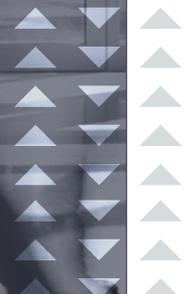




The 2019 Future Branches Consumer Study:

Understanding the Relationship between
Customers, the Bank, and the Branch



Executive Summary

The relationship between a consumer and their financial institution of choice can be determined by a variety of factors. Financial services have a degree of importance that far outweighs many other brand relationships within the life of an individual, and the level of intimacy surrounding personal wealth and day-to-day banking approaches that of a doctor-patient relationship. Financial health is a critical factor to manage for the average consumer, and it is with this in mind that Future Branches has surveyed 1500 retail banking customers to understand how their relationships to the physical branch and digital banking methods are evolving.

What we have uncovered is a relationship that is in flux; many individuals now crave the ease and convenience of online interactions, yet some banking activities are still tied to the physical bank location. For example, while only 9% of respondents felt that visiting a bank location for the purpose of checking their bank balance made more sense than checking online, 52% would prefer to visit a branch when applying for or discussing a loan. In a trust-based relationship, the bank branch still holds sway as a physical anchoring-point to a series of interactions that may now take place mostly online. The importance of being able to visit a branch is clear in the fact that, out of nine separate attributes, 34% of respondents felt that having a branch location near their home or place of work was the number one factor influencing whether they would choose to establish a new banking relationship.

While respondents generally claim that they prefer the ability to perform routine banking activities online, bank locations still play host to activities which center on the ability to quickly and easily access or deposit cash. In particular, 55% of respondents made a deposit, and 45% made a withdrawal on their last branch visit. Whether the pace of visits are determined by depositing a paycheck, taking out cash, or investigating and applying for financial products, 44% of respondents will visit their physical branch once or twice in the course of a month.

The evolution of banking relationships is a critical context for those who are seeking to optimize the bank branch for their customers. The better banks can understand consumer tastes, the easier it will be for them to strike the right balance between intimacy and convenience. In this report, we will examine consumer preferences as they relate to everyday banking and in-branch activity. We will also examine the differences that exist within consumer groups, which can add nuance to these trends.



Key Findings



The bank branch has an X-factor that has so far been impossible for digital banking experiences to replicate: The ability of a customer to get face-time with an associate or bank teller. The fact that customers prefer to visit a branch to perform highly personal tasks such as opening a new account or applying for a loan indicates that there is simply no replacement for a personal relationship, regardless of how often a customer will actually go to visit the branch during the year.

Consistently, bank customers showed a preference for a physical banking experience when considering important actions that could significantly impact their financial futures.



Despite the importance of associates, routine bank visits are often based on deposits and withdrawals using ATMs. Balancing both a sense of community and timely access to associates and tellers with self-service features is critical to sustaining a flexible branch experience that meets the needs of all kinds of customers.

Assuming the bank branch should be viewed only as a relationship building center is missing the critical role that self-service deposits and withdrawals have in the normal financial routines of many customers.



Consumers consider a bank's proximity one of the most important factors when deciding on which bank to choose, and they are also invested in whether that bank projects a sense of belonging in the community. That stated, 43% of respondents did not feel they knew all the products and services available to them through their primary banks, indicating that the bank branch has an important role to play as an education center as well.

While features and products can serve as the ultimate deciding factor in whether or not a banking relationship will be viable, the average consumer will initiate a banking relationship based on what is closest to their house or workplace. The role of education in creating relationships that transcend geography cannot be understated. Without a basis to compare institutions based on all of the products they offer, proximity becomes the deciding factor.



Research Analysis

Understanding how the average consumer approaches banking

While banking preferences have shifted to emphasize desktop and mobile convenience, 30% of respondents still prefer to go to the bank themselves.

With 31% of bank customers preferring to have an in-branch experience if possible when banking, the role of the branch is clearly alive and well despite tough competition from digital experiences. In fact, digital experiences are usually synergistic in how they relate to the branch, allowing consumers an easy means to check their balance and perform routine banking activities while retaining the option to visit their bank location should they choose.

Currently, 62% of customers who report that they prefer mobile banking fall between 18 and 42 years of age, implying that this trend may become even more prevalent in the years to come. Interestingly, physical distance from the bank branch did not seem to have a bearing on whether respondents prefer digital or physical banking, despite assumptions that a farther distance to travel might impact whether or not digital was seen as preferable.

Which style of banking experience do you generally prefer, given a choice?



31%
In-branch experience



27%
Digital experience via desktop



42%
Digital experience via mobile banking





The average banking consumer will usually have the option to visit a physical branch location. Despite the ability to perform many banking operations via mobile or on a desktop, the physical proximity of the bank still holds importance.

With such a large majority of customers using banks with physical locations, it's tempting to state that the emergence of fully digital banking options is not yet established enough to disrupt the traditional banking industry and win a larger market share. However, the results of this study suggest that a lack of competition might not be to blame. Nearly two-thirds of customers prefer to conduct regular banking activity on digital platforms, yet still use branches and ATMs to conduct routine business. Combined with the 52% of customers who would prefer to apply for and learn about loan products in person as opposed to online, the bank branch clearly still offers compelling value even for those who visit infrequently.

Do you use a bank which has physical branches?



94%
Yes



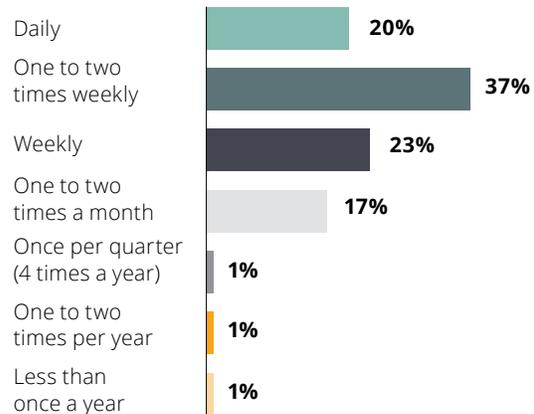
6%
No



80% of consumers will engage in banking activity at least once a week, if not more frequently.

Banking activity is a common feature in most people's lives, with 80% of consumers engaging with their primary bank at the least once a week. How they engage may differ, but the need to connect to the financial institution regularly is a very common one, stressing the importance of a trustworthy and consistent relationship between consumer and bank.

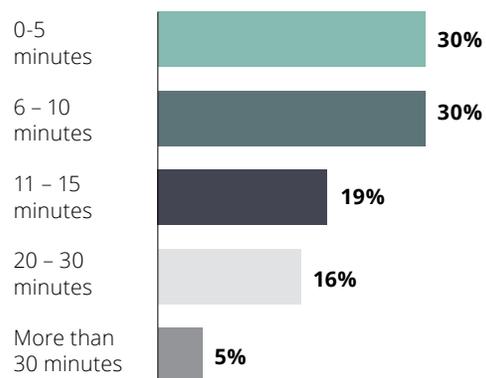
How often do you engage in any banking activity?



It takes customers under 10 minutes to complete weekly banking activities 60% of the time.

Most customer banking activity is fairly routine. This is evidenced by the short amount of time it takes the majority of customers to conduct their business and the high incidence of activities such as accessing ATMs or balance information, making deposits, and withdrawal activity even when visiting a physical branch. Apps or desktop options can make certain actions, such as checking a balance, incredibly easy to do almost anywhere.

How much time do you spend doing any kind of banking (mobile, online, in branch) each week?



The amount of time that customers typically spend while banking also tends to reflect the frequency with which they engage in banking activity. For example, of consumers who spend between 20-30 minutes on their banking activities, 38% will engage in daily banking. By contrast, only 8% of consumers who spend less than five minutes on this activity will perform banking activities on a daily basis.

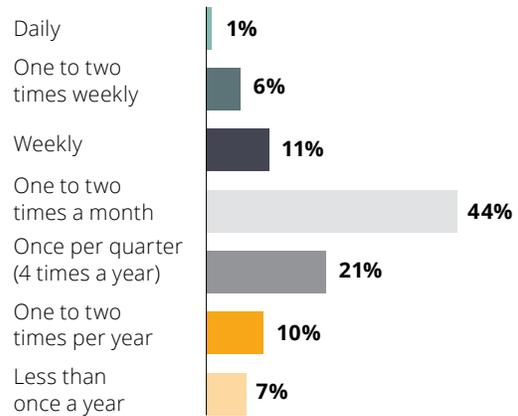


Despite the frequency with which average consumers engage in banking activity, 44% will visit their branch on a monthly or bi-monthly basis.

The role of the bank branch as a center for relationship development is sustainable even with the average customer only visiting once or twice during the course of the month. The ease with which normal banking activity can be accomplished remotely means bank visits can often depend on the customer's individual need for a consultation with associates. For example, an online banking customer might be drawn to a bank location by their need to learn more about a new product they are considering.

However, the frequency with which individuals visit the bank branch starts to drop off once the branch is located between 20-30 minutes away, with 15% of consumers at that distance opting to visit their branch once or twice a year, or even less frequently. That stated, visiting the bank branch one to two times a month is still the most common frequency across all distances up to an hour away, where 43% of respondents will only visit the bank branch less than once a year.

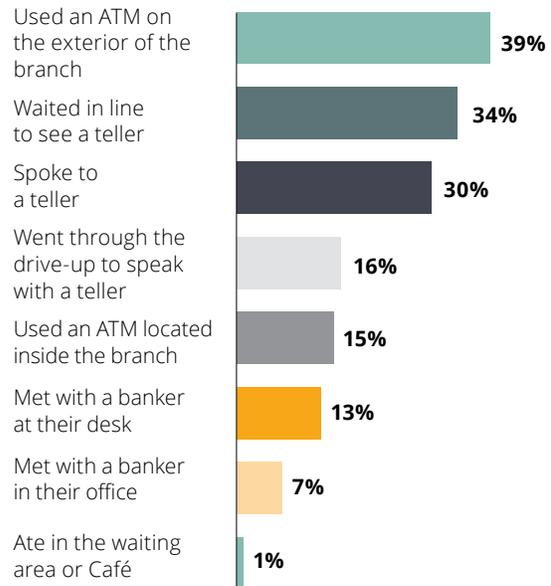
How often do you visit a physical bank branch?



39% of consumers didn't enter the branch on their last bank visit, opting to use an exterior ATM instead.

Engaging with a teller is roughly as common as using an exterior ATM. Non-banking activity, such as consuming food on offer from the branch, is a relatively uncommon experience. This reinforces the hypothesis that convenience is important above other elements of a banking relationship.

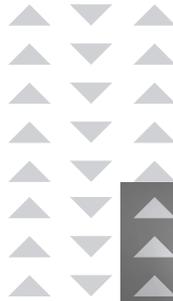
Which of the following actions did you do on your most recent bank visit?



80% of consumers will visit three or fewer branch locations for their bank of choice per quarter, reinforcing the idea that proximity is a major factor in a physical banking relationship.

The average consumer will frequent the local bank branch of their choice, as well as one or two other locations. It is very rare for a banking customer to visit more than three branches in the course of their normal banking activity, and uncommon for an individual to make zero visits over the course of a single quarter.

The more locations consumers visit, the more likely they are to exhibit a preference for banking through a physical branch. In fact, 62% of those who have visited four to five branches within the last three months will choose a physical banking experience over digital banking when given the option.



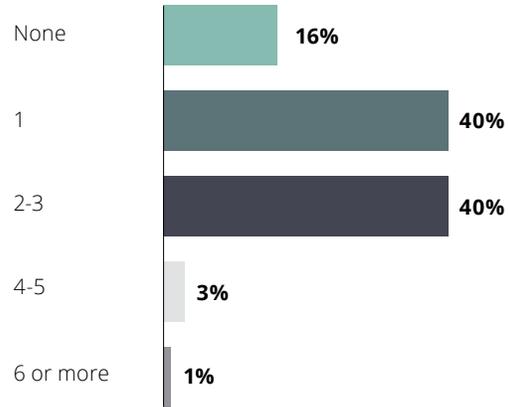


Regardless of how often they visit, when customers do visit the bank branch they expect it to be a welcoming environment where they can get immediate help from qualified staff. Out of customers who have not visited their branch location within the past three months, 69% still placed accessibility and availability of staff as an important feature of a bank branch. This was the most popular feature both in that subset of respondents and from consumers as a whole. The only subgroup of customers who valued ATM access more highly than access to staff are those who had visited bank branches between four to five times in the past three months, suggesting they are frequenting a network of locations to deposit and withdraw cash on a regular basis.

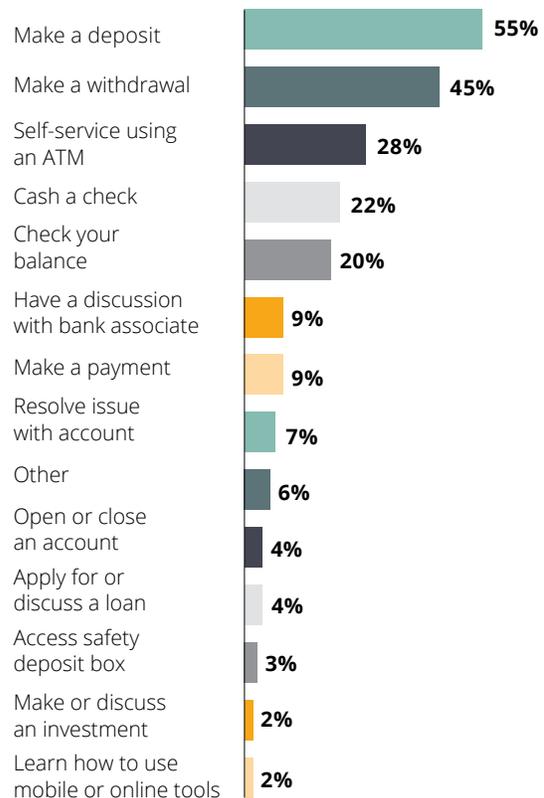
The management of cash and personal liquidity is a primary factor separating the operations that take place within the branch from what is possible over the internet.

One of the most important factors that still separate the physical branch from an online banking experience is the ability to easily deposit and withdraw cash. That stated, a range of interactions which are exclusive to the physical bank location collectively account for a robust share of activities. Major actions such as applying for a loan will naturally occur less frequently than deposits and withdrawals; however, they can also hold much more influence on the relationship between the customer and the branch depending on their outcomes and service levels.

How many different branches of your primary bank have you visited in the last 3 months?



Which of the following banking activities did you do on your most recent visit to a bank branch?



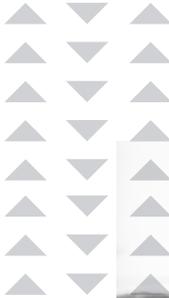
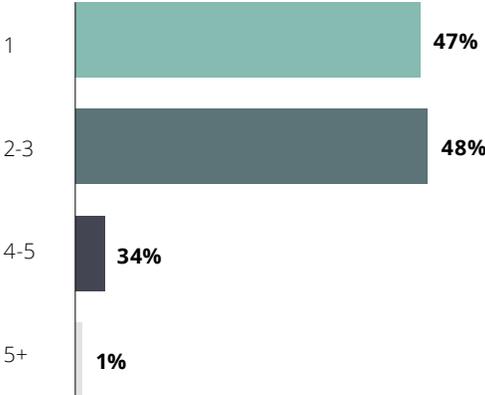
How consumers choose their banking relationships

The majority of banking customers have accounts in fewer than 4 banks. What factors make them select the banks they patronize?

Most banking customers consider proximity, a sense of community, and access to both ATMS and staff to be key criteria when choosing a banking relationship. In most cases, customers can meet their needs with a single banking relationship, or with two or three banking relationships on the higher end. Only 5% of respondents have accounts with a wider range of banks.

The likelihood that an individual will open multiple accounts can be predicted by their income, with high-earners typically distributing their wealth over a series of accounts which may have specialized purposes. Among respondents who had \$500,000 in annual earnings last year, 30% reported they had at least 4 accounts with separate banks or credit unions. By contrast, 67% of individuals earning less than \$20,000 maintained a single account.

How many banks / credit unions do you have accounts in?





43% of banking customers admit they do not know of all the programs and services their bank can offer. They may have a specific service in mind with their choice of bank, or they could be relying on other factors, such as proximity, to make their decision.

The importance of consumer education is significant, as a relatively large share of consumers do not know what products are available to them from their banks. The role of the bank location as a center for consultation should be emphasized for associates to make customers aware of how their relationships can grow, and what products or account features they might not be taking advantage of.

Knowledge of financial options is critical, especially among lower-earning populations. Customers earning less than \$20,000 per year were the only group for which the majority (55%) did not know the features and services available to them within their banks. By contrast, top-earners were the most likely to be taking advantage of the full range of services available to them.

The bank branch is well-positioned to serve as an education center. Banking customers who preferred a physical banking experience were 7% more likely than desktop users to state that they knew all the programs and services at their bank, and 9% more likely than mobile app users.

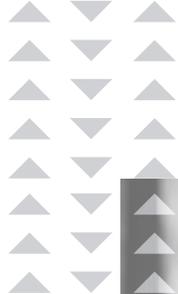
Do you feel you know all of the products and services your bank or credit union offers?



57%
Yes



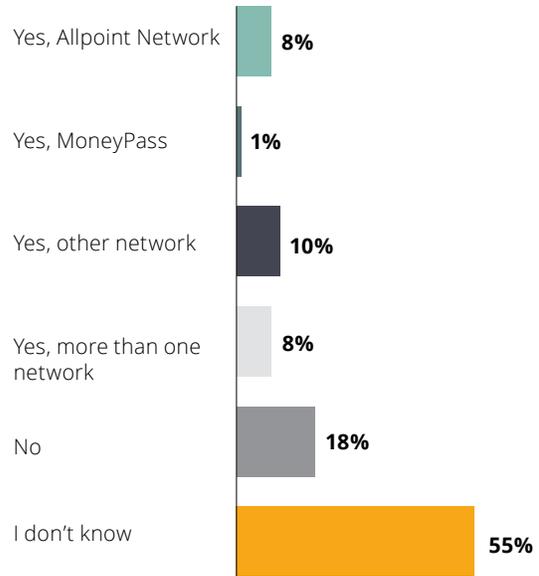
43%
No



A good example of one of the features customers must be educated on is whether they belong to a surcharge-free ATM network.

ATM use makes up a significant share of the banking activity that occurs at an average branch location. This makes it surprising that over half of customers do not know if they are members of a surcharge-free ATM network. Even among customers who said they were aware of all the programs and services available to them at their bank, 47% still said that they were unsure if they belonged to such a network.

Is your primary bank or credit union a member of a surcharge-free ATM network?





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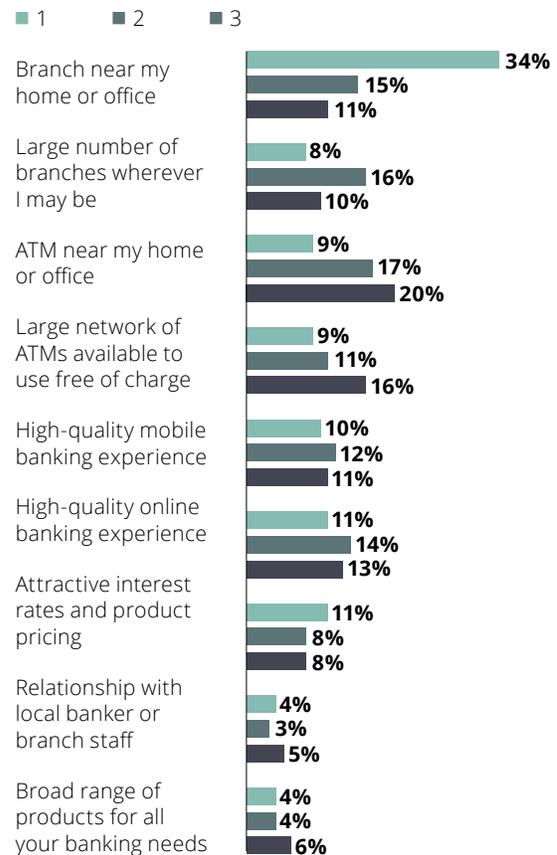


What makes the bank branch special?

While the most important listed factor is still the proximity of a branch, customers want ATMs within their reach to add flexibility to their routines. Online and mobile banking options saw a fair amount of priority as well, though customers seem to be more concerned about adopting a relationship with the nearest possible banking institution that provides acceptable service.

In terms of reflecting preferences, respondents who preferred a digital experience through mobile or desktop were only slightly less likely to prioritize a bank that has locations near to their house. Mobile users were much less likely to prioritize a good relationship with their local bankers or branch staff, suggesting that they may have a more casual approach to their activities in-branch than someone who actively consults with their bankers.

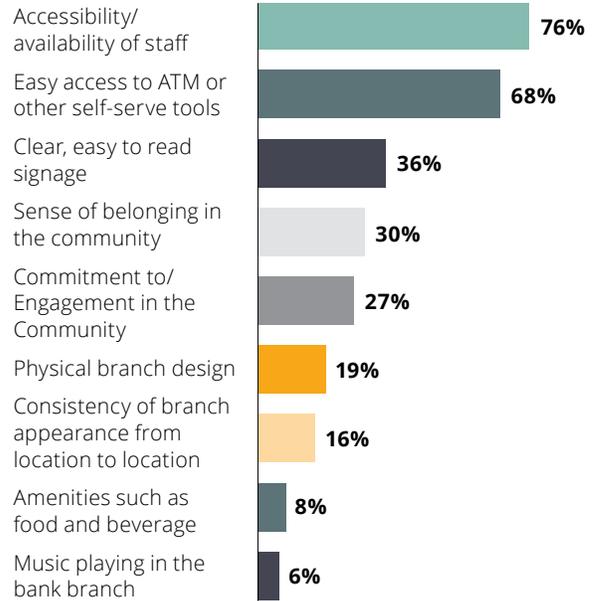
When choosing a new banking relationship, how important are these factors? Please rank the options from most to least important with 1 being most important.



Ease of access to banking features and the ability to quickly get help from a live associate are the two most important factors that customers look for in a physical banking experience.

Auxiliary amenities such as food, drinks, and music are less important than being physically close and well integrated into the surrounding community. Proximity continues to be an important factor, even when adjusted for how far away a customer’s bank is, or for how often they actually visit the branch as opposed to banking online.

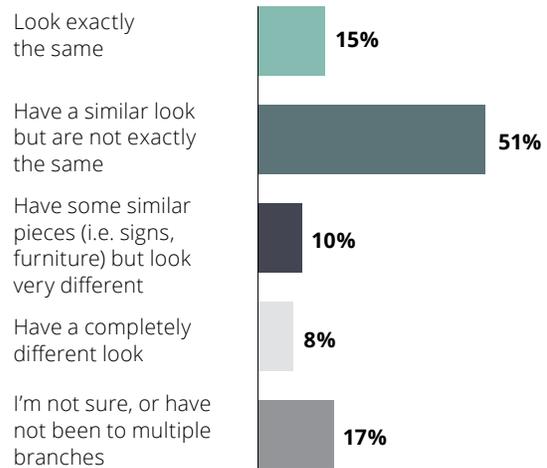
Which of the following attributes are important for you in a physical banking experience?



The look of the bank branch is generally consistent, at least in the eyes of the majority of customers.

As 19% of consumers feel that branch design is an important factor in their appreciation of a physical banking experience, banks must prioritize creating a consistent, repeatable, and dependable experience at all their branches.

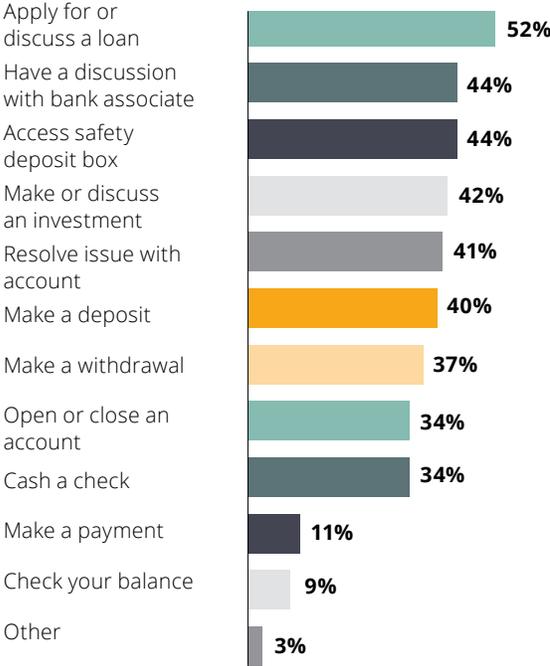
In your experience, do the branch locations of your primary bank:



The most popular banking activities customers conduct in-branch revolve around face-to-face contact, particularly when customers are seeking a loan, accessing a safety-deposit box, accessing deposited cash, or inquiring about other financial products.

The less often respondents visit their bank locations, the more likely they are to utilize them solely for ATM use. In fact, of respondents who visit their bank locations less than once a year, internal and external ATM usage are the only reasons they come to their physical locations. On the other hand, 32% of customers who bank each day at their branch of choice will also wait in line to see a teller, rather than handle all of their business at an ATM. This is a clear demonstration of the power of human interactions, with nearly a third of daily banking customers willing to wait to speak with someone they can develop a relationship with.

Which of the following activities would you prefer to perform in-branch as opposed to online?

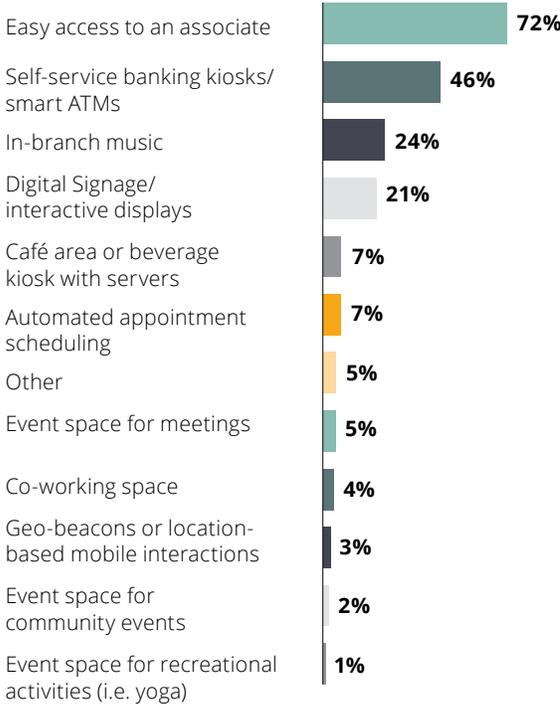


Addressing common challenges for consumers and the role of technology in solving them

Easy access to associates is not only one of the greatest draws of the in-branch experience; it is also one of the most consistent features that customers have accessed in their recent visits to the bank branch.

Digital signage technology, self-service kiosks, and smart ATMs are some of the increasingly popular technology features which can supplement face-to-face relationships between branches and banking customers.

Which convenient features were available within the bank branch you visited most recently?





When asked to define their opinions on the usage of ATMs, particularly those equipped with video tellers, respondents felt largely positive about their usage as a way to extend the hours of their branch. That sentiment changed when asked if they would be comfortable in a scenario where video tellers replaced human bank tellers, where 65% of respondents felt negatively. Indeed, the presence of a larger number of ATMs at another bank would not be enough to convince 67% of respondents to switch banks.

Based on qualitative responses submitted through an open field response question, the things that most respondents feel could be improved about the bank are hours of accessibility for both ATMs and tellers, line wait times, physical distance to travel to their location of choice, and the cross training of staff to be more knowledgeable. This tracks with the fact that most customers consider more ATM access a good thing but are reluctant to embrace the idea of fully replacing staff with technology-enabled options.

When asked what they like about branches, respondents focused on ease of access, speaking with a real associate, and the ability to withdraw cash on demand.

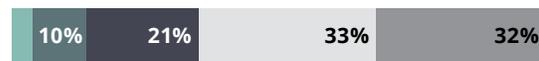
Please indicate how much you agree or disagree with the following statements:

- Completely agree ■ Agree ■ Somewhat agree
- Disagree ■ Completely disagree

Video tellers at the ATM are a good way to extend branch hours

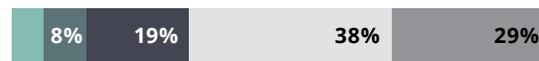


Video teller options at the ATM are a good replacement for live tellers at the branch

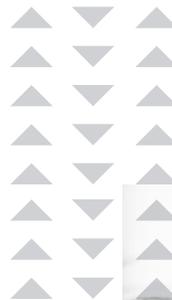


4%

I am likely to consider changing my bank if another bank has many more ATMs near me



6%



Key Recommendations

1

Above all, the primary draws of the physical bank branch are the ability to consult with a teller or bank associate in person.

While this becomes especially important when a customer is seeking specific information about a loan or other financial product, being able to freely talk, ask questions, and foster a sense of community remains an anchor to the bank despite the proliferation of digital banking options not tied to a location.

2

Proximity is a powerful draw in the process of selecting financial institutions, and a single, well-located branch where customers can easily access an associate on-demand remains the deciding factor for the majority of customers. This is despite the fact that the majority will visit their bank location one or two times a month, at most. Customers welcome the convenience of easy-to-use ATMs and other amenities within the branch and appreciate their presence in other locations that they traffic. Ultimately, with mobile and desktop banking becoming more prevalent, having a touchstone location remains important.

3

Educating customers about bank products and the features available within the physical location is an important area of development for banks that can help customers reach an optimal balance between digital and physical banking.

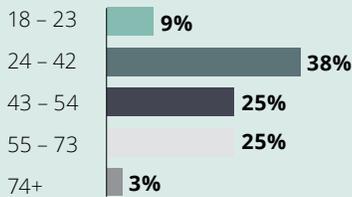
Appendices

Appendix A: Methodology

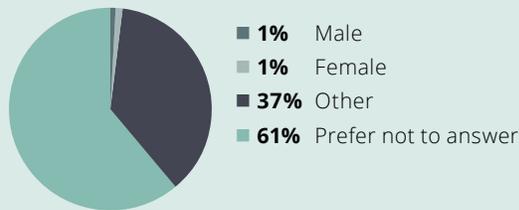
The results analyzed in this report were gathered from responses to a digital benchmarking survey delivered to U.S. residents with at least one active bank account through SurveyMonkey's survey audience tool. 1,643 consumers responded to the survey.

Appendix B: Demographics

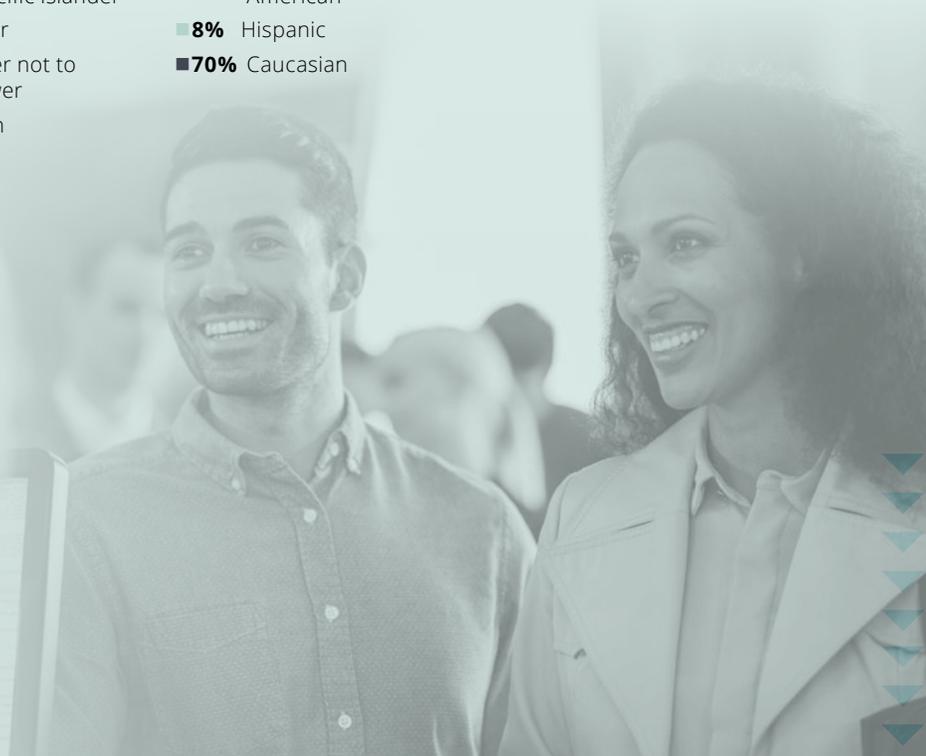
Age Range of Respondents



What is your gender?



What is your ethnicity?



About the Authors



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