next couple of years. Interviews for this study were conducted from July 2020 to May 2021. Executives contributing to the research have extensive business or IT responsibilities and titles that include chief executive officer, chief management officer, executive vice president, vice president, senior vice president, and director.

1. See Aite Group's report *Branch Transformation: Knocking the Brick off the Mortar*, January 2019.

THE MARKET

2020 was a year of forced reflection from a personal and business perspective for many U.S. consumers. In 2019, Aite Group performed a study on the state of branch transformation. At the time, the industry was on a course of branch modernization, with many FIs focused on recalibrating their branch network by eliminating lower-performing branches, moving from full-service branches to purpose-driven branches in new physical formats, or a hybrid of both—closing unprofitable branches and opening new branches with a new format in other locations. While many FIs were focused on finding the right combination that reflected their commitment to their customers and the community, 2020 hit the industry like a two-by-four board to the face, and many FIs were pausing efforts and focusing on the immediate need—to help consumers manage their finances in a digital-first environment. As FIs pick up paused branch transformation efforts, key trends in the market will shape the role of branches in the future (Table A).

Table A: The Market

Market trends	Market implications
FIs recalibrating their branch network	News headlines have already been reporting that FIs are shedding branch locations. Although FIs were already doing some branch pruning of unprofitable locations, the pandemic has accelerated more closures.
FIs to infuse human help into the digital environment	Of consumers who performed banking activity in a branch or contact center, 72% turned to a human channel because they preferred to talk to a person in a branch or contact center. FIs need to determine how to provide access to bankers or contact center agents in a digital environment to help with more complex questions and issues.
The role of the banker and contact agent	As FIs continue to invest more in digital banking capabilities, branch traffic will continue to decline. FIs need to determine what roles bankers and contact agents will play in a digital-first environment.
Declining branch traffic	Prior to the pandemic, nine in 10 respondents indicated that having a branch close to them was important, but three in 10 indicated they use a branch regularly.[2] The pandemic shifted many consumers' banking activities from the physical channels—branches and contact centers—to the digital channels. This shift will continue to erode consumer use of branches.
Driving growth in the digital channels	Prior to the pandemic, many FIs relied on the physical channels—branches and contact centers—to drive growth. FIs need to reinvent how to reach customers in a digital-first environment and provide value-added products, services, and experiences.

Source: Aite Group

2. See Aite Group's report *Financial Wellness: The New Digital Engagement Strategy*, May 2020.

BRANCH TRANSFORMATION PLANS BEFORE THE PANDEMIC

Prior to the pandemic, many FIs had not transformed the role of the branch, but they were focused on reacting to changing consumer behavior and internal pressures to cut costs, and on determining how to build relationships in what would eventually be a digital-first world. These were key trends driving their strategies before the pandemic:

- **Declining branch traffic:** It’s common knowledge that branch traffic had been slowly and steadily declining. While the branch has lost its relevance in terms of being a place the majority of customers turn to for their everyday banking needs (e.g., checking balances, paying bills, and even depositing checks), customers still rely on the branch for more complex questions and issues. As a result, many FIs were actively migrating consumers from the physical channels to the digital channels and investing in new self-service capabilities.

- **Shifting the role of the branch:** Although many consumers use digital channels as their everyday banking channels, they turn to the branch for more complex or time-sensitive banking activities, such as getting advice and guidance on financial issues or products, or reporting a debit or credit card as lost or stolen and getting a card replacement.[3] As a result, many FIs were thinking about how to recreate the branch experience move from handling transactional activities to value-added activities focused on providing advice and guidance, and to determining the right physical layout, technology, and staffing model or staff augmentation needed to support what consumers want and used at a branch before the pandemic.

- **Increasing focus on cost-cutting and efficiency:** Many FIs have given their branch management teams key metrics and performance-based incentives to move low-value transactions, such as depositing checks, to the digital channels. As more and more banking activities had moved to digital channels, bank executives were forced to make the hard decision about the best way to recalibrate their branch network by looking at their footprint, closing unprofitable branches, and determining if branch operations could be more centralized.

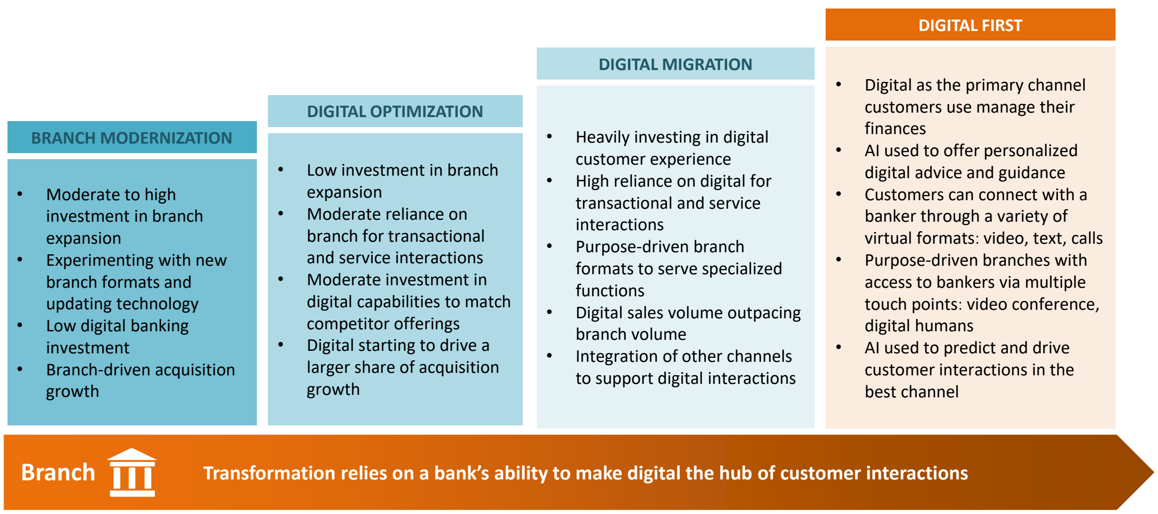
- **Supporting small-business customers:** Although many executives agree that customers are turning to digital banking to perform their everyday banking activities, many still believe that small-business customers still have a need for a branch for merchant service, especially for cash. The pandemic has accelerated a decline in cash payments, but executives believe that branches located in areas with a lot of businesses and a lot of small-business activity may still need full-service branches to support that customer base.

In 2019, all of these trends supported the plans that FIs had to transform the role of the branch. At that time, many FIs were in a phase of modernizing their branches by continuing to invest in recalibrating their branch network by closing unprofitable branches and opening new purpose-

3. See Aite Group’s report *Branch Transformation: Knocking the Brick off the Mortar*, January 2019.

driven branches in a smaller format. At the same time, many FIs were starting to increase their digital investment, recognizing that many customers were using that channel as a primary way to interact with their FIs. From there, FIs were making their way to the other phases of branch transformation: digital optimization, digital migration, and digital first (Figure 1). Aite Group predicted that the only way to transform the role of the branch was to move to a digital-first strategy. The pandemic forced and accelerated transformation. And many FIs began reallocating technology investments from the branch to the digital channels to deal with rising demand for better experiences that had less reliance on branch channels and could alleviate the increase in call volume in contact centers.

Figure 1: The Path to Branch Transformation Is Digital First



Source: Aite Group

WHAT THE INDUSTRY LEARNED FROM THE PANDEMIC

As the industry entered the pandemic, many of the strategies that FIs had to transform the role of the branch were quickly put on hold or even shifted, as many branches closed or had limited hours of operations, or customers were just reluctant to visit a branch. The drastic shift from access to a full-service branch network to limited access to branches provided insight into how well FIs could serve their customers in a digital-first world. This accelerated many FIs' plans to determine what role the branch will play in the future, what the branch could look like, what technology could be used, how bankers would support that experience, and what digital capabilities they should accelerate implementing to alleviate the impact of the pandemic. FIs were forced to learn a lot about their resilience as well as their customers' ability to interact in a digital-first world. The industry learned the following:

- **Consumers are more adaptable than the industry gives them credit for.** Although many customers indicate they use the branch for some banking activities because they prefer to talk to a person, the pandemic removed that as an option, and many customers were forced to explore how to do banking activities outside the branch. Executives interviewed for this report shared that customers were willing to adopt technology faster than they expected. That allowed FIs to quickly implement technology solutions that helped alleviate lack of access to a branch. It also demonstrated to FIs that they could also move faster than they thought, and many were able to launch new digital capabilities during the pandemic to help fill the void of customers not having access to a branch.

- **Provide education about existing digital capabilities.** In 2019, Aite Group asked marketing executives what products and services they would most heavily market in the coming year. Four in 10 executives indicated they would invest in mobile banking solution.[4] When branches closed, many FIs focused their energy on education about digital capabilities to help customers who relied on a branch to orient them on how to conduct the same activities they did in a branch in a digital environment. Boomers and seniors were the most disrupted by branch closures, and many FIs shared that these generations were calling to get help with setting up digital banking and learning how to use self-service capabilities.
- **Build trust in a virtual environment.** Although consumers prefer physical channels for advice and guidance or to resolve an immediate issue, many are just really looking for a place where there is accountability to help them or to resolve an issue. Do customers have a path to resolve an issue if things go awry? With limited access to a branch and overburdened contact centers, many FIs realized they need to not only infuse human help in the digital channels but also build digital experience customers can trust and that there is an escalation path for accountability.
- **Redefine the meaning of customer service.** When asked why consumers move their accounts to another FI, many cite poor customer service as one of the main reasons. Digital banking capabilities are becoming a bigger reason that customers stay with their primary FI and a reason they leave.[5] But given the shift to a digital-first environment, the definition of poor customer service is taking on a new meaning. During the pandemic, some FIs had outages that impacted customers' ability to access their accounts. That has put more pressure of FIs to have reliable access to account information and the ability to pay bills—digital customer service.
- **Consumers' migration to other channels has highlighted branch inefficiency.** As consumers have gotten a taste of how quick and easy it can be to perform banking activities and open accounts digitally, as consumers return to the branch, it may put the spotlight on branch inefficiency. The same banking activities that consumers are doing digitally may appear to be longer, cumbersome, more time-consuming, and not as effective as the digital channels. One executive shared that with branch closures, account-opening was pushed to the contact center. And over time, they realized that centralizing the account-opening process through the contact center was more efficient and yielded better results than through the branch process.

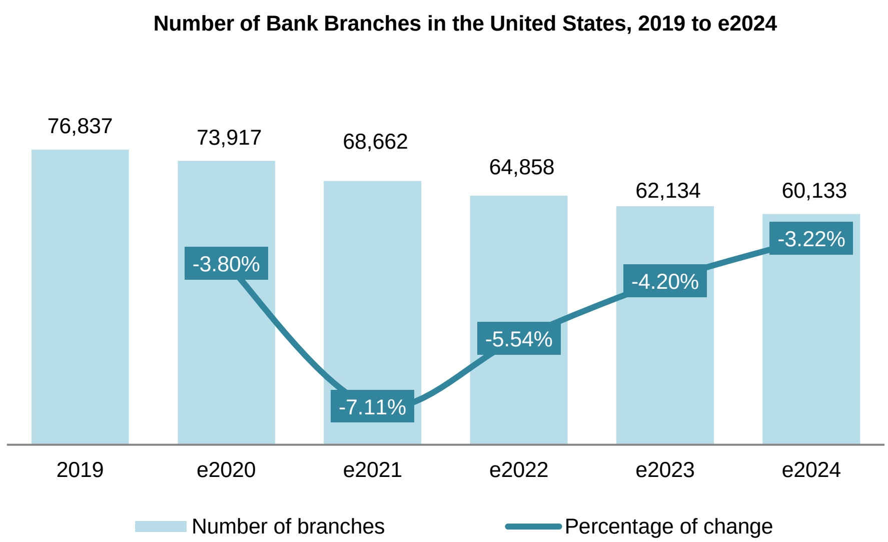
4. See Aite Group's report *Current State Assessment: Global Analytics Ecosystem*, October 2019.

5. See Aite Group's report *Attracting and Retaining the Digital-First Customer*, June 2020.

BRANCH RECALIBRATION

One metric that the industry has been tracking to determine the future of branches is the number of branches. Aite Group estimates the number of U.S. bank branches to drop from 76,837 in 2019 to 60,133 by 2024 (Figure 2). While this metric may have provided some indication of the number of branches that closed because they were unprofitable or not needed, the industry is deploying a number of tactics that may deteriorate the usefulness of this metric as a way of determining if customers are still relying on branches. In some instances, FIs are closing unprofitable branches and replacing them with smaller purpose-driven branches or opening new branches either as a commitment to their customers to have physical proximity or as a way to create a presence in a new market. A few executives interviewed indicated they have no plans to close their branches, as showing up in the community and being there for their customers is a core component of their value proposition. In addition, merger activity will require some FIs to recalibrate their branch network to deal with overlap and consolidation in their markets.

Figure 2: U.S. Bank Branch Forecast



Source: FDIC, Aite Group

FORCED AND ACCELERATED TRANSFORMATION

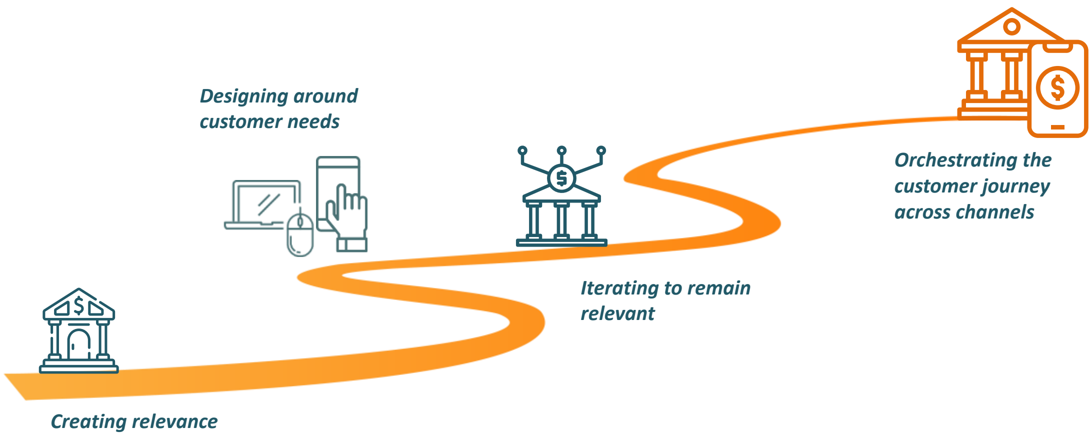
Aite Group defines branch transformation as "transforming the banking experience from an experience that relies heavily on branches to one that reinvents itself as a complement to digital channels." Over time, as digital channels get better at helping consumers with all of their financial activities, from transactions to advice and guidance, the reliance on the branch will lessen.[6] Aite Group's 2019 report outlined the key themes driving the future of branches at the time. The main themes included that the branch itself is not dead, but it needs to be relevant again; branch experience needs to be designed around customer needs; branch transformation is not a one-and-done event; and branch transformation requires that FIs break down the barriers between digital and brick and mortar. Many of the themes mentioned in that report resurfaced in this year's interviews but with slightly different context and priorities. In addition, many executives indicated that the industry as a whole has accelerated priorities and begun to shape what the branch experience will look like in the new normal (Figure 3):

- **Creating relevance:** Branch traffic was declining before the pandemic, but the pandemic removed branches from the equation as a place consumers could use to perform banking activities. This rapid shift may have permanently changed how and where customers manage their finances. Many executives agree that the branch will always exist in some way, shape, or form, but they also believe that many interactions that occurred in a branch and even banker support could be accomplished in a virtual environment.
- **Designing around customer needs:** Branch experiences need to be designed by what the customer needs. The transformative part of the branch is to start thinking of the branch experience from a customer perspective and not a branch perspective. That means FIs need to stop thinking about how they should best serve customers and find out what consumers want and how they want it, whether that is to primarily interact with the bank in a digital environment, speak to a banker in a branch or virtually, call or video conference into the contact center, or a combination of these communication methods.
- **Iterating to remain relevant:** Branch transformation is not a one-and-done event. It's an iterative process that requires FIs to continue to look at the needs of their customers and evolve the branch network and digital capabilities to address those needs. Again, while much of the last year has been spent reacting to the new normal, FIs need to prepare for the next normal, and that means continuing to react to evolving customer needs in terms of how and where they want to interact with their FI.
- **Orchestrating the customer journey across channels:** Branch transformation will require the FIs to break down barriers between digital and brick-and-mortar channels. That means customers should be able to interact in a digital environment

6. See Aite Group's report *Branch Transformation: Knocking the Brick off the Mortar*, January 2019.

and seamlessly pick up and complete activities in any channel they choose, whether that is through video, through a digital human, or in a branch.

Figure 3: Drivers of Branch Transformation Efforts

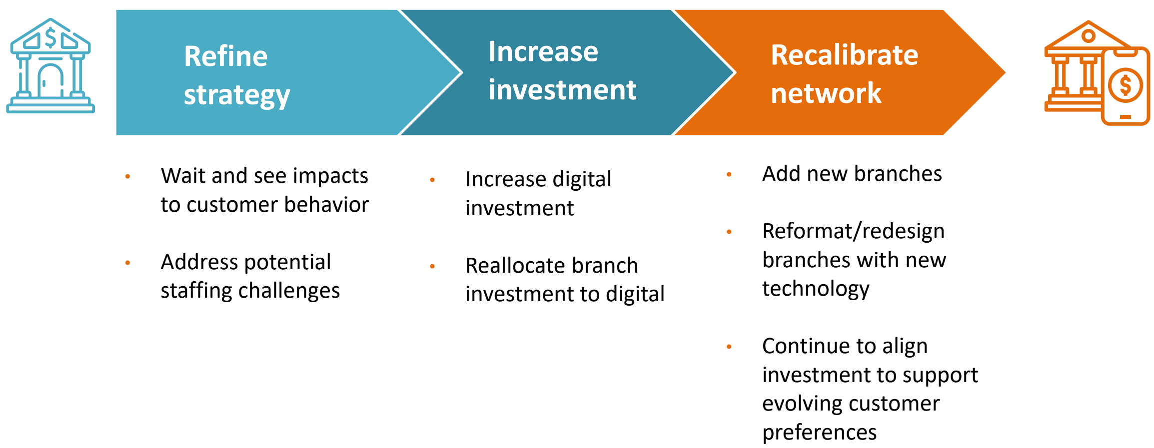


Source: Aite Group

ACCELERATING TRANSFORMATION

The pandemic stalled many FIs' branch transformation plans, as branch closures or reduced branch hours forced customers to shift some of their banking activities to the contact center and digital banking. While this shift paused many branch transformation efforts, many FIs accelerated their digital strategies. As the industry starts to prepare for the next normal, FIs will need to refine their strategy, increase investment, and recalibrate their network (Figure 4), and use this information to launch an encompassing customer experience that connects the physical and digital channels.

Figure 4: Key Areas of Focus for FIs



Source: Aite Group

That said, branch transformation is not a one-and-done event. It requires that FIs continually evaluate what customers want from a branch, understand what other experiences are shaping a customer expectation, test, learn, and then refine. In the short term, FIs will need to find a balance between recalibrating brick-and-mortar branch networks and ramping up their investments in building a robust digital experience.

THE RISE OF PURPOSE-DRIVEN BRANCHES

The executives interviewed for this report agreed that branches are not dead, but the role of the branch will transform over time, and the COVID-19 pandemic has accelerated transformation. Once an FI has determined what its customers need, it can focus on designing branch experiences around purpose and select a branch format and location that best serves that need. As executives recalibrate their branch network and look to build experiences around identified customer needs and fulfill that purpose, they should consider the following:

- **Recalibrate their branch network.** Many FIs are considering closing unprofitable branches and opening new purpose-driven branches. While that may hold true for many FIs, some banks and credit unions do not plan to close branches and will continue to expand with new branches to reach new markets.
- **Determine the right branch format.** FIs believe that it may not be necessary to have traditional full-service branches in all locations. Once they determine the purpose of the branch, they can right-size the branch experience by sizing up or down on the size and format of the branch to best address customer needs in the market. There are four main branch formats—pop-up, full-service, segment purpose, and flagship—but many variations of these formats could have slightly different sizes, layouts, staffing models, technologies, and purposes.[7]
- **Update the branch look and feel.** FIs also need to create an environment that people want to come to, including the right mix for the location and supporting technology. Many executives stated that they will also need to find more permanent, customized social distancing measures and deal with privacy concerns around a more open branch concept. And as they redefine the role of bankers, they can also redesign the space to accommodate those new roles.
- **Refine banker roles.** As FIs determine customer needs around a branch experience, they also need to figure out how to deliver that experience in a physical or virtual environment. FIs are considering if they should introduce universal bankers, create a hybrid role that focuses on teller and sales activities, centralize banker functions, or even mesh the branch and contact center roles and deliver branch services using virtual technology, such as interactive teller machines (ITMs) and video conference technology.
- **Upgrade banker technology.** Modernizing the branch look and feel and designing an experience around purpose require FIs to upgrade the technology used by tellers and bankers. As one executive stated, “We have to stop torturing our staff with all these different systems like core, CRM [customer relationship management], and account-opening solutions.” The focus has to be on creating more modern, usable solutions that can help a banker identify the best path forward and quickly arm them with the information needed to serve customers the way they want. This will be particularly important for the younger generations of employees; they may frown

7. See Aite Group’s report *Branch Transformation: Knocking the Brick off the Mortar*, January 2019.

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upon using multiple outdated, rigid solutions that are not as user friendly, especially when they use more modern solutions in their everyday life.

- **Implement flexible workflows.** If the pandemic has taught us anything, it is that flexibility to quickly react to market changes can make or break even the best branch strategies. Digital-first solutions have shown consumers better and quicker experiences. That puts the spotlight on branch inefficiency. FIs need to invest in technology solutions that can allow them to quickly configure or reconfigure processes and supporting workflows to react to customer expectations and market dynamics.
- **Integrate physical and digital channels.** During the pandemic, the organizations that had implemented omnichannel experiences were better able to pivot to a digital-first interaction model. A theme that Aite Group heard in interviews was that while omnichannel has been a pipedream for many FIs, omnichannel is a minimum to have now in a digital-first world. And a seamless and connected omnichannel experience will play a part in helping FIs to be able to better serve and build customer relationships in the future.
- **Integrate technology to support purpose-driven branches.** As FIs transform the role of the branch, they also need to determine the right technology to support that experience. Several emerging technologies such as chatbots; voice-activated assistants, such as Google Assistant, Alexa, and Siri; interactive teller machines; digital humans; self-service kiosks; virtual/augmented reality; video conferencing; modernized core platforms; and account-opening solutions will enable interactions and communication with customers. Aite Group expects artificial intelligence (AI) to play a key role in transforming the branch experience by automating business processing, helping validate a customer identity using biometrics, providing personalized financial advice, managing branch operations, helping guide junior employees on processes and procedures, and predicting customer needs.

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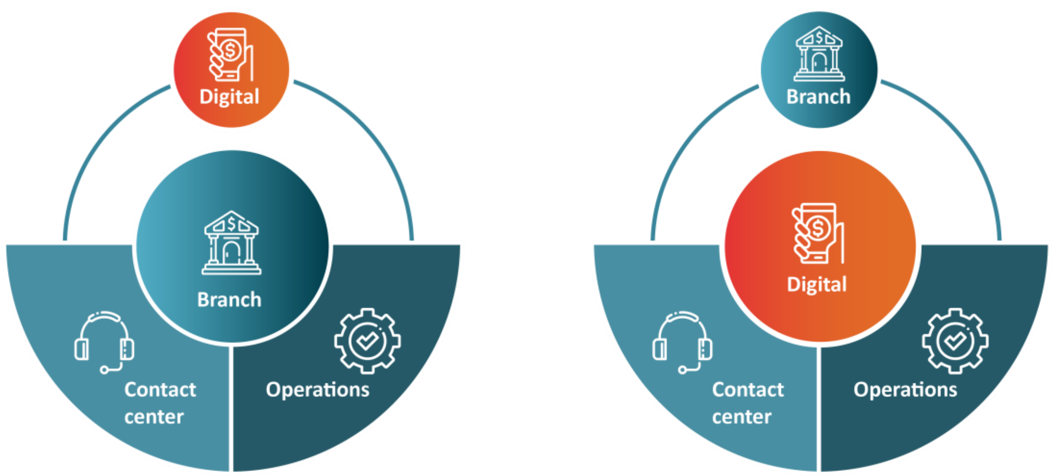
KNOCKING THE BRICK OFF THE MORTAR

The branch has been the center of the consumer engagement model, and the contact center, digital, and operations were complementary extensions of the branch. Digital will become a facilitator of customer communication and will merge the branch, contact center, and digital experience through the use of technology—knocking the bricks off the mortar while infusing human help in the digital channels. The path to branch transformation is the digital-first customer engagement model (Figure 5).

Figure 5: The Path to Branch Transformation Is Digital First

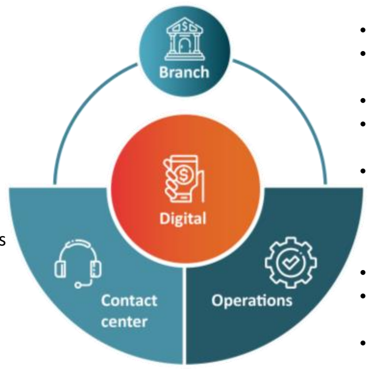


Source: Aite Group

While everyday banking activities will still be done in the digital channels, digital will also help orchestrate more complex banking activities and interactions across the digital, branch, contact center, and operations (Figure 6). While the industry has held a belief that customers trust humans more and that is why they go into a branch, often, customers want to talk to a person so they can hold someone accountable to resolve their issue. That means transparency to the other activities being done in the operations and the status of those activities need to be apparent to customers. Digital will become the hub of all customer interactions. Over time, the digital channel will not only be able to orchestrate customer interactions but will also use emerging technology such as AI to offer real-time advice and guidance, predict the next best action or offer, and direct customers to the right channel and best place to resolve their issue or address their question.

Figure 6: Digital Will Orchestrate the Customer Experience

- Infusing human help when needed
- Using AI to predict next best action or offer
- Deflecting call volume through chatbots and digital assistance
- Creating face-to-face interactions through video messaging
- Using screen sharing or pushing content to a digital environment
- Using agent bots to help employees serve customers
- Using screen sharing or pushing



- Infusing human help: ITM, video conferencing, text messaging
- Offering self-service in branch through kiosks, conversational banking, digital humans
- Assigning a dedicated banker or banking team
- Focusing on driving low-value activities to digital channels
- Using banker bots to help employees serve customers
- Using appointment scheduling to set up in-person or video conference meetings
- Using screen sharing or pushing

- Implementing consistent processes and procedures
- Creating a view of customers' complete banking relationship and activities
- Providing transparency into the sales and service processes
- Creating the ability to seamless move between channels

Source: Aite Group

THE RISE OF THE VIRTUAL BRANCH

The branch is not dead. Consumers will still go into a branch for some banking activities, just not as much as they used to. In the past, going where customers are meant having brick-and-mortar locations to be able to serve customers where they worked or lived. Now, where consumers work, how they connect with the community, and how they want to interact with companies they do business with are increasingly virtual. The continued need to connect with customers in a virtual environment to help them with the activities they used to perform in a branch will drive FIs to move toward creating a virtual branch. Virtual branches may or may not replace physical branches, but they provide the means to create a broader interaction model that allows customers to connect with their FI at anytime, anyplace, and in any way they want—branch, contact center, online, mobile, or even a virtual branch. As executives consider launching a virtual branch concept, the following should be considered:

- **First level of support:** In a virtual environment, chatbots, voice-activated assistants, assistants in mobile banking, and voice-activated assistants such as Google Assistant, Alexa, and Siri can provide the first point of contact to help customers with banking tasks. Although conversational banking experiences started with assisting customers with self-service activities, they are beginning to evolve to help customers with more sophisticated activities such as sales and account management. By using conversational banking as a first level of support, FIs can move lower-value transactions to conversational banking channels and route higher-value, relationship-building interactions to virtual branches.

- **The right channel:** Using data and analytics can help FIs orchestrate the banking experience by directing customers to the right channel. Data on how customers access their accounts and their most recent activity can be used to predict and recommend the next best action that should be taken to help customers by directing them to the best channel to support that need—be it branch, contact center, virtual branch, or digital banking.

- **Trust:** FIs can build trust in a digital environment by providing virtual or in-person access to a banker, but they can also increase accountability to help customers in a virtual environment by building the right culture and more robust workflows to hold employees accountable for resolving issues.

- **Advice and guidance:** Many FIs are exploring how to deliver digital advice and guidance in a digital-first world. The convergence of data and AI can help FIs personalize the banking experience, predict when customers have a need, make them aware of the need, provide them insight on their financial situation, give them advice, and drive them to take action that aligns with their financial goals.

- **Operational agility:** Many tasks that are done in a physical branch impact operational areas. Often, various workflows that support sales and service activities need to be coordinated throughout various departments. As consumers have moved a lot of their activities from the branch to digital, once consumers return to a branch environment, whether physical or virtual, it puts the spotlight on inefficiency. It is becoming increasingly important in a digital-first world to have configurable workflow to coordinate the activities among channels—digital, branch, contact center—and supporting operations teams. Agility will be key to quickly react to evolving customer needs.

- **Employee experiences:** Many FIs need to fill the gap between customer and employee experience to give employees access to better tools and systems. Executives also recognize that as they fill the gap in the customer experience, omnichannel capabilities will play a key role in helping consumers who switch channels to perform banking activities.
- **Technology:** For FIs to orchestrate a virtual branch experience, they need to develop a strategy for how they are going to interact with consumers in a digital environment. That means they will have to determine what technology they need to deliver on that experience. Executives shared they are considering what role video conferencing, screen sharing, electronic signature, identity verification, appointment banking, chatbots, voice-activated assistants, digital assistants in a mobile banking app, digital humans, and AI can play in delivering a virtual branch experience.

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CREATING A DIGITAL-FIRST COMMUNITY

Many executives believe they need to maintain brick-and-mortar locations to demonstrate their sense of community. This notion is held in a higher regard for community banks and credit unions, as many of them believe branches will still be a main revenue driver. But as consumers have expanded their definition of community beyond physical proximity into virtual environments, FIs need to determine how to build and reinforce their brand in a digital environment while delicately balancing their physical and/or virtual branch with their digital capabilities. To find that delicate balance, FIs need to build a strategy to reach customers in a digital environment in different ways:

- **Social media:** Social media provides a way to build a relationship with a customer outside a brick-and-mortar experience. Increasingly, consumers want to connect with their financial services provider in this way. According to the Aite Group surveys mentioned in this report, 35% of respondents indicate they have used social media to communicate with their primary financial service provider. The top reasons cited by respondents as to why they used social media include the following: It was easier than trying to find information online or through mobile banking, they wanted more information about their financial services provider, it was more efficient to get questions answered and problems solved, it was good way to get their primary service provider’s attention, and they wanted others to know about their experience.
- **Community support:** In the past, FIs used physical branches to show their community support, but as “communities” have increasingly become virtual, it is important for FIs to show their presence in the community in either a physical or a digital way—whatever approach aligns with their value proposition and their commitment to their customers. Fifty-five percent of respondents indicate that it is extremely to moderately important to them that the financial services provider supports their interests/favorite causes by being an advocate in the community. In interviews, executives stated that they will continue to allocate marketing budgets to sponsorship community activities to build brand, such as sponsoring sporting leagues or community events.
- **Customer investment in the community:** Giving back to the community is also important to respondents. Four in 10 respondents want to also be able to either give to the community by donating to a charity through online or mobile banking or invest in the community by loaning money to other customers through marketplace lending. By opening up banking experiences to support giving to charity or investing by loaning money, FIs could create a new business model that could generate fee or referral revenue, depending on how they position these capabilities.[8]

8. See Aite Group’s report *Attracting and Retaining the Digital-First Customer*, June 2020.

CONCLUSION

The path to branch transformation is a digital-first strategy. A digital-first strategy does not mean that all investments and focus go to digital, but rather that FIs build a customer engagement strategy to help orchestrate a customer's experience across products, services, and communication preferences. As FIs create a strategy to drive growth through the digital channels, they should consider the following:

- Branch transformation is not a one-and-done event. As FIs move from a brick-and-mortar strategy to a digital-first approach, technology will continue to evolve, and customer expectations will shift. FIs must continue to evaluate the role of the branch and banker, and how to inject human help into the digital channels. FIs need to design the banking experience in a way that serves customers in the way that customers want rather than serving customers in the way the bank thinks customers should be served.
- Omnichannel will be the key in orchestrating customer communication. Consumers were already using multiple channels to interact with FIs. As consumers move more of their interactions to digital, FIs will need to create a seamless experience across channels to allow customers to move from digital channels to channels that will allow them to get help from a banker either in a physical branch location or in a virtual branch.
- The banking experience must be flexible for consumers and employees. The pandemic gave us one important lesson: Flexibility is key in being able to quickly pivot and react to customer needs, market changes, and unexpected events. FIs need to invest in technology solutions that can allow them to quickly configure or reconfigure processes and supporting workflows to react to customer expectations and market dynamics.
- Think beyond transforming the branch. Given the rapid shift to digital-first, branch transformation is no longer about reinventing how consumers use physical branches. Increasingly, it is about injecting human help into the digital channels. In the short term, that may mean how to use technology, such as to connect with customers using video, but in the long term, it may mean using technology to create a virtual branch or a combination of both.
- Digital communities are becoming more important. As communities have become increasingly digital, bank executives can no longer rely on physical community or sense of membership to demonstrate their commitment to their community. FIs must build digital communities to interact with consumers in the new digital-first environment.

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Financial Wellness: The New Digital Engagement Strategy, May 2020.

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Branch Transformation: Knocking the Brick off the Mortar, January 2019.

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