

Virtual banking vs branch banking in 2018

 By [Rethabile Witkoei](#)

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The world is ever-changing and dynamic. The key to survival is resilience and the proficient ability to continuously be reflective and responsive to market needs. In a world where the market dictates the 'terms', organisations need to be in a position that allows them to provide the ideal 'conditions'.



Transformation of the branch network

Not so long ago you would find every 'high street' located within any nodal hub of a small, medium and large town lined with massively sized bank branches. In-branch transacting was the main, if not only, platform available for consumers to conduct their banking needs. With the spatial forms of the towns expanding and densifying, coupled with the subtle mallification of various areas, one would assume that not only would you find a growing branch footprint, especially within your major cities, but also an increase in the branch size of banking outlets. However, the opposite is occurring.

Traditional banking methods, such as in-branch transactions and services, have always been the primary method utilised to carry out banking related transactions. The banking sector continues to transform the traditional space of in-branch transactions with the introduction of and prime focus on digital banking channels. Why go to the branch when you, by merely having a smartphone, have the branch in your pocket?

Currently, most consumers make use of various forms of digital banking channels for their transactional needs. The need to be physically present within the branch setup is starting to lessen, however this does not completely void the need for the establishment of physical branches. Branch banking as we know is simply transforming into a new era in terms of service provision.

The shrinking branch footprint

The current trend in branch placement is mostly focused on the 'right fit for the right location'. Branch models are being

built around the type of area within which they are being established. The introduction of models such as container banks, which aim to establish and create banking platforms within rural communities, is one such example. This type of focus refutes the need to establish the same type of branch across the board. Banking no longer has an umbrella or one-size-fits-all approach - banking models and access to services are striving to become more reflective of the current market needs.

The number of customers that partake in face-to-face banking is also decreasing. A sign that the need for physical manned representation is becoming less. The above may be more prevalent within urban areas than rural areas, however banks are shapeshifting to address this very issue. This is done to establish bank models that talk, respond to and accommodate the markets in which they are.

With urban markets utilising more digital channels, the need for manned representation lessens. With rural markets not having the same thresholds as urban markets, the type of manned representation needs to adapt, face-to-face interactions are still necessary in rural markets but the type of branches you will see on the ground is changing.

Branches as advisory centres

The new age branch services are headed in a direction that offers more advisory solutions than the mundane transactional services. With the removal of teller / counter transactions and a shift into the self-service and digital space, banks are becoming more advisory in nature. Consumers go to the branch more to solve problems and get advice rather than for access to new products and services. The above-mentioned is a slow process, but is already starting to take shape.

Going forward digital / advisory driven branches will be more dominant within the urban market, with rapidly decreasing in-branch transactional activities. Those activities will mainly be found more in rural settings which will be a bit slower to come on board the digital banking train.

ABOUT RETHABILE WITKOEI

Rethabile Witkoei is deputy director for land use management at the Mdvaaal Local Municipality, focusing on municipal planning and development. Previously she was a spatial strategist at FNB, working on the efficient placement of the bank's branch network.
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