



Will Financial Institutions Look Like Dentist Offices?

branch strategies digital banking pandemic

Summary: The business model of the branch is changing. Could it look like that of your local dentist's office?

What do dentists and community financial institution (CFI) branches of the future have in common? More than you may first think.

Today's bankers might not think of dentistry when contemplating the business model of their branches. But in fact, the professional office model, in which specialized, one-on-one service is provided by appointment, might well be the way more branch client service is handled in the future.

As Mike Carter, executive vice president of advisory firm Strategic Resource Management said to S&P Global Market Intelligence in the summer, *"In the future, the bank branch will be a lot like going to the dentist or seeing a doctor -- you'll make an appointment to go in and discuss something."*

Digital channels surge. The pandemic has already altered the branch landscape by shifting more banking transactions to digital channels as financial institutions (FIs) struggle to reopen branches under COVID-19 protocols. Customers have been quick to adopt digital services out of necessity.

A survey by S&P Global Market Intelligence found that 44% of respondents began increasing their usage of mobile banking apps during the pandemic, with about 30% saying that they had used at least one digital function like money transfers between accounts or mobile check deposit for the first time. Not only that, but 53% of respondents said they expected to continue their increased usage after the pandemic; 34% said they thought their usage would become even more frequent in the future.

In light of this shift, many financial institutions are upgrading and/or expanding their digital services. In fact, 26% of FI in an August 451 Research survey reported they had fast-tracked their digital initiatives.

Branches become advisory centers. Despite the surge in digital banking, branches haven't been made obsolete. Indeed, according to S&P, new branch openings were picking up again by June. Although more branches were still closing than opening, the fact that FIs were again starting to open new branches is a clear indication that bankers haven't given up on the branch concept.

Since digital seems to satisfy customer needs for basic transactions, CFIs will need to find new ways of operating branches to justify their costs. It makes sense for advisory services to start ticking up. This may prompt a re-evaluation of the current services provided. Is your institution currently providing wealth management services? What about insurance services? Start compiling a list of those services often needed by your customers and those they may start needing. With this modification in the branch strategy, remember to include additional staff training and upgrades to the appointment system as well.

The branch will continue to be a place that meets customer financial needs. But the way in which this is done is changing. Reviewing your branches, services, and how they integrate with your digital channels will ensure your future success.

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