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Bank branch networks likely to change, with technology

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ATLANTA -- As more people do their banking on computers, tablets and mobile devices, trips to the local bank branch are increasingly rare. Still, convenient branch access remains the top reason that people select a bank.

Many banks are therefore in the midst of a balancing act when it comes to their branches. They're juggling how to create a network that deals with the realities of less frequent use, while also keeping enough stores to maintain the ubiquity and prestige of the neighborhood bank. They're questioning how the old, neighborhood bank coexists with ever-more technology.

Different banks are making different choices, but all expect that the way people are used to seeing their branch will change.

"If we can put a branch in their briefcase, then we don't need to have an office on every corner," said Mike Fitzgerald, executive vice president and chief revenue and deposit officer at State Bank & Trust in Atlanta. "We don't need you to come to us for anything."

Still, Fitzgerald said, anyone who says that the bank branch is dead is short-sighted.

So banks are experimenting with a variety of options, many in combination. They're adding ATMs with video screens, letting customers talk to live tellers from afar. The video tellers are more efficient, and allow banks to stay open later. They're personalizing ATMs, to help

customers track their withdrawals. They're installing large, touch-screen devices, or sending bankers in front of the counter, armed with tablet computers to help customers navigate the new technology. And they're redesigning the space itself, to make branches smaller and better use the space.

Certain customers prefer to do their banking in person. And there are some tasks -- like opening an account -- that people overwhelmingly do at a branch, even if they're given the option to do it online.

That's because before people trust someone with their money, they want to interact with them in person, said Steve Reider, president of Bancography, a bank consulting firm.

But once people open an account, they're not inclined to spend much time at the bank, he said. The median number of transactions at a bank has declined by 26 percent in the past five years. In 2007, there were an average of 10,200 transactions in a branch each month, Reider said. In 2012, that number was 7,600.

That lessened use is one of the reasons bank branches are shrinking in size. A decade ago, the median size for a bank branch was 3,900 square feet. Now, it's 2,950 square feet.

Fewer transactions means less of a need for tellers, and long teller lines. Fewer visits means banks do not need as many meeting rooms, or big offices. Ever-improving technology also plays a role in the changing size.

Brand Bank, in Lawrenceville, Ga., is testing a hub-and-spoke model, where small branches with video ATMs that connect customers to live tellers in call centers fill in between full-service branches. Wells Fargo is opening smaller, neighborhood branches with a more open layout in markets other than Atlanta.

PNC, a Pittsburgh bank that has been in metro Atlanta for a year, has plans for a mobile pop-up branch that can move from one location to another.

New PNC year-round branches in the market may also look markedly different from existing ones. PNC president and CEO Bill Demchak envisions a PNC of digital branches, with no safe and no tellers. Instead, people will use multi-functional ATMs to access their cash, or tablet computers to do their banking. Branch employees will be technology guides, he said, and will be capable of working with customers on topics such as wealth management and business banking.

"This is one of our platform showcases for new stuff," he said of Atlanta. "We get to build

the branch network of the future."

In some cities, Demchak said, the bank has to consolidate branches to keep up with changing habits. That isn't the case here, where PNC can build a branch network that better matches where and how people bank.

In banking, customers rapidly adopt to new technology, said Tom McDermott, senior vice president of retail sales and channel executive for Atlanta-based SunTrust. But McDermott is wary of self-service banking.

"Clients don't want to be forced. They will rebel," he said of banks that push customers away from branches in favor of self-service options. McDermott said 60 percent of SunTrust's small business clients still visit the branch monthly.

He thinks, though, that more touchpoints for banking will be a good thing. Steve Garrett, the senior vice president of retail banking for the Georgia market for Chase, said half of its customers now prefer to make their deposits at an ATM.

That bank is using self-service kiosks that look like giant iPads, and Garrett said he thinks people will become accustomed to all the new devices, just like they've gotten used to checking in for a flight at an airport kiosk.

"They really enjoy it, once they understand," he said. "Every month, the usage goes up."

Reider, with Bancography, said as new banking methods are added, customers use them in addition to the old options, not instead of them. Banks, though, may feel the need to keep up technologically, or risk looking like laggards, he said.

If banks can train customers to use their technology more often -- at home, or in the branches -- it translates into savings for the bank, said Jackie Marshall, director of IT and regulatory compliance for Gladiator Technology and the financial support company ProfitStars.

Reider said it would not surprise him to see smaller, more frequent bank access points in the future -- mostly tied to new technology. They may lack the image and prestige of large branches, he said, but if planned properly, they can be more convenient and just as profitable.

"It's on the mind of bankers across the country, these days," he said. "How consumers feel about that is yet in question."

Arielle Kass writes for The Atlanta Journal Constitution
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