



THE ANNUAL FUTURE BRANCHES EMERGING TECHNOLOGIES REPORT

How the Latest Technologies are
Transforming Banks and Their Branches

INSIGHTS
Worldwide Business Research




FUTURE BRANCHES

 **Agent IQ**

The Annual Future Branches Emerging Technologies Report

How the Latest Technologies are Transforming Banks and Their Branches



Research Contact:
Chris Rand
Research Manager, WBR Insights
Chris.Rand@wbresearch.com



Written by:
Mike Rand
Content Director, rand&rand

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EXECUTIVE SUMMARY

Technology has quickly transformed banking into a much more mobile and data-driven sector. Many of the digital solutions banking customers take for granted today were considered experimental just a few years ago.

One question that has remained constant is what these new technologies mean for the physical branches of banks and credit unions. Although banking has become increasingly remote, banks have taken steps to transform their branches, both through technology and through new models of service.

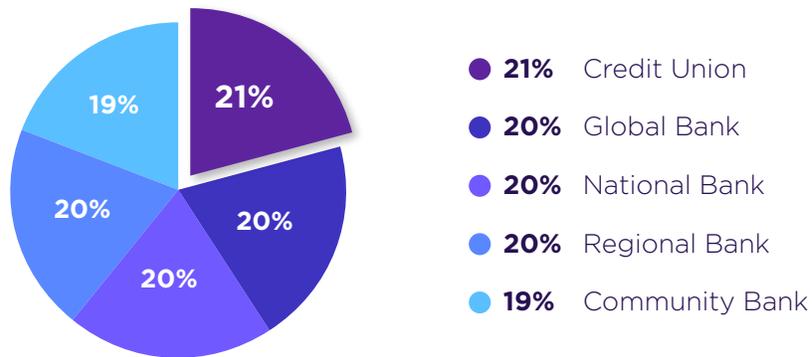
This report explores how the latest innovations are transforming bank branches and what that means for both the employees and customers of banks, credit unions, and other financial service organizations. With a special focus on virtual banking and consultations, the report will identify how branches are likely to adapt their strategies over the coming months and years.



ABOUT THE RESPONDENTS

The WBR Insights research team surveyed 200 leaders from banks and credit unions across the U.S. and Canada to generate the results featured in this report.

What type of financial institution do you represent?



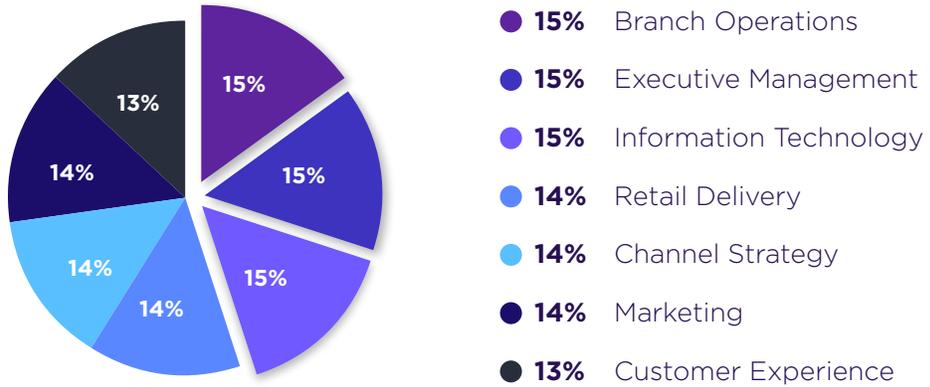
The respondents are almost evenly split into the types of financial institutions they represent. In each case, one-fifth of the respondents represent global banks, national banks, and regional banks, while 19% represent community banks and 21% represent credit unions.

How many physical branch locations do you have in operation?



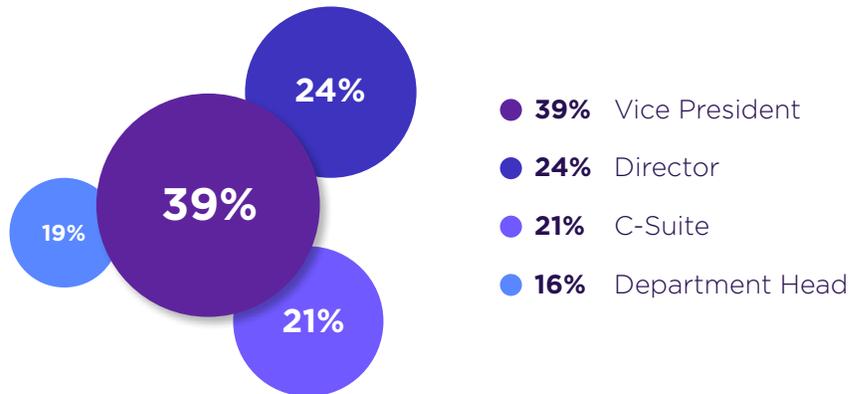
At 69%, most of the respondents represent institutions that have 51 to 500 physical branch locations in operation.

What is your role?



The respondents occupy a variety of roles, including branch operations (15%), executive management (15%), information technology (15%), and retail delivery (14%).

What is your seniority?

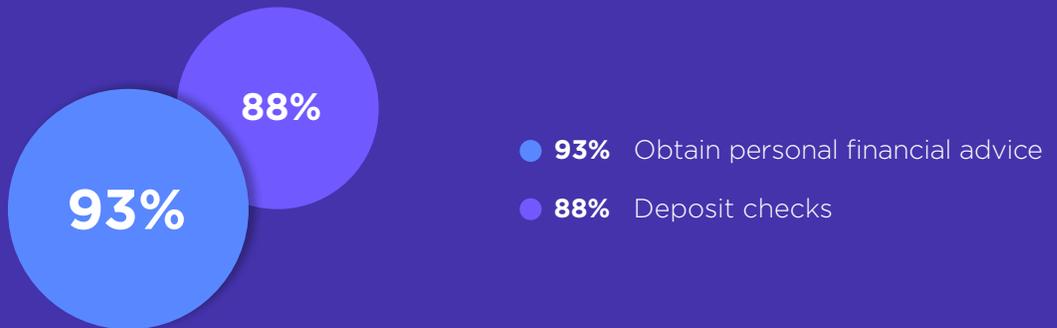


The respondents are C-suite executives (21%), vice presidents (39%), department heads (16%), and directors (24%).

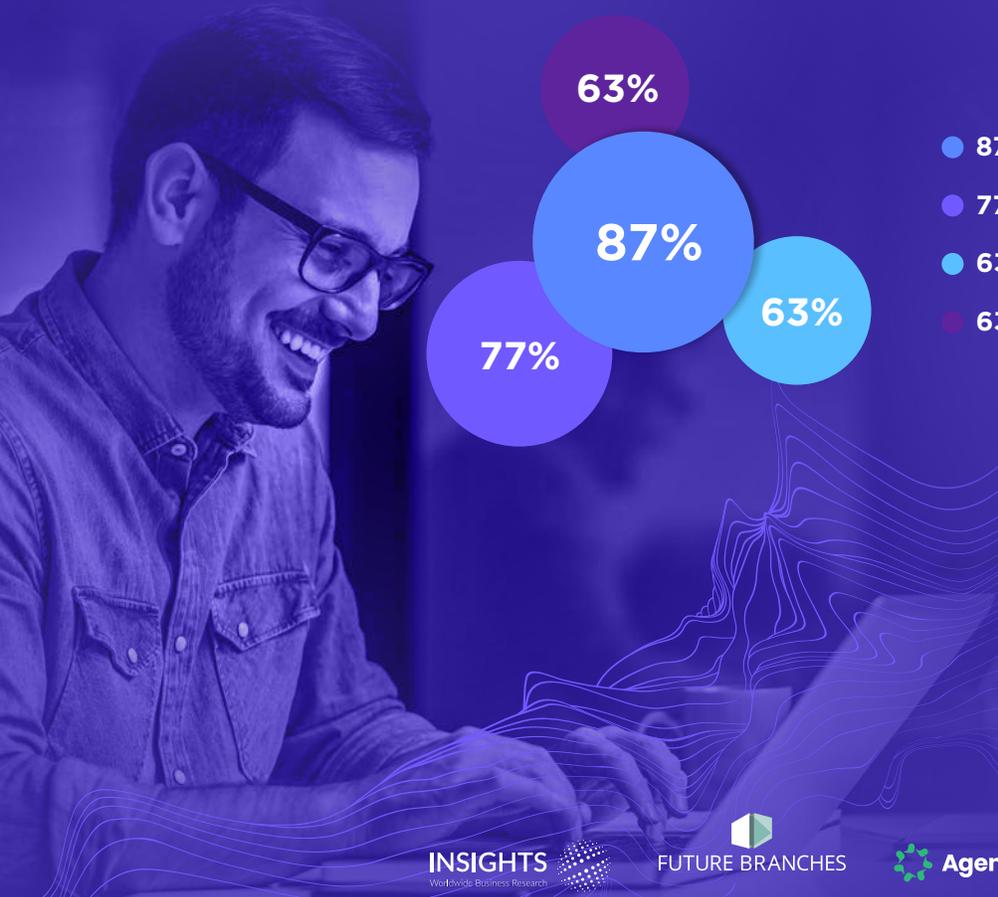
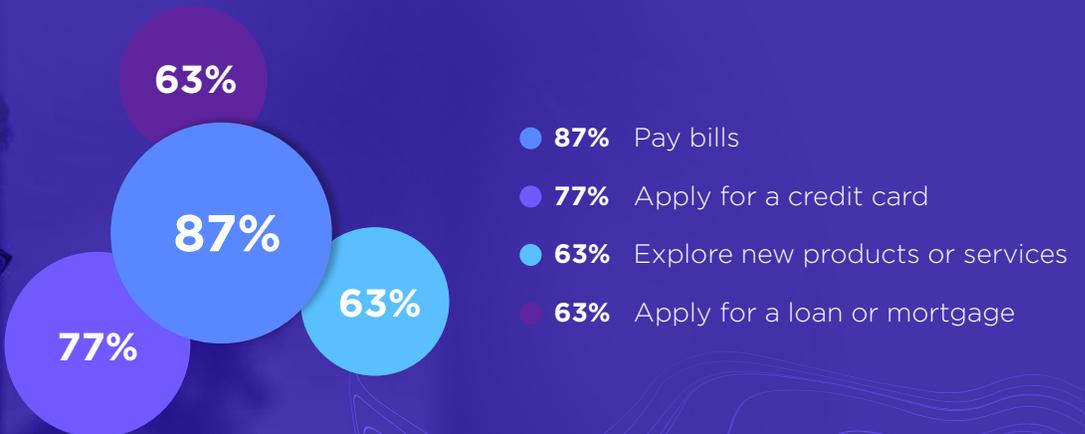
KEY INSIGHTS

Among the respondents:

Most believe their customers are more likely to visit a physical branch than bank online to:



Most believe their customers would more likely bank online than visit a physical branch to:



KEY INSIGHTS

61% prefer to **measure the profitability of each of their branches using relative profitability per branch** based on asset size (i.e., comparing branches to other or similar branches).

64% rate the **technology currently used in their institutions as only somewhat sophisticated**—they are at parity with their competitors.

96% in each case say **better customer experiences and stronger relationships with customers are the most important outcomes of new technologies, followed by improved staff efficiency (84%)**.

96% say they **will consider leveraging AI-powered chatbots** in the next 12 months.

40% believe **customer identity authentication tools differentiate or would differentiate their institutions from others significantly**.

85% believe **personal platforms that connect customers with agents or bankers differentiate or would differentiate their institutions** at least somewhat.

69% do not have any **plans to start using virtual or video consulting** in any of their branches.

12% currently **operate virtual bank branches** and **66%** plan to do so in the future.

- Among only those respondents who currently operate virtual bank branches or plan to do so, **82% will employ a separate digital strategy versus a hybrid strategy**.



Human connection, powered by innovation.

84% of customers prefer to wait for the banker who knows them even when another is immediately available.

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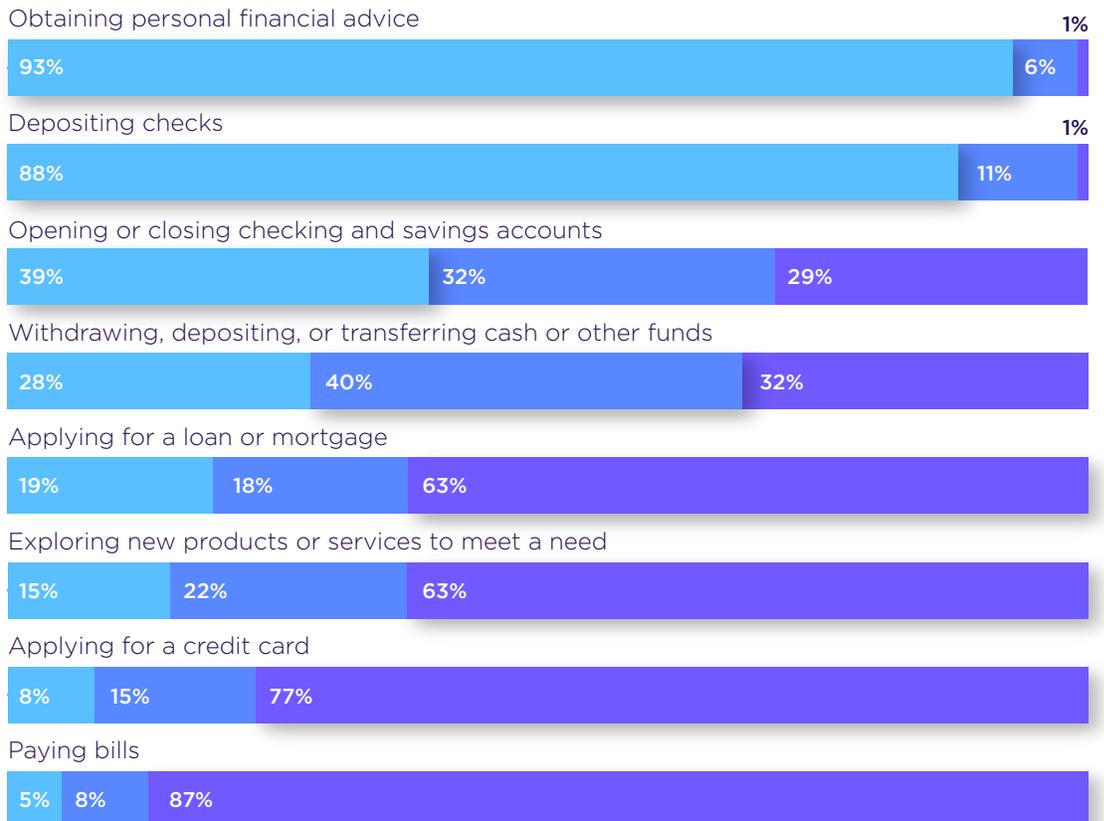
BANK CUSTOMERS CONTINUE TO USE DIGITAL SOLUTIONS FOR MANY BANKING SERVICES

Banking has become increasingly digital over the past few years due to advances in technology and a desire among customers for greater convenience. Both banks and consumers have been quick to adopt digital banking platforms, as they offer features such as real-time budget management, mobile deposits and payments, automated notifications, access to financial advice, and curated offers from partners.

These platforms often provide insights into customer spending habits that allow banks to develop more tailored services. They are beneficial for banks themselves because they can reduce operating costs associated with traditional brick-and-mortar branches.

In your experience, are your customers more likely to visit a branch, use a personal computer, or use either a mobile or tablet device for the following services?

- More likely to visit a branch
- More likely to use online banking (desktop)
- More likely to use mobile banking (smartphone or tablet app)



Nonetheless, many banking customers still prefer to visit a physical branch location for some types of services. For example, according to 93% of the respondents, customers are more likely to visit a branch to obtain personal financial advice.

Face-to-face interactions are important for establishing trust—many consumers would prefer to look someone in the eye before acting upon advice that could have a significant impact on their finances. Banks also need in-person channels to put a human face on their services.

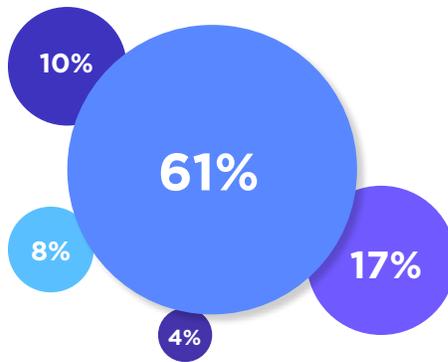
Interestingly, 88% of the respondents say customers are also more likely to visit a bank branch to deposit checks. This is notable considering many banks and credit unions now offer some type of remote check deposit service.

For some activities, customers are increasingly turning to digital solutions, and signs indicate that they will continue to use digital tools like apps and websites to facilitate these transactions in the future.

Specifically, most of the respondents say customers are more likely to use mobile banking to pay bills (87%), apply for a credit card (77%), explore new products or services (63%), and apply for a loan or mortgage (63%). These types of interactions are generally routine, or customers prefer to do them on their own time.

For example, applying for a loan or mortgage is an important life step, but the results of the study indicate many consumers would prefer to conduct research and weigh their options at home instead of visiting a bank branch.

How do you prefer to measure the profitability of each of your branches?



- **61%** Relative profitability per branch based on asset size (i.e., compared to other or similar branches)
- **17%** Product profitability (i.e., based on specific product sales)
- **10%** Customer or Member profitability (i.e., based on profit per customer or member)
- **8%** Products per customer/member (i.e., to determine retention of current customers)
- **4%** Recent profitability (i.e., based on recent production or activity)

Consumers' adoption of digital banking activities has presented both opportunities and challenges for physical branches. Because fewer customers are visiting the branch for routine services, branches themselves have had to reinvent themselves to remain relevant and profitable and to contribute to the company's bottom line.

This has also placed an impetus on banks to monitor the profitability of individual branches to determine whether they need to change. Currently, 61% of the respondents say they prefer to measure the profitability of each of their branches via relative profitability per branch based on asset size—that is, by comparing each branch's performance to that of similar branches.

Using this method, the brand can identify branches that are waning in profitability, then target them for substantive changes. In many cases, those changes will take the form of technology upgrades, including the adoption of new digital capabilities like virtual banking services.

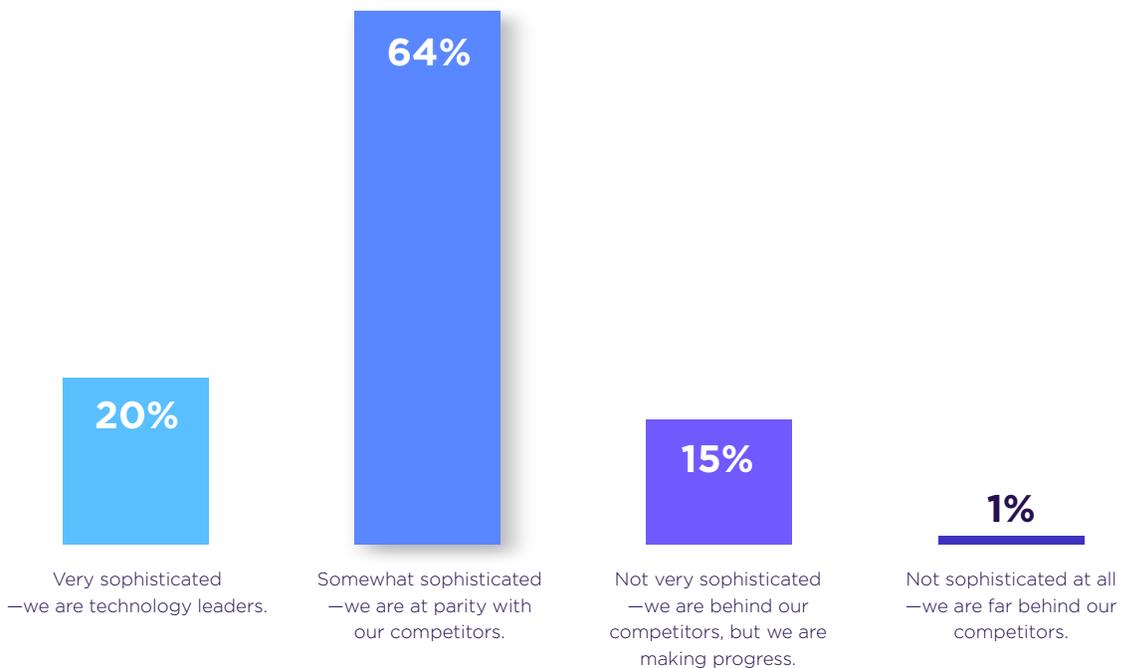
BANKS ARE PROGRESSING WITH TECHNOLOGICAL SOPHISTICATION IN THEIR BRANCHES

Technology is transforming bank branches in several ways. Banks are leveraging technology to create innovative physical spaces that offer more than just transaction services.

For example, many banks are equipping their branches with interactive tools such as video conferencing, virtual reality experiences, and AI-driven financial advice functions. Additionally, some banks are providing customers with contactless payment options and automated checkout kiosks, which provide a streamlined experience even for customers who need to make more complicated transactions.

Some banks have embraced these technology updates more than others, however. As we will learn, some banks are also choosing to forgo or phase out some technologies in favor of others because they can offer them more significant benefits.

How would you rate the sophistication of the technology currently used in your institution?



At 64%, most of the respondents rate the sophistication of the technology currently used at their institutions as “somewhat sophisticated.” One-fifth of the respondents say their technology is “very sophisticated.”

These results are similar to those of last year’s study. However, 7% more respondents this year rate their technology as “very sophisticated” compared to last year, and more respondents last year rated their technology as “not very sophisticated” or worse compared to this year.

Rank the importance of the following outcomes that new technologies can provide to your institution on a scale of 1 – 5, with 1 representing “most important” and 5 representing “least important.”



Better customer experiences



Stronger relationships with my customers (i.e., the customer indicates us as their primary FI)



Improved efficiency for my staff



Savings on call center costs



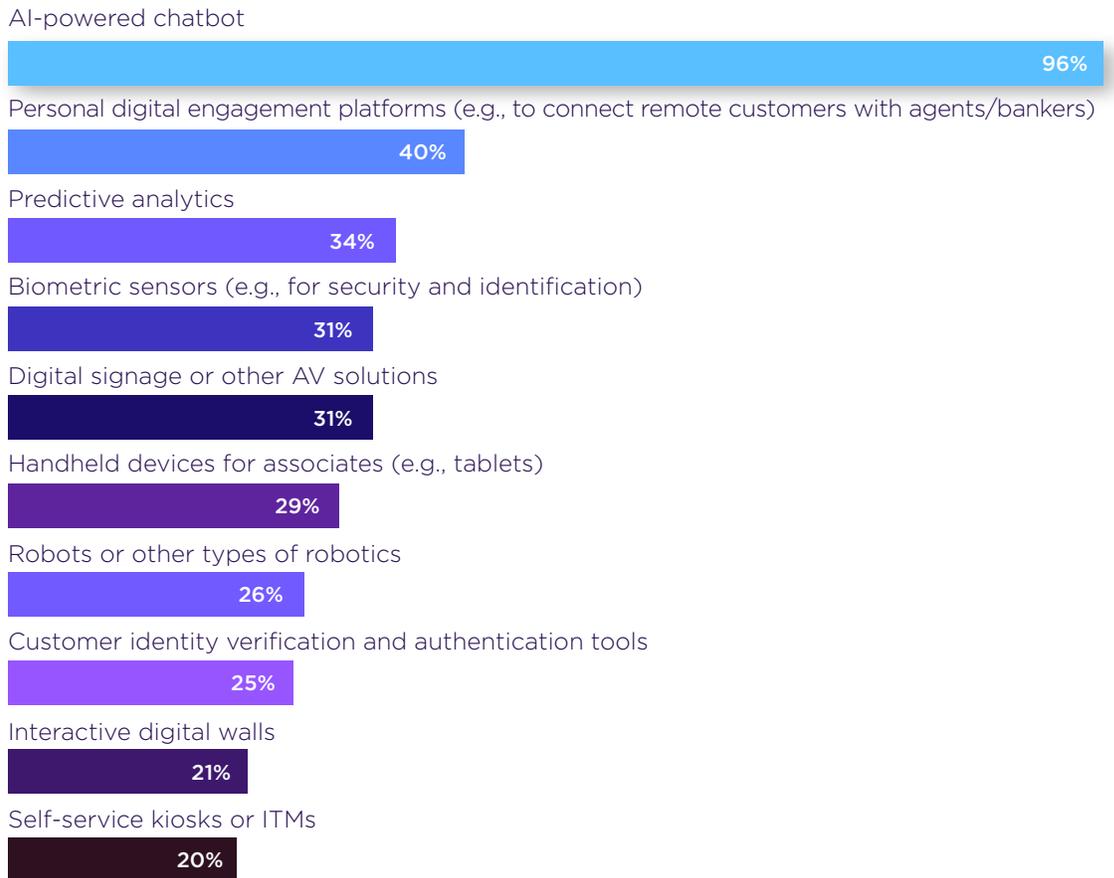
Increased cross- and up-sell opportunities



Overwhelmingly, most of the respondents say the most important outcome of their technology investments is a better customer experience, at 96%. Similarly, 93% say stronger relationships with customers are the second-most important benefit of technology investments.

This suggests that despite banks’ large investments in digital capabilities and new technologies, they are pursuing an inherently customer-centric technology strategy. Most of the capabilities they are adopting are designed to bring them closer to their customers, even as customers continue to adopt remote and digital banking services.

What emerging technologies will you consider leveraging in the next 12 months?



The most important emerging technology banks will pursue over the next 12 months is AI. Specifically, 96% of the respondents are considering leveraging AI-powered chatbots.

These solutions provide customers with a streamlined, interactive way to engage in digital banking. Customers can ask an AI chatbot specific questions about services, use it to engage in routine transactions, and even open new accounts. This technology has become much more sophisticated as well, enabling banks to provide customers with what amounts to a personalized AI banking assistant.

Other emerging technologies that are on the respondents' lists include personal digital engagement platforms to connect customers remotely to agents and bankers (40%), predictive analytics solutions (34%), biometric sensors for security (31%), and digital signage or other audio-visual (AV) solutions (31%).

How significantly do (or would) the following technologies help your bank differentiate itself from others?

- This differentiates or would differentiate us significantly.
- This differentiates or would differentiate us somewhat.
- This doesn't or wouldn't differentiate us.

Customer identity verification and authentication tools



Digital signage or other AV solutions



Self-service kiosks or ITMs



Interactive digital walls



Handheld devices for associates (e.g., tablets)



Predictive analytics



Personal digital engagement platforms (e.g., to connect remote customers with agents/bankers)



Biometric sensors (e.g., for security and identification)



Robots or other types of robotics



Most of these technologies can help banks deliver better services to customers, but they are quickly becoming a requirement rather than a differentiating factor. Still, the respondents agree that some technologies will help them differentiate themselves more than others.

For example, 40% of the respondents believe customer identity verification and authentication tools such as biometric sensors will help them differentiate themselves significantly from their competitors. Over one-fourth of the respondents (27%) say the same about digital signage or other AV solutions.



Fewer respondents believe the other technologies listed would be a significant differentiating factor, but most of the respondents agree that all the technologies listed would differentiate them from competitors at least somewhat.

To identify the most essential new technologies for banks, researchers asked the respondents to describe what technologies are most important to help them deliver a digital experience that aligns with the in-branch experience.

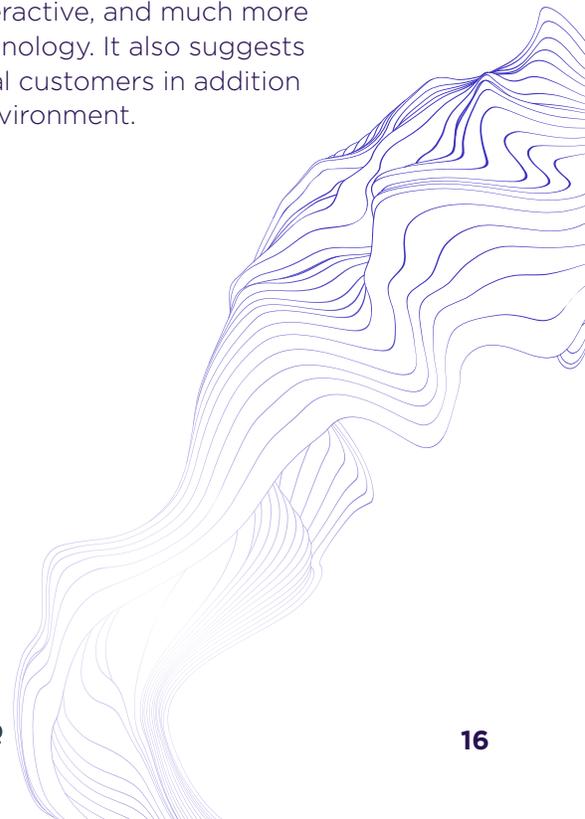
Based on the responses, artificial intelligence will be the most transformative technology in helping banks recreate the in-branch experience in digital and virtual worlds.

“From the current solutions available, I can pin down artificial intelligence to be the most important experience-oriented technology that will be used,” says a vice president of branch operations at a community bank.

Similarly, a vice president of channel strategy at a regional bank says, “Artificial intelligence can combine experiences and deliver something close to an in-branch experience because of its engaging capabilities, which is why I consider it to be the most important technology.”

Other respondents say augmented reality, gamification, and other types of interactive technologies will be the driving forces behind branch changes in the future. Some of the respondents also specifically mention the Metaverse, a mostly theoretical virtual universe existing in shared digital space, as the one technology that will shape the future of bank branches.

Taken together, these responses suggest that future bank branch experiences will be more automated, more interactive, and much more personalized thanks to advances in digital technology. It also suggests that branches will act as service hubs for digital customers in addition to serving customers in the physical branch environment.

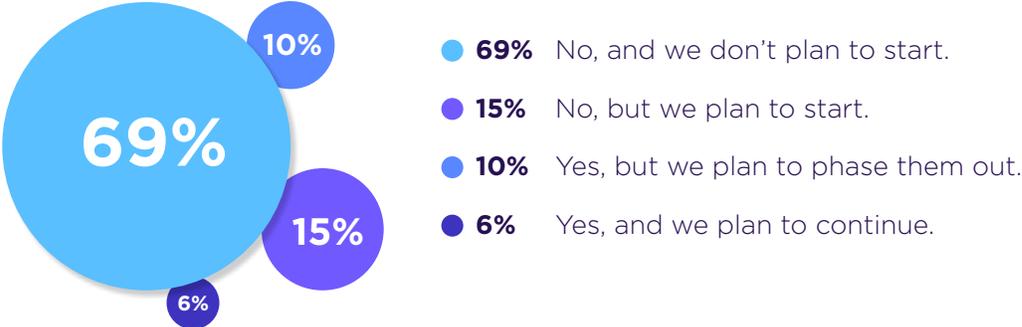


BANKS ARE INCREASING THEIR ADOPTION OF VIRTUAL BRANCHES

Digital and virtual banking services have become popular among consumers because they offer convenience and ease of use, allowing customers to conduct transactions from anywhere at any time. Digital banking also eliminates the need for customers to visit physical branches—an attractive prospect for consumers who lead busy lives or live far away from their banks.

Nonetheless, many banking customers still prefer to visit branches for more complicated transactions, as well as large transactions.

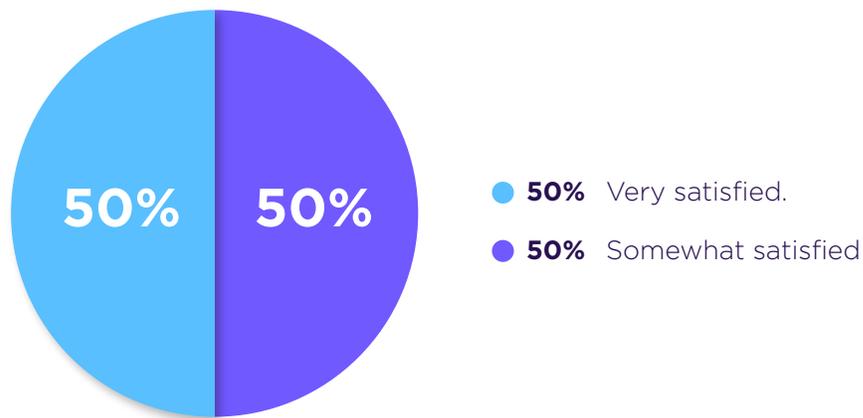
Are you currently using virtual or video consulting in any of your branches?



Some types of digital banking, such as virtual or video consulting, became popular during the pandemic as consumers couldn't visit their local branches. Although not every bank pursued this strategy, some banks are planning to maintain it as an option for their customers.

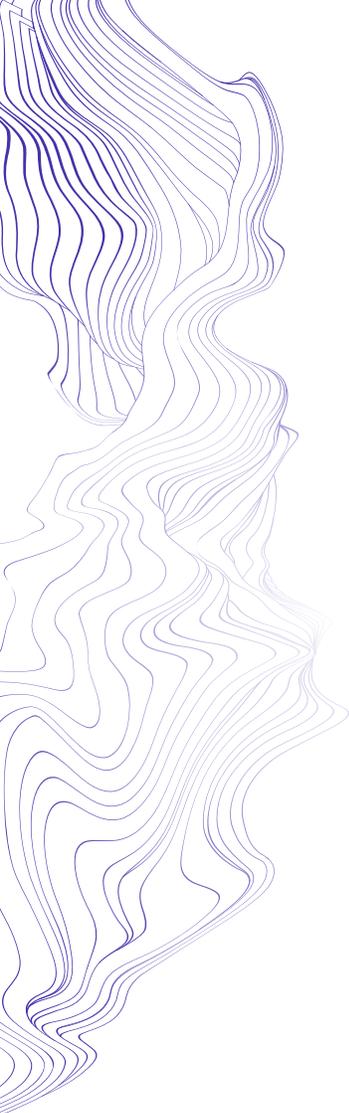
For example, 69% of the respondents say they aren't currently using virtual or video consulting in any of their branches, but 6% already do and plan to continue. Another 15% don't currently use virtual or video consulting in their branches but plan to start.

Since you said, "Yes, and we plan to continue," how satisfied are you with the digital engagement platform(s) you currently use for virtual consulting?

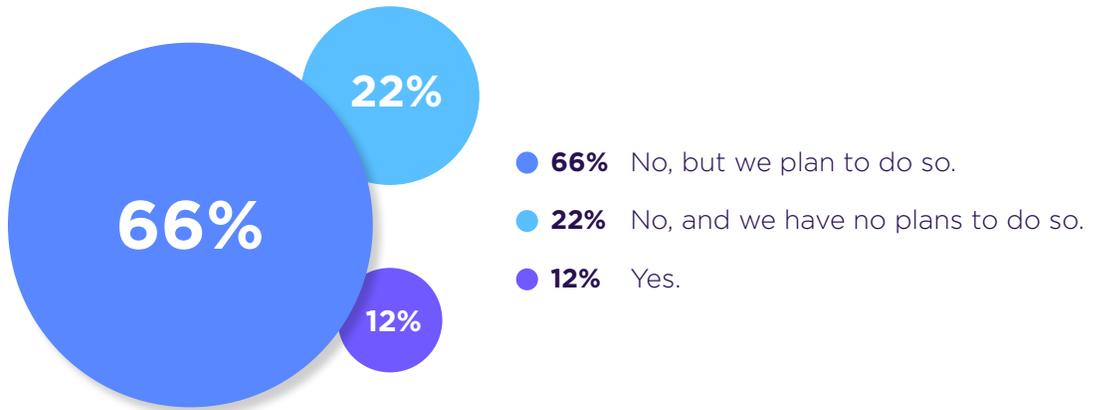


All those respondents who currently use virtual or video consulting in their branches and plan to continue to say they are at least somewhat satisfied with the digital engagement platforms they are currently using. This suggests that the underlying technology for virtual consulting is already sound for those banks that are ready to pursue virtual consulting as an opportunity.

Among those who are planning to phase out digital consultations, the most-cited reasons are security concerns and the end of COVID-19 lockdowns.



Do you currently operate virtual bank branches?



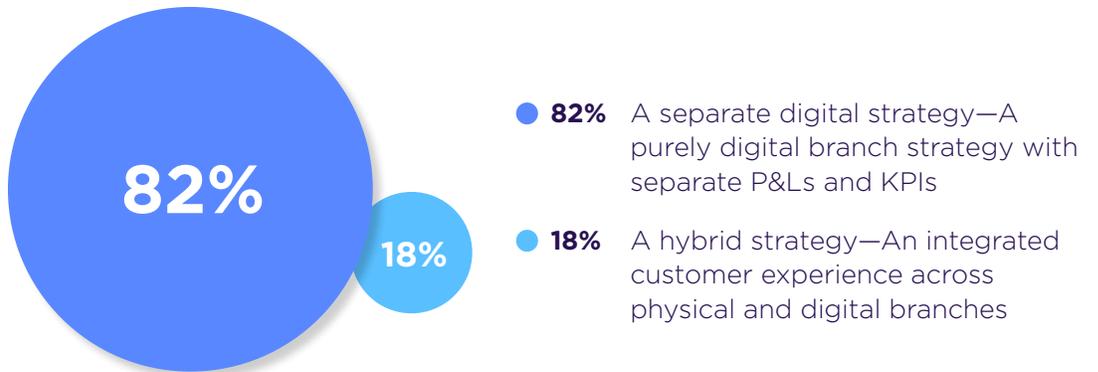
Many banks also began pursuing virtual branch strategies during the COVID-19 pandemic as an alternative to in-person banking. Some banks have already established virtual branches, whereas others are currently in the process of launching this strategy.

A virtual branch typically provides all the services of a physical branch, only digitally. This enables customers to “visit the bank” from the comfort of their own homes, while also enjoying the same services they’d expect if they walked through the door of a physical branch.

Only 12% of the respondents operate virtual bank branches, but 66% plan to operate them in the future. Only 22% have no plans to operate virtual bank branches.

Compared to virtual consulting, virtual branch strategies appear to have significant staying power.

Since you said you operate virtual bank branches or plan to do so, which of the following strategies do you or will you employ?



Among the respondents who operate virtual bank branches or plan to do so, most (82%) will pursue a separate digital strategy. This means their virtual branch program will be a purely digital branch strategy with separate profit and loss as well as key performance indicators.

Only 18% of these respondents are pursuing a hybrid strategy, in which they integrate their virtual branch strategy into the entire customer experience, be it physical or virtual.

There are pros and cons to each approach. The primary benefit of dividing the strategies is that it allows banks to focus more on digital innovations and develop the technology necessary for a successful digital banking strategy. This can result in improved user experience, faster transactions, and greater operational efficiency. It also enables the bank to measure the virtual branch strategy separately and address specific issues arising from those channels.

On the other hand, this approach might reduce brand loyalty as customers may view physical branches as less of a priority. Additionally, there could be a disconnect between virtual and physical operations, resulting in customer dissatisfaction due to incompatible processes or a lack of cohesive customer service across channels.

CONCLUSION: THE BRANCH OF THE FUTURE

In their final line of questioning, researchers asked the respondents to describe their vision or the bank branch of the future. Previous responses suggest that future branches will be much more digitized and automated, as well as increasingly powered by technologies like AI.

It is notable, then, that many of the respondents believe branches will need to become more human-centric in the future, even with their technological upgrades.

Several respondents say branches will indeed be “digitally adaptive,” as one VP of information technology puts it. However, the adoption of new digital solutions will support the human experience.

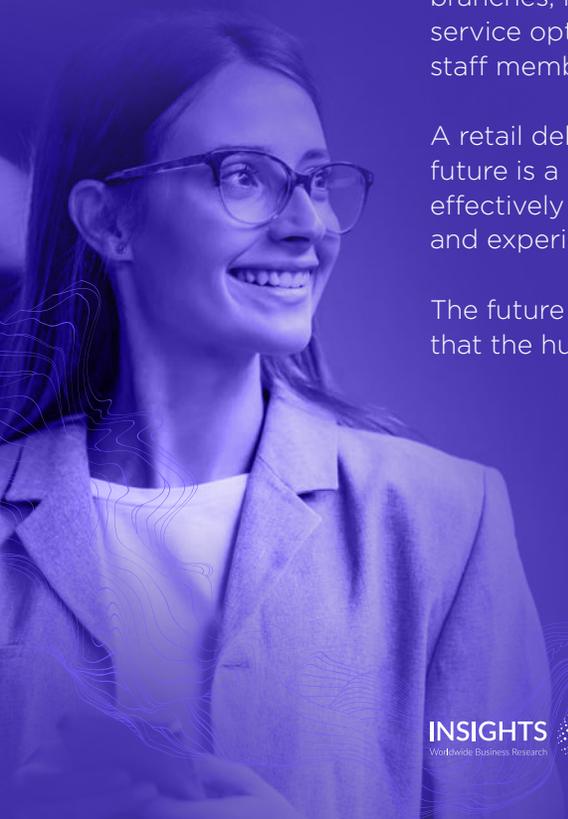
According to one C-suite executive from a credit union, “An ideal branch would digitally recognize customers when they walk in and provide seamless services through their personal or shared branch devices or in-person interactions with service executives.”

Similarly, a branch operations VP at another credit union says branches will include “a hybrid mix of digital and human presences that will personalize almost every transaction.”

Other respondents envision smaller, more environmentally sustainable branches, including branches with fewer staff members and more self-service options. Still, the respondents foresee an important role for human staff members, as customers will need face-to-face assistance.

A retail delivery director from a national bank says their vision for the future is a “balance between human and digital solutions which effectively support each other in delivering valuable customer services and experiences.”

The future of banking is more digital and automated, but banks recognize that the human touch is still critical—perhaps now, more than ever.



KEY SUGGESTIONS

01. **Design branches to support customers who need face-to-face conversations with financial experts and financial advice.** This is one of the most common reasons people visit bank branches now considering the widespread adoption of digital banking.

02. **Consider adopting AI-powered chatbots or assistants to help customers if you haven't already.** Almost all the respondents say they will use this technology in the next 12 months.

03. **Create a virtual bank branch, either as an integrated or stand-alone strategy.** Most of the respondents plan to operate virtual bank branches in the future, and most will adopt a separate digital strategy with separate profits and losses and KPIs.

04. **Leverage AI for personalization and customer interaction, but don't forget the human touch.** Many of the respondents agree that self-service and personalization will be critical to branches in the future, but they are also planning to keep their branches human-centric with regular staff. Ensure your staff has the tools it needs to deliver personalized services.



FUTURE BRANCHES

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- Catrina Tate, Vice President of Retail, **Teachers Credit Union**
- Lori Hall, SVP, Member Experience, **American Airlines Credit Union**
- Kyle Sanders, VP, Branch Experience, **Launch Credit Union**
- Andrea Pruna, Chief Growth Officer, **NECU**

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Agent IQ offers a digital platform, supercharged with AI, that improves communication and engagement between financial institutions and their customers, leading to happier, more loyal, and more profitable relationships. We help create relationships in the digital world that are just as personal as in the physical world, but even more enhanced.

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ABOUT THE AUTHORS



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FUTURE BRANCHES

Future Branches, a two-day networking event, brought to you by the organization that puts on both NetFinance and Future Stores, will explore how financial institutions are capitalizing on their physical spaces by revamping in-store technology, revitalizing their front-line associates and reimagining branch processes to meet the ever-changing demands of their customers.

For more information, please visit <https://futurebranches.wbresearch.com>.