

# BANK

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## The Role of the Branch in Retail Banking: Inc Impact of COVID-19 - UK - November 2020

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### This report looks at the following areas:

- COVID-19 has accelerated the decline of branch banking
- The branch of the future will add value without being a necessity
- Physical banking needs to be flexible, adaptable and localised

48% of people who use bank branches are using them less as a result of the pandemic, and 40% expect to continue using them less even after the pandemic has passed.

COVID-19 has accelerated a long-term decline in branch banking as it has led many previously reluctant consumers to adopt digital channels and contactless payments to reduce the risk of spreading the virus, hastening the demise of the transactional bank branch. As a result, the trend towards branch closures is likely to continue apace over the next few years.

However, the bigger risk to branches could come from the banks themselves over-reacting to this consumer shift and misunderstanding the changing role of the branch. Historically branches are seen as part of the operational structure of the bank, with branches that don't pay their way being closed to cut costs. In a time when few people require physical banking, it becomes hard to justify the operational benefits of maintaining a large-scale physical branch network.

However, the demotion of the branch from essential feature to 'nice-to-have' also presents opportunities for banks and building societies choosing to adopt a physical strategy. Banks are widely seen as playing an important role in local communities. Tapping into this sense of localism and using branches as a way to add value to the banking experience will prove popular with certain segments of the population. Opportunities lie ahead for those that view a branch network through the prism of brand building and are not afraid to experiment with the model to address local needs.



"COVID-19 has driven a rapid acceleration in the adoption of digital banking and cashless payment methods, further reducing the need for bank branches. However, despite their steadily declining use, consumers continue to regard bank branches as important for the local community and as an important safety net in case of emergencies or for making major financial decisions."

– Thomas Slide, Senior

Financial Services Analyst  
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- **Physical banking needs to be flexible, adaptable and localised**

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## REGULATORY AND LEGISLATIVE CHANGES

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