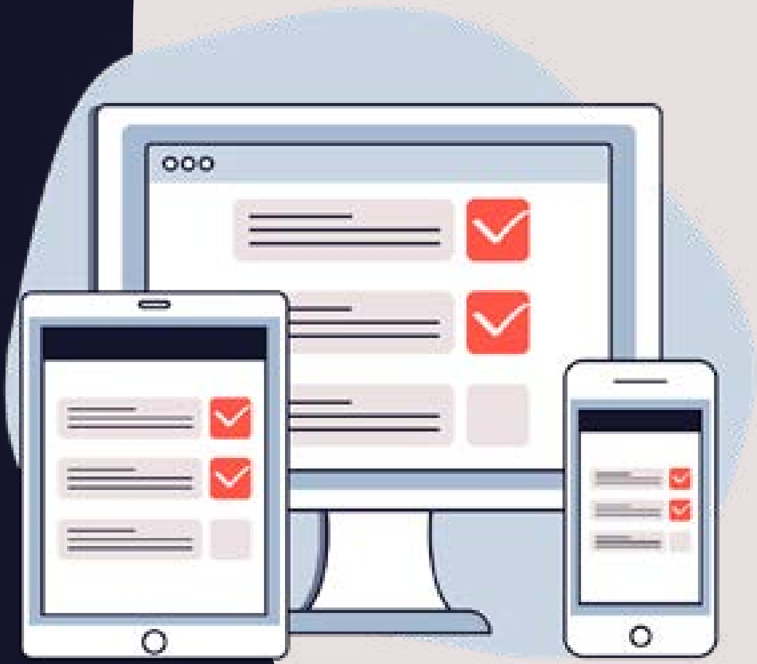
MANTL

The force multiplier effect

How digital channels amplify the power of brick-and-mortar branches



Introduction

A new way forward in a changing landscape

It's undeniable that financial institutions (FIs) will experience changes to how their branch networks operate as a result of increasingly sophisticated self-serve banking technology. However, some digital tools, including online account opening (OAO), have been shown to actually increase the effectiveness of individual branches as well as branch networks.

We call this the force multiplier effect.

This means your FI will be able to reach more consumers in-market without expanding your branch network or increasing your marketing spend.

In a shifting financial landscape, digital channels have become the most cost-effective, efficient, and user-friendly way to acquire new customers. As FIs consider expanding their digital services to meet customer expectations, they should understand how online options will impact their brick-and-mortar branches.

In particular, community banks and credit unions may wonder:

- **Will digital channels take traffic away from branches?**
- **Will a new online brand cannibalize customers from the core brand?**
- **What will be the role of branch staff as more interactions occur digitally?**
- **How can branches best synchronize with new online channels?**

This paper explores the changing role and continued significance of brick-and-mortar branches amid the growing popularity of digital banking—and uncovers how digital and physical channels augment one another's potential to create growth.

Table of contents

The continuing importance of branches

Research indicates that 76 percent of customers expect a digital banking experience for processes like viewing account balances, paying bills, and transferring funds. But consumers still want access to branches, because no matter how good online offerings are, some processes such as obtaining cashiers checks, applying for loans, or managing safety deposit boxes are best handled in-branch. Moreover, these in-branch processes are often highly valuable for your FI.

With consumers relying on both physical and digital channels, what exactly does the future hold for in-branch banking? Research from Simon-Kucher & Partners indicates that branches do have a strong outlook, but that FIs may not need as many of them to provide the services that customers and members want. The Financial Brand, for instance, reports that 60 percent of consumers want FIs to blend physical and digital services.

Customers prefer to access some services online and others in- branch, and will seek out an FI that allows them to do both.

Increasingly, FIs are adapting to changing consumer expectations, with 50 percent of financial institutions planning to offer consumer omnichannel account opening within the next 12 months.

An omnichannel strategy—one that relies on the capabilities of both digital and physical channels—is the most effective approach in-market.

As more FIs offer a combination of digital and in-branch services, the banking industry is likely to adopt a new, more flexible model. Customers or members may visit branches less frequently and take care of more of their basic needs—such as paying their bills—from the comfort of their own homes. Yet consumers will still need to visit branches for more challenging cases like applying for loans and mortgages that require in-person consultation.

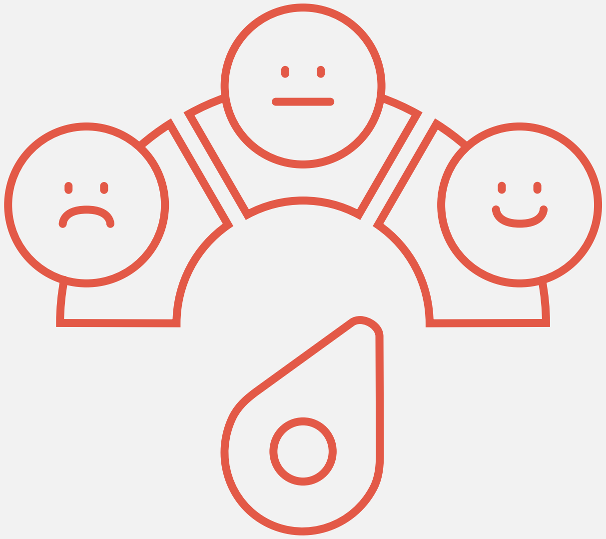
How OAO makes branches more effective

In addition to bringing in new customers digitally, OAO software has the potential to make existing branches more effective. Insights gained through testing on digital channels—like which product names and descriptions to use, or how many products to offer within a certain category—can also be applied to brick-and-mortar operations. Further, automating customer communications can increase overall engagement. For example, MANTL's data suggests that sending automated reminder emails for incomplete applications can boost submission rates by over 7 percent.

Online account opening can also improve institutional efficiency in several other ways:

- Approve or deny 90 percent of account decisions without manual intervention.
- Automate tasks like core booking or check and debit card ordering.
- Store customer data including timestamps for quick and easy access or auditing.

These time-saving measures enable employees to focus their efforts on the in-person services people desire, and building stronger banking relationships. Plus, high-quality digital services are likely to improve overall customer satisfaction and cross-sell potential. In fact, data from MANTL shows that applicants deposit 13x more in initial funding when provided a positive onboarding experience.



New customers deposit

13x more

when provided a positive, efficient deposit origination experience.

How digital channels can reduce branch density

Research has also shown that when consumers have access to best-in-class digital services, they're willing to travel longer distances to their nearest branch. In urban areas, consumers whose FI offers best-in-class digital capabilities are willing to travel almost 37 minutes on foot to reach their local branch, compared to 28 minutes in the case of FIs without strong digital offerings. Similarly, in suburban and rural areas, consumers with access to top-quality digital services are willing to drive 27 minutes to their nearest branch—compared to the 16-minute drive tolerated by consumers whose FIs lack strong digital offerings.

Because digital channels allow individuals to self-serve for simple processes, they enable less dense branch networks. In fact, OAO and other technologies can reduce branch density by 15 percent for banks and 34 percent for credit unions. And importantly, this increased efficiency comes with no drop-off in customer satisfaction.

In urban areas:

Consumers with access to best-in-class digital options are willing to travel almost

37 minutes on foot

to reach their local branch, compared to 28 minutes to reach branches without strong digital offerings.

In suburban and rural areas:

Consumers with access to top-quality digital services are willing to

drive 27 minutes

to reach their nearest branch, compared to the 16-minute drive tolerated by consumers whose branch lacks strong digital offerings.

"We think that we're going to be a much more efficient operation, given the emergence of our online capabilities, and we expect opportunities to come out of that. I think one of them clearly is the ability to get more geographic spread out of our individual branch locations."

John R. Buran
President, CEO & Director of Flushing Financial Corporation

How OAO can help branches grow

Technologies like OAO not only increase efficiency and geographic reach, but they also help branches scale. As a new physical branch costs millions of dollars to set up and run, the most cost-effective way to acquire new customers and grow deposits is through implementing user-friendly digital channels.

High-performing solutions such as MANTL's OAO platform can lead to a 20 percent average increase in booked accounts. As such, FIs that have several physical branches but don't offer digital tools like OAO are essentially leaving money on the table.

While fostering long-term personal relationships remains a key component of acquiring new customers or members, implementing digital services is also an important part of helping your FI gain a competitive advantage. In particular, online channels can enhance the effectiveness of existing branch networks, giving community banks and credit unions the tools they need to adapt, compete, and thrive in a changing world.

First PREMIER Bank Has 15 branches across South Dakota	Midwest BankCentre Has 17 branches in the St. Louis area and a digital-only brand called Rising Bank
Growth after MANTL	
30% increase in deposit accounts opened digitally in year one	Raised over **$200 million in deposits** within 5 months of launching Rising Bank
13x increase in initial OAO account funding	Acquired over **2,000 net new customers** in the first year, with average deposits of $55,000
76% of new accounts opened through MANTL were existing customer opportunities	**Doubled each branch's service area** from 3-5 miles to 7-10 miles

Start building your best-performing branch.
Visit [mantl.com] or contact [sales@mantl.com] to learn more.