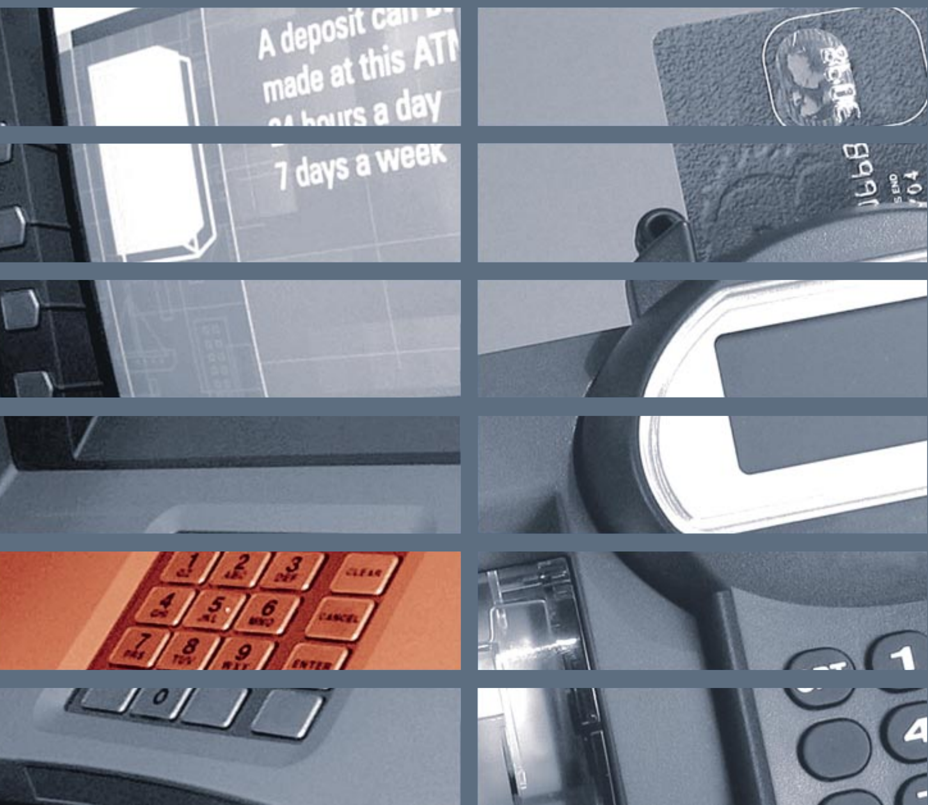
Issue 376 | September 2018

# Banking Automation BULLETIN




**The challenge of banking 'omnidigital' customers**

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Issue 376 | September 2018

*First published in December 1979*

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## Why the bank branch is not dead

In their excellent article '*Branch closures could tempt new players into the UK market*' in this issue of the *Bulletin* (see pages 4-5), David Cavell and Ian Goodliffe persuasively argue that incumbent banks, under pressure to cut the costs of their existing branch networks, are closing outlets rather than considering alternative strategies.

The macro trends are well known – rapid growth in mobile and internet banking combined with increasing adoption of non-cash payments, has led to dramatic declines in branch footfall. If nothing changes, banks are probably right to continue along the branch closures path... but why does nothing have to change? While there are numerous factors that are beyond banks' control, there are two key elements they can fully influence which could transform the economics of branch banking.

Firstly, modern branches can operate at a fraction of the cost compared to the past. They can be smaller, which may require changing location, and operate with far fewer staff and greater levels of automation. Such downscaling does not automatically mean a lower level of service – quite the opposite. Greater use of automation should reduce queuing and increase the range and hours of services on offer. Furthermore, use of video, combined with a smaller number of appropriately trained in-branch staff, offers the potential of a more personal and specialised service at lower cost.

The second factor, which is less commonly discussed, is the role that banks play and the range of services they offer. For all the negative coverage that banks have received in recent years, when it comes to safeguarding money, individuals and companies still seem to have greater trust in banks than almost anybody else. This should give them a huge advantage, and those that can adjust to a continual move away from cash services, modify their offerings and build on the advantage they have when it comes to important financial decisions, can still thrive. While much of this can and will happen away from the branch, physical locations still provide a unique ability to reassure customers, and that combined with a personal service is hard to match remotely.

None of this is easy. Branches already operate at much lower costs than in the past, and in a rapidly evolving banking and payments environment, investing in the wrong propositions is a real risk. There is nevertheless an ongoing need for high quality retail financial services, and if incumbent banks cannot adapt, others will inevitably seize the opportunity.

Dominic Hirsch, Editor



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ISSN 1748-5304

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393 Richmond Road
London TW1 2EF, United Kingdom

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