



From Transaction to Connection: Building Smart Branches

🔗 technology branch strategies customer service customer experience

Summary: One of the top retail banking trends in 2023 is the evolution of branches. It's not enough for branches to be spaces in which customers complete transactions. Smart branches integrate with digital offerings and attract current and potential customers in new ways.

There often is a difference between our perception and reality. You don't have to look any further than your windshield to find an example. In 2018, a study conducted by the American Automobile Association (AAA) found that **73% of Americans** believed their driving skills were above average.

Another perception gap is apparent when it comes to customers' willingness to use digital channels for banking services and their actual use of digital services. For example, in North America:

- **74% of customers** say they are willing to use digital services
- 52% have used digital services
- 36% prefer digital services

While the banking industry has been disrupted by digital services, customers continue to value face-to-face interactions at brick-and-mortar locations, especially when they're considering **new products and engaging new services**. Today, branches are more than spaces in which customers complete transactions. Branches give community financial institutions (CFIs) opportunities to learn more about customers' financial well-being, suggest ways to achieve financial goals, and build loyalty. Despite the closures of the last few years, branches are expected to remain an essential part of CFI distribution strategies.

The Evolution of the Smart Branch

One of the top retail banking trends in 2023 is the evolution of branches. In general, smart branches:

Integrate with digital offerings. Technology can support a streamlined customer journey. Digital integration can help branch staff identify and suggest value-added services that can improve customer acquisition and product origination rates.

Offer value-added services. Some CFIs are offering advisory and investment planning services. Others are emphasizing financial education and technology training. When customers have strong connections with branch staff, they are less likely to be lured to the competition by lower fees or higher interest rates.

For example, an **Iowa-based CFI** has community learning labs. In addition to providing traditional banking services, the branches are designed to help members learn about money-related topics such as credit scores, home buying, and financial services. Customers can engage in the way they prefer by using touch screen technology or talking with branch staff.

Attract and engage customers in new ways. Every branch reflects the CFI brand. Some will be automated and offer human interaction through video tellers, while others encourage customers to come and stay. For

instance, some branches offer pet-friendly cafes, discounted food and drinks, and fast and free WiFi. Some rent private meeting rooms and event space to customers.

Some large banks are taking advantage of this trend as well. Capital One Cafes have now expanded to over 50 locations, including in airports. Of course, there are bank employees available to assist with financial queries, but there is a bigger focus on the customer’s comfort than anything else. Capital One Cafes are tailored to their location, with locally sourced food and art. Amenities range from coffee and ATMs to [luxury lounges and wellness rooms](#).

While customers are willing to use digital services, many prefer face-to-face interactions. You can strengthen current relationships and attract new customers by building smart branches that integrate technology, education, and top-notch customer service to bring extra value to your community.

STRESS TESTING: TOP-DOWN OR BOTTOM-UP

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ECONOMY & RATES

Rates As Of: 11/07/2023 10:25AM (GMT-0800)			
Treasury	Yields	MTD Chg	YTD Chg
3M	5.56	-0.03	1.14
6M	5.47	-0.07	0.71
1Y	5.32	-0.11	0.62
2Y	4.91	-0.18	0.49
5Y	4.54	-0.31	0.54
10Y	4.58	-0.36	0.70
30Y	4.72	-0.37	0.76
FF Market	FF Disc	IORR	
5.33	5.50	5.40	
SOFR	Prime	OBER	
5.32	8.50	5.32	

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