**Branch vs. Digital Banking/Closing Branches**

**A Penalty and an Opportunity**

Overheard from the fly on the wall “we can save a lot of money by closing branches so let’s make sure that we run this bank as efficiently as we can”. Then the branch folks added, “no, no, our business still relies on the personal touch with our customers**”. So, the argument continues with no facts from the customer – the ultimate judge.** So, who is right? That’s where Foresight Research comes in. We surveyed 3,000 banking consumers and credit union members to measure the banking habits of consumers in the Midwest and the Southeast.

**Users of Branch and Digital Banking**

Mobile Apps are the predominant mode of banking access across the Midwest and southeast, followed closely by online banking (using the bank or credit union’s website). While branch banking is used at least occasionally by 4 out of 5 customers or members, only 13% are frequent branch users. Gen X and Millennials customers/members most often access banking services via mobile app, while customers/members over age 55 are more likely to use online banking services. High income customers are more likely to use digital as well as traditional banking services, likely the result of greater need, more accounts, and more transactions. So overall, score one for the cost-saving proponents who would point to the diminished use of branches as a good reason to close some and reduce costs.

**Expectations and Satisfaction with Branch and Digital Access**

Frequent users of digital have significantly higher expectations than frequent users of branch banking. This is particularly true when it comes to fees, fraud protection and handling problems promptly and easily. Additionally, satisfaction levels are also higher among frequent users of digital compared to frequent users of branch banking, except for “offers good advice”. On that measure branch banking and digital banking are equivalent, suggesting the need for personal interaction for offering financial advice. That said, the banking footprint is still important especially for consultive services which are not acceptable at this point through digital or AI. And when it comes to the call center – that mode of interaction is not a complete substitute for the personal branch banking experience either.

Among frequent users of branches, satisfaction generally exceeds expectations. More than 8 out of 10 frequent users of branch banking are extremely or very satisfied overall with their financial institution. So, with a few exceptions, digital does seem to be a workable substitute for customer satisfaction – with a few exceptions.

**Closing Branches**

Now let’s turn to the possible penalties for branch closings. With the infrequent use of branches and the high cost of maintaining branches it is tempting to close some branches. Respondents were asked about switching financial institution if a branch was no longer conveniently located – drive time no more than 10 minutes.

About 17% reported that they would switch to another financial institution. Additionally, high digital users (often with high incomes) were just as likely to switch as high users of branches. It seems that high digital use does not result in significantly reduced intended switching. The reason - **3 out of 4 frequent digital users say that a conveniently located branch is extremely or very important even though they are not visiting branches frequently.** Handling problems easily or offering financial advice, two very high-level expectations, are not well served with digital or the call center. So, branches still matter but they may be reimagined in the future. For competitors in the local market this is a major opportunity. Closing a branch is a major disruption in the local market.

This information comes from surveys of 3,000 banking customers and credit union members in 11 markets across the Midwest and the Southeast. Foresight Research has been working with many Fortune 500 companies for over 20 years. They annually survey about 15,000 banking consumers in 60 markets. This database can be data mined to produce data analytics and consumer insights on hundreds of banking topics – such as this one. This approach is far more cost effective and faster than typical survey research. Give them a call to find out more.

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