MAR 19
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Branch declines accelerate as consumers become less dependent on physical locations

Article

Insider Intelligence forecasts that branch penetration will drop from 70.1% in 2019 to 62.3% in 2024. (Penetration is defined as the percent of US bank account holders ages 18 and over

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who visit a bank, credit union, or a brokerage branch and see a representative in person at least once per year.) Though the pandemic hastened the transition toward digital, the trend was in place well before its onset last year. In 2019, the top nine banks in the US alone spent $64.10 billion on IT and technology expenses, per Insider Intelligence.

The pandemic significantly spurred the adoption of digital banking tools—and will drive the departure from bank branches through 2024. Up to 30% of branches temporarily shuttered in response to the pandemic may never reopen, per an estimate that a former retail distribution executive at Bank of America Corp., Rob Aulebach, gave in a call with UBS Securities analysts cited by S&P Global. Net closures in 2019 outpaced last year, but the 2020 figure doesn't take into account the temporary, and potentially permanent, shutdowns. The reduction in available physical locations has necessitated the use of digital banking tools, and many expect the changes to last beyond the pandemic: 32% of US consumers said they plan to use mobile banking more post-crisis, according to a survey by J.D. Power last fall.

Banks need to make up for a reduction in usage by adapting their branch strategies to optimize their investments in the channel. Here are two ways they can do this:

- **Continuing to reshape branches as centers for customer service and assistance handling more complex transactions.** The pandemic is curbing the use of branches for simpler banking functions. Consumers worldwide said that they'll be 8% less likely to use a branch to check their account balance post-pandemic, 6% less likely to use a branch to manage an account, and 4% less likely to use a branch to open a savings account, per data from KPMG. This trend is significantly less pronounced when it comes to purchasing high-value products (1% less likely) and inquiring about new products (unchanged). The survival of branches is tied to catering to these kinds of requirements.
- **Blending digital tools into physical branches to maximize the convenience and breadth of services to benefit customers.** This could include relatively light software-based changes, such as NatWest in the UK enabling customers to use its app to join a virtual line for an appointment, freeing them of the need to actually wait in line. Or it could be physical makeovers, like Chase began experimenting with at its flagship NYC branch in mid-2019: It added enhanced ATMs capable of handling 80% of teller transactions, and equipped employees with tablets so they can roam around the branch to help clients.

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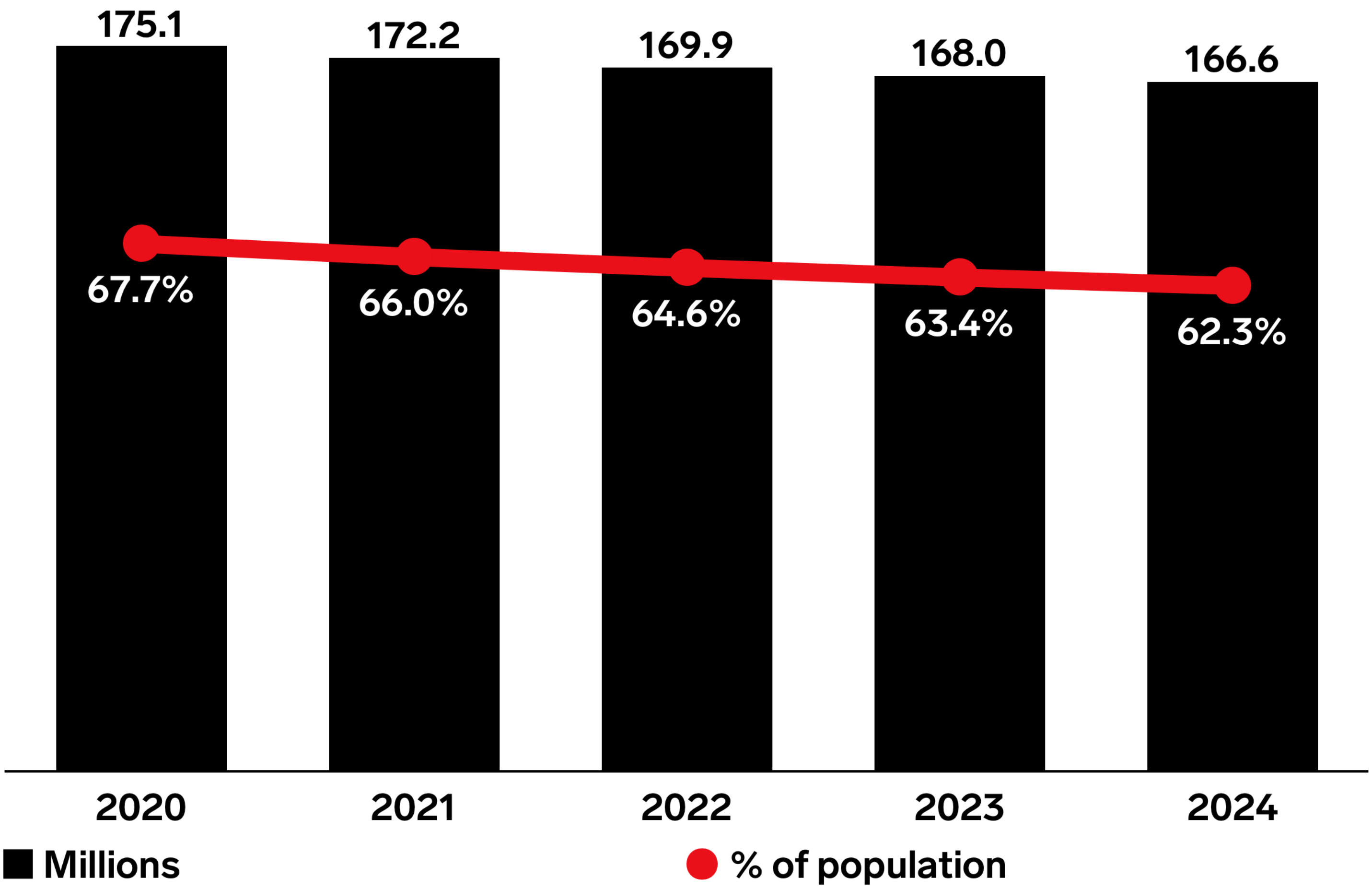
In-Branch Banking Users and Penetration

US, 2020–2024



Note: Bank account holders ages 18+ who visit a bank, credit union, or a brokerage branch and see a representative in-person at least once per year; excludes ATM visits
Source: Insider Intelligence, June 2020
Methodology: Estimates are based on the analysis of survey and traffic data from research firms and regulatory agencies, historical trends, country-specific data, and demographic and socioeconomic factors.

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