

DIGITAL HUMANITY



Human Connection in the World of Virtual Banking

THE COVID-19 EFFECT

COVID-19 has changed the way retail facing organizations engage with customers. No product or service—not even those sold exclusively online—was exempt from disruptions to supply, processing, and delivery channels. From first-time mobile banking users to curbside signatures, both customers and employees were forced to adapt to new service processes.

Financial services were also impacted. Bank of American Rewards Executive John Sellers told [PYMNTS.com](https://www.pymnts.com) that as of September 30, 2020, 9 billion of the bank's 10 billion customer interactions in 2020 had been online.

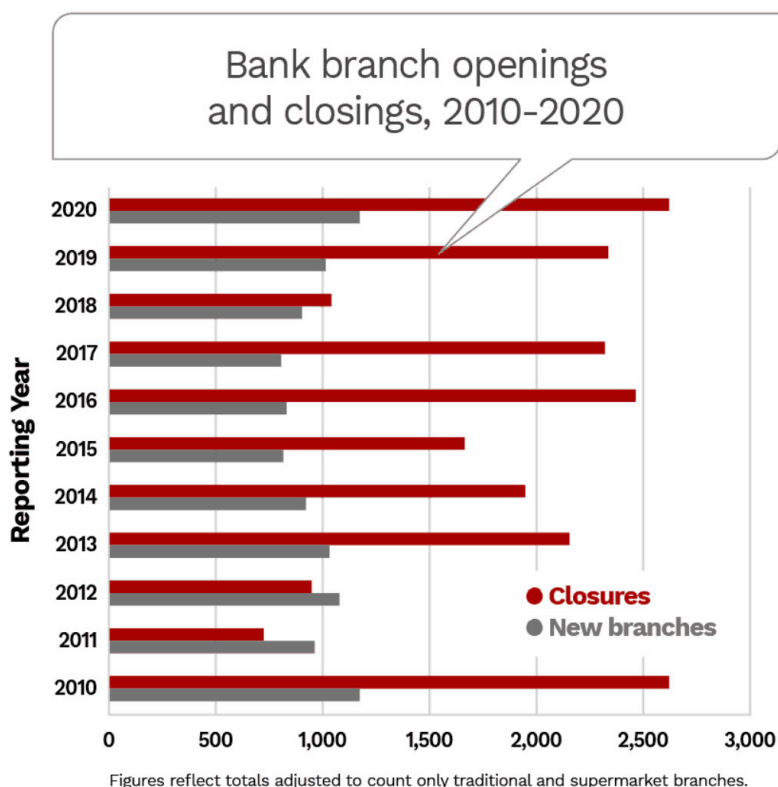
It's too soon to say how long these new habits will remain after retail access returns to normal. Some point out that retail locations have been restricted longer than the average 66 days it takes to make a habit automatic, suggesting that digital will remain a primary retail channel. In fact, the future of digital is much stronger than ever, now that pandemics have been forced to the front and center of disaster recovery plans at every community financial institution.

Where does this leave retail banking and branches?

It's a fact that digital adoption and nearly everything else about 2020 was unprecedented, but that doesn't mean it's impossible to visualize the future of branching. It's helpful to remember the future vision of retail banking was murky long before COVID-19 hit.

THE FUTURE OF BRANCHES

According to the FDIC, the net number of bank branches has declined each year since 2013. But as banks have closed an average of 1,861 branches each year, an average of 982 branches have opened as well.



Both banks announced new branching strategies in 2018 that have since shuttered thousands of traditional transaction-based locations while adding hundreds more that focus on growth in new markets, business accounts, and big-ticket life events like mortgages and retirement planning.

And despite COVID-19 closing some locations temporarily, both banks are moving forward with their plans in 2021. The Financial Brand noted that even though big banks have opened a lot of new branches in the last three years, they represent only 31% of all new branches. The article concluded that financial institutions of all sizes are adopting

In addition to changes to the location and which products and services are primarily supported, branches are also striving to support increased digital transactions occurring within the branch while retaining the human touch that drives brand loyalty. Even though the health risks of in-person service may have temporarily blocked access, the need for human interaction hasn't decreased.

The answer to the question of future branch strategy doesn't lie in quantity as it once did, but quality and branch strategy.



JPMorgan Chase and Bank of America are two big banks driving the transition to more strategic branch locations and function, after years of taking a shotgun approach to branch market penetration.

Because COVID-19 so severely restricted in-person service in many places, some financial institutions struggled to provide essential services entirely through their existing digital channels. Even banks and credit unions that had invested significant resources into digital-first service strategies discovered service gaps and operational friction when all in-person service was temporarily blocked. Planning for the future must include addressing these friction points and the need for person-to-person service.

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What will the branch of the future look like? Even though each market and FI has its own needs and deserves a customized strategy, there is a clear, overarching trend that functions well as a starting point: the use of technology to enhance the customer experience, rather than replace it. Finding ways to support digital and in-branch self-service, but also making employees available to assist customers in ways that build loyalty and drive sales.

DIGITAL HUMANITY

To understand how technology has changed banking, it's important to realize that the game changers haven't been new channels, products, or services per se. Instead, it's the experience those innovations produced that permanently elevated customer experience standards while meeting immediate and pressing needs.

Take mobile banking for example. It's not mobile banking that changed your branching strategy, it's the convenient, new experience for those simple interactions that mobile banking offers. Over the last few years, those simple features replaced the normal day-to-day convenience previously provided by the branch.

Service from a human will always produce a different experience than digital service. Even before COVID-19, the gradual adoption of digital services was revealing not only which account functions consumers were willing to shift over to digital, but also how convenient digital had to be before making the switch. The consumer experience drives channel selection, not the other way around.

With that in mind, the branch of the future should create a mix of technology and human interactions that meets the needs of its customers. Rather than installing digital technology to decrease staffing, use technology to improve how customers engage with your employees.

After all, employees are the primary reason branches still exist. If all banking functions could be done digitally, banking would become completely commoditized. Employees are still your most important asset. They drive loyalty.





Location: Lansing, Michigan

Asset Size: \$5.5 billion

Members: 300,000

Michigan State University FCU has a proud history of embracing technology, including being among the first credit unions to offer credit cards, ATMs and digital banking. However, rather than use technology to keep members out of branches, Michigan State uses technology to enhance in-person service.



“We were already shifting to a smaller branch format that can still serve members well”



Ben Maxim

AVP of Digital Strategy
and Innovation

For example, some of the credit union’s 22 branches are too isolated to staff with rotating subject matter experts. Rather than invest in a fully staffed branch, technology is used to provide centralized employees. The result is the same full-service experience. “We were already shifting to a smaller branch format that can still serve members well,” recalled AVP of Digital Strategy and Innovation Ben Maxim. “But then when COVID hit, we definitely realized that we needed to use video to maintain that service level.”

Touch screen service isn’t just for transactions. Michigan State also makes iPads available to members waiting for branch service. Apps for adults include financial goal setting tools and fun personality quizzes that relate to loan products. Kids can play a proprietary financial education games that were developed by the credit union in partnership with the university’s Gaming for Education (GEL) lab.

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Michigan State also uses technology to create an immersive brand experience in every branch. For example, each branch has a “wow wall” behind the teller line advertising products, services and current specials. Branches also include another digital wall board that is partnered with community chalkboard, further blending the physical and digital experiences.

How can your financial institution use technology to enhance the live service experience? Here are five ways:

WAYS TO IMPLEMENT HUMAN SERVICE WITH A DIGITAL CONSUMER EXPERIENCE (CX):

1. Centralize Subject Matter Experts and Provide Them Via Video Banking

Three years ago, national and regional banks began launching new branching strategies, pulling loan officers out of every branch and placing them in centralized locations instead. Of course, the use of technology to increase efficiency was the primary driver of this trend, but it also allowed employees to become more specialized and proficient in learning. And customers appreciated the faster processing and funding times centralization produced.

In some shops, the ability to staff according to volume instead of geography has produced staggering results. For example, when the \$1 billion Avadian Credit Union in Hoover, Ala. implemented centralized lending, it reduced front-line lending staff from 15 employees spread out across the branch network to just nine centralized and highly productive staff.

When the \$873 million Tropical Financial Credit Union in Miami centralized its lending operations and made loan officers available to branches via video, loan volume per employee jumped more than 80%.

At the \$2.9 billion GECU in El Paso, Texas, roughly half of the credit union's new lending volume begins with loan interviews in virtual video offices located in community branches.

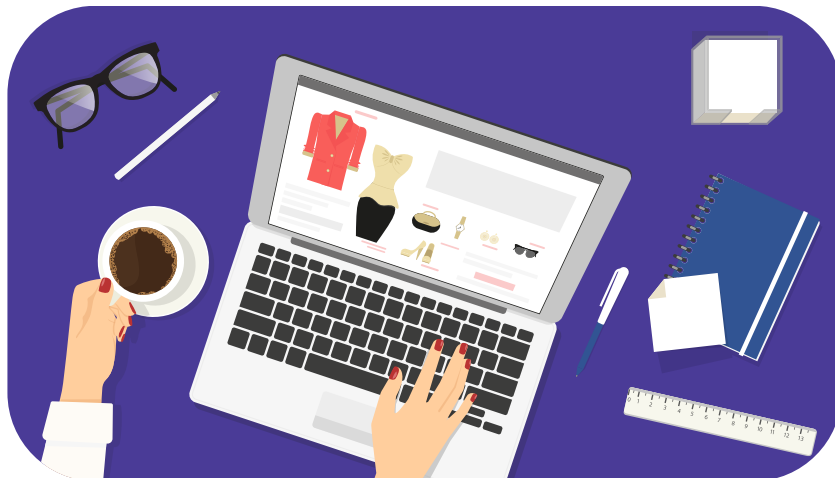
Branch staff completes a soft transfer to the virtual offices, escorting members into the office, demonstrating the software, initiating the video connection, and introducing the member to the centralized lending employee to help them feel more comfortable with the process.



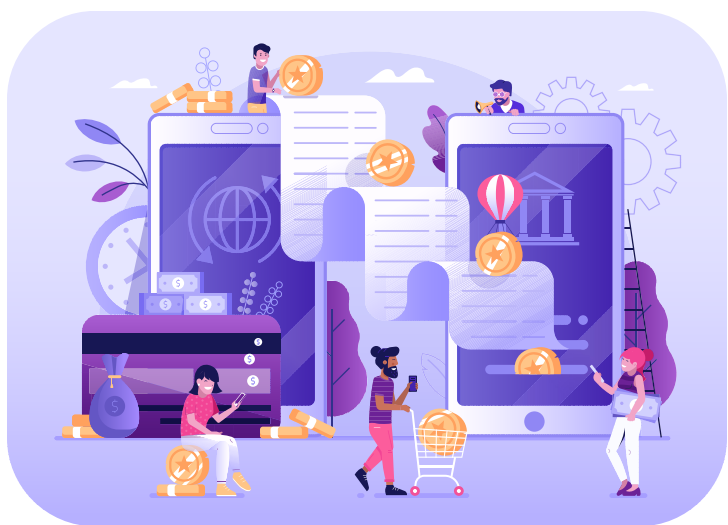
2. Repurpose Branch Space

Retail clothing stores experienced tremendous reductions in foot traffic during 2020 due to the COVID-19 outbreak. Luxury department stores Nordstrom and Neiman Marcus reported -43% and -41% foot traffic decreases respectively during 2020. To make better use of retail space, many clothing retailers have repurposed retail space to support online orders and curbside pickup. Retail clothing had already experienced slower foot traffic before COVID-19,

and in response, Nordstrom launched Trunk Club, an online personal shopper subscription, to increase sales and deepen customer relationships. Trunk Club returns and exchanges can be completed at Nordstrom retail locations, bringing online customers into the store.



Many banks and credit unions were already actively embracing this repurposing trend before the COVID-19 outbreak when they remodeled branches to de-emphasize transactions and encourage lending, investments, and other complicated and profitable services. Some have used branch space to help customers learn how to budget, apply for a mortgage, organize bookkeeping for a small business, or use mobile apps..



Video banking can upgrade the convenience of any branch by providing reliable and efficient access to product experts. A small private office devoted to video banking can easily provide the in-branch experience that drives brand loyalty. This video banking office allows a drop-in customer to always have access to the right product expert. It's an opportunity to immerse customers in your brand experience and increase your ability to close new business and not send customers away.

3. Branches as an Immersive Experience

Because the branch of the future's value proposition is an emotional connection, the physical environment (lighting, textures, smell, temperature) must immerse the customer in the brand ethos. Ask yourself: how does it feel to walk into the branch? Does it meet the sensory expectations of your ideal customer?

Digital natives, who represent half of all American consumers, expect a brand to be authentic and consistent from front to back. For example, Birchbox beauty offers a brand promise to deliver an upgraded, personalized beauty experience. Although Birchbox is known for its entirely online curated beauty box subscriptions, the brand's limited retail stores offer champagne to browsing customers and feature convenient do-it-yourself stations that provide product and packing materials to build your own beauty box. The result is an immersive brand experience.



Thomas Bailey, President, and CEO of the \$751 million Brentwood Bank in the greater Pittsburgh area told Independent Banker in a December 1, 2020 news story that he's looking to the influence of large online retailers when envisioning the branch of the future.

"The combination of personable bankers and technology to provide banking the way consumers want, when they want, will be the way going forward," he said.

In addition to the branch environment, customers expect to be able to complete any transaction or solve any problem in one visit. Access to subject matter experts like mortgage loan officers and investment consultants is a must. A centralized operational staffing strategy can control costs by providing subject matter experts via video feed, rather than staffing boutique-sized locations with multiple product-focused employees.

4. Niche Down

A required focus on COVID-19 messaging made many businesses quickly forget a 2019 trend: the riches are in the niches. The idea here is that consumers have so many choices thanks to digital access, they don't want just one source who can do everything okay. They want an expert who can address each specific need. That means McDonald's style branching, in which every location looks the same and provides the same services, is out. Branches that appeal to a well-defined, ideal customer are in. For some institutions, this may require fewer branches that drill deeper into each carefully selected market.



That's the case for Popular Bank, which announced it will transform its remaining New York and New Jersey branch networks to reflect its current Miami strategy, focusing on small business accounts and contributing to each branch's local community. According to press releases and information on its website, the bank will close nearly one-third of its New York Metro branches as a result; however, the \$42 billion Popular is already making good on its promise to serve its communities. In 2020, it announced the backing of a fund that supports minority business owners in Newark, the funding of 28,000 PPP loans, and the funding of 14 Small Business Recovery Grants in partnership with the Federal Home Loan Bank of New York. The bank also organized and sponsored its own Virtual 5K in 2020 that raised funds for youth programs in the Miami and New York neighborhoods it serves.

5. Build a Virtual Branch

In 2020, mobile banking app messaging transitioned from "convenience at your fingertips" to promises of "a branch in your pocket." Convenience in the form of fast and easy is still a benefit of mobile banking, but because COVID-19 limited in-person service, the value proposition of convenience has shifted to one-stop shopping.

American Banker reported the virtual branch trend in an October 23, 2020 article entitled, "Virtual Branch Concept Making Inroads in the U.S." It stressed a virtual branch is not just online banking, it also includes the need to conduct branch-like services.



Specifically, the article cited a need for customers to be able to complete a transaction from start to finish, without having to use another channel. Furthermore, a virtual branch must provide immediate access to a live agent in the event the customer encounters a problem or has complex transaction needs.

Simply put, a virtual branch requires the one thing customers seek when they visit a physical branch: people.

The pandemic created a perfect storm of service interruptions due to closed branches, employees working from home, and high-touch customer needs like job losses, stimulus funds, and PPP loans. The virtual branch provides business continuity assurance, in addition to convenience and efficiency.



A Virtual Branch Must Provide The Following:

- Access to real people: It's not a real branch without real people.
- Access to information: Key information like rates, fees, and FAQs are easy to find.
- Access to digital self-service: A virtual branch is digital-first.
- The ability to perform more complicated transactions digitally, such as opening and funding new accounts, applying and funding loans, and wiring funds.
- Access to experts: When required to complete more complex banking requests, loan officers, investment advisors, and business services employees must be made available via digital channels like video banking.
- Hassle-free access to multiple communication channels: The ability to screen share, collect documents, and confirm ID, is required to recreate the branch experience.

The \$2.5 billion Educators Credit Union put up a digital branch in just a few weeks using video banking available via a website widget. COVID-19 had closed the Racine, Wis.-based credit union's branches in March, and like most financial institutions, Educators Credit Union discovered some unexpected friction points. One example was the shorter hold time for checks deposited in a branch versus ATM, online or mobile channels. The face-to-face nature of video banking allowed for positive ID and shorter hold times—just one example of how video can truly reproduce the branch experience.

**DOWNLOAD EDUCATORS
CREDIT UNION CASE STUDY**

CreditUnionTimes

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More than 80% of executives surveyed said contactless processes for member identity verification will become a member expectation, and more than 75% agreed contactless identification would help their staff make better decisions.

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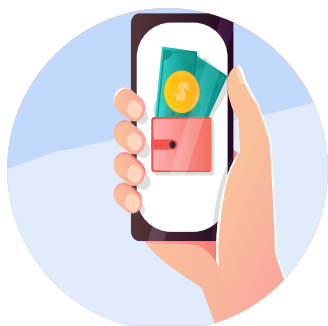
Credit Union Times, December 16, 2020

Like physical branches, a virtual branch must be built with precise intention. Before deciding on services, staffing, hours, or channels, let the answers to the following questions guide your virtual branch strategy:

- What gaps do you see in your growing service footprint?
- Where are you giving up ground to competitors?
- How successful is digital adoption?
- Is your online loan application abandon rate a problem?
- What services and advice do your customers need after traditional banking hours or on the weekends?

Virtual branches also accomodate staffing needs, allowing employees to continue working from home while serving members face-to-face. Additionally, virtual branches can have extended hours, which may appeal to customers and employees who need added convenience and flexibility.

DIGITAL



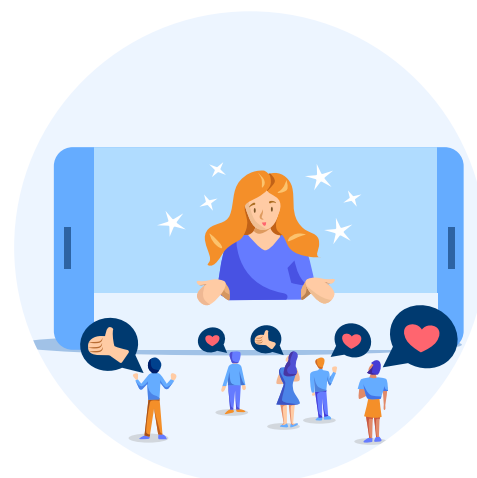
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HUMAN INTERACTION



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CUSTOMER EXPERIENCE



Here are several ways financial institutions just like yours have integrated technology into their branches to improve their customer experience:



Location: Lake Odessa, Michigan
Asset Size: \$245 Million

Union Banks serves a rural population and focuses on agriculture financing. Video banking has allowed the bank to better serve customers on the farm, where branch access can be unavailable due to weather or long work hours. This digitally expanded branch footprint provides in-person access to centralized product experts, which the bank smartly recreated in a commercial promoting video banking.

Union Bank also used video banking to support its expansion into the Grand Rapids metro area, providing subject matter experts onsite via video without needing to invest in large branch locations. [Click here to see the commercial.](#)



Location: Chubbuck, Idaho
Asset Size: \$5 Billion

After launching video banking two years ago, ICCU experienced an exponential increase in digital usage after the COVID-19 shut down all 39 branches. Video banking recorded the largest increase, by far. In fact, video banking adoption was so strong, the credit union funded 3500 PPP loans for a total of \$165 million, most of them through video banking. One key decision ICCU made before the pandemic was to integrate video into its mobile app, along with other valuable services like Zelle and credit score improvement services. Value-loading the credit union's mobile application built confidence in digital services before branches unexpectedly closed. [Click here to see our commercial](#)



Location: Clarinda, Iowa
Asset Size: \$1.5 Billion

When COVID-19 shut down Clarinda's homegrown Santa Village, where Santa meets and greets local kids every year, PCSB took action. The bank used video banking, available via its website and a mobile app, to provide virtual visits with Santa. The move earned the bank publicity, brought joy to local children, promoted good corporate citizenry, and showcased the bank's new digital channel.



Location: East Lansing, Michigan

Asset Size: \$5.5 Billion

Michigan State University FCU launched video banking in just five weeks after COVID-19 shut down branches. However, the credit union had long planned to add video banking to support its strategy of using technology to support face-to-face service. Members from all over the world have used video banking to satisfy complicated account needs, truly extending the credit union's footprint to a global presence.

The branch of the future will use technology to enhance the interaction between your employees and customers. Providing instant access to subject matter experts, creating an immersive brand experience, repurposing unused branch space, broadening your service capabilities, expanding your target market, and beefing up your virtual branch experience are all ways to do that.

VIRTUAL BRANCH



MOBILE



IN-BRANCH



WEB

To learn more about how POPi/o Video Banking can help your financial institution create the branch network of the future, [Click to talk to an expert.](#)