BANKING & PAYMENTS

# BULLETIN

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# Maximising the bank branch opportunity

When it comes to banking and payments, most people would agree that the USA has often been a follower, not a leader – consider, for example, chip and PIN, contactless or faster payments. An area where the USA has proved more dynamic, however, is branches. European banks have struggled with very old networks and declining footfall; they have responded by simply closing branches. Banks in the USA have been nimbler.

As our feature article (see page 12) examining the state of US bank branch networks highlights, the USA has faced similar challenges, and the number of branches in the country has fallen every year since 2012. However, this data masks what has happened at a more local level, with banks using a mix of branch closures and (fewer) openings to adapt their footprints to changing demographics and market dynamics.

Furthermore, the latest research from RBR Data Services and new data from the FDIC in the USA suggests that while US branch numbers are continuing to fall, the rate of decline has slowed. Smaller banks, including community banks, see their branches as a way of differentiating themselves from larger competitors, and they actually increased their branch footprints slightly last year. Moreover, two of the largest banks in the USA are going against the overall branch rationalisation trend, with JPMorgan Chase and Bank of America committing to expand their footprints.

There remain underserved communities where new branches can be established, and, in general, banks still need branch networks to support their strategies – for example, expanding small business and wealth management activities. As research from RBR Data Services regularly highlights, the key to balancing the pressures from falling footfall and the need to maintain branch networks to support growth is an unrelenting focus on branch efficiency. Doing so involves a mix of more sophisticated staffing models, reduced teller staff and greater use of universal bankers with increased use of technology. Teller cash recyclers, advanced ATMs and assisted self-service terminals, including video terminals, all help banks offer in-branch services for longer hours across more branches with fewer staff.

Changes in customer behaviour mean the world does not need as many bank branches as it once did, but they remain necessary. Different countries are at different points on their branch rationalisation journeys; for some, the most painful part is nearly over. Branches remain a cost burden for banks but are also a huge opportunity – now is the time to focus on maximising that opportunity.

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