What trends should banks be aware of as we move into 2018?

A white paper by Auriga

As 2017 comes to a close, we're looking forward to the year ahead at some of the key trends that will shape the banking industry in 2018 and how banks can prepare.

Branch networks may shrink, but branches will get smarter

Firstly, while the trend of branch closures is likely to accelerate, the role of the bank branch in customer engagement is going to become clearer. Branch networks will get smaller, but there is going to be investment in making the remaining branches much smarter and appealing to customers. Increased investment into automation and customer experience will drive convergence between different banking channels, helping to create a seamless customer journey.

Emergence of white label financial hubs

The key thing for banks here is to strike the right balance between digital and physical service, by embracing new technology, but not at the expense of the human touch and personalisation. This trend is taking off in many European countries already where the branch format is reoriented around a customer digital experience zone, where customers can do a wider variety of self-service tasks, while also being able to consult with trained bank staff. Expect more banks to think creatively about the space within their branches – we have already seen everything from coffee shops to community meeting spaces for hire.

Expansion of third-party ATM ownership and self-service offerings

More banks will also begin to consider new ways of sharing the costs of branch infrastructure. One trend that we forecast spreading more widely is banks co-locating within a white label financial services hub instead of their own branded branches. This ties into the new platform model of the economy, which values lower cost of ownership, collaboration and a deeper focus on the customer journey. To prepare, banks need to make sure that they are investing in innovative software and self-service tech that enhance and differentiate the customer experience at the point of interaction, as branch location is no longer a deciding factor when trying to drive customer loyalty.

This feeds a bigger trend that is about a change in ownership of ATM infrastructure. More banks are expected to pool and share out-of-branch technology to allow them to invest more heavily in branch ATMs. To prepare for this, banks should look to embrace cloud-based ATM and ASD (Assisted Self-Service Device) software.

2018: the time to get use of data right

With the GDPR deadline fast-approaching, 2018 is the crunch year for banks looking to get their use of personal data right. There is a risk of consumers feeling rightly empowered by the new data protection laws to challenge their banks on how their personal data is being used. Banks are prepared for these changes but there's every likelihood that some will still find the advent of the laws a shock. How well their customer systems have been integrated and capable of gathering and reporting on data use will be crucial.

Challenger banks to continue generating a buzz

The hype around challenger banks is set to continue into 2018, and while these are not yet in a position to really threaten traditional banks, now is the time for banks to consider how to deal with them. So, as our final trend, we expect to see co-creation emerge as the winning strategy – banks have a lot to gain from partnering with innovative challenger banks and fintechs.
An overarching trend that links to all of the predictions above is the need for customer experience to be placed at the heart of bank strategy – as bank branches close and reliance on technology increases, it is critical that banks are able to create a deeply personalised customer experience that is seamless across all channels, including in-branch and via mobiles and apps.

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