



Photo by Margo Stahl
Kearney, New York

Retail banking's new reality: the digital shift and the future of branches

Part of the European Retail Banking Radar 2024 series

KEARNEY

Despite the shrinking number of bank branches and increasingly digitalizing interactions in our daily routines, customers still want face-to-face interactions when it comes to their finances.

Retail banking is undergoing a profound transformation. With rapid technological advancements and a growing demand for convenience, digital channels have emerged as customers' preferred choice for interacting with their banks. From mobile banking apps that facilitate instant transfers and bill payments to online platforms with comprehensive financial management tools, digital banking caters to the modern consumer's need for speed and simplicity. The enhanced security features and personalized experiences that these channels provide solidifies their appeal. With more than half of all banking activities—from product research to purchase—now completed entirely online, customer behaviors are reshaping how banks operate and setting new standards for customer satisfaction and engagement.

In this article, we explore how retail customers across Europe are managing their finances and which countries are leading the digital shift. We explore the growing preference for price comparison platforms in some parts of Europe and the increasing acceptance of remote advisory in others.

And yet, even amid the surge of digital interactions, the importance of face-to-face interactions, including remotely, remains clear, especially for complex products. The convergence of these trends points to a hybrid future where banks balance digital innovation with essential in-person services to meet their customers' evolving demands.

Digital channels dominate client interactions

For the first time in the history of the European Retail Banking Radar, more than half (52 percent) of all interactions that customers have with their banks regarding new product purchases are entirely digital. Customers are researching products and collecting relevant information through bank websites and price comparison platforms. They are looking for answers to their questions in product FAQs or on social media channels, applying for products through banking apps, and signing contracts digitally. In fact, digital channels are a prominent part of the customer journey with more than two-thirds (70 percent) of all interactions involving a digital channel either for pre-purchase research or the actual research.

Historically, digital channels have played a prominent role in product research while the actual product purchase and contract signing still took place in a branch. But today, there is hardly any gap. Two-thirds of the consumers in our study (67 percent) say they research savings options online, and 63 percent open a savings account online; 58 percent explore how to finance their next purchase, and 55 percent apply to their preferred provider online; 65 percent of the research about funds and other investment products takes place online, along with 61 percent of new investments.

Mortgages are the only exception: less than a third of customers (28 percent) both research and purchase online (see figure 1 on page 2). This notably lower preference for digital channels when it comes to mortgages may be driven not only by customers' behavioral preferences but also by the lack of convenient and truly end-to-end digital processes along with legal requirements for advisory and consumer protection.

Spurred initially by the COVID-19 pandemic, the adoption of digital banking channels has made big strides over the past five years (see figure 2 on page 2). For example, Germany, Austria, and Portugal more than doubled their preference for digital channels in the purchase of new financial products, with more than half of today's consumers having bought their latest financial product online. Other countries experienced more moderate adoption, such as Italy, where the stickiness of digital channels turned out to be short-lived after the pandemic, or Sweden and the Netherlands, which already enjoyed a high level of digitalization before 2020.

Figure 1
Digital channels have become indispensable for both banking product research and purchase

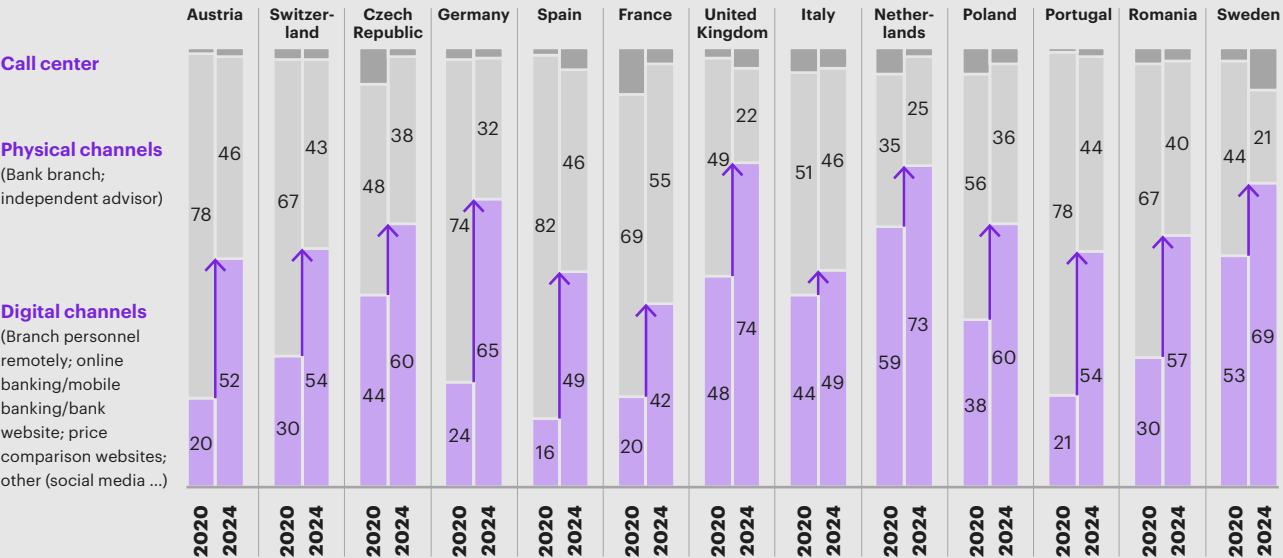
Pre-purchase research and actual purchase by product in Europe



Source: Kearney 2024 Retail Banking Radar based on market research conducted in 2020 and June 2024 with approximately 500 respondents per country

Figure 2
Despite different starting points before the pandemic, digital channel adoption is gradually leveling off across Europe

Actual purchase across all products by country



Note: The Czech Republic and the Netherlands were included in the survey starting in 2021.

Source: Kearney 2024 Retail Banking Radar based on market research conducted annually in 2020-2023 and June 2024 with approximately 500 respondents per country

The countries leading in end-to-end digital sales are still the ones that started with an advantage in digital adoption before the pandemic. Two-thirds of all product sales (67 percent) in the UK and the Netherlands do not involve a branch or human interaction; around 80 percent of all sales involve at least one digital channel. Germany has experienced the most rapid digitalization of its customer interactions by far, growing from 23 percent end-to-end digital sales before the pandemic to 60 percent in 2024.

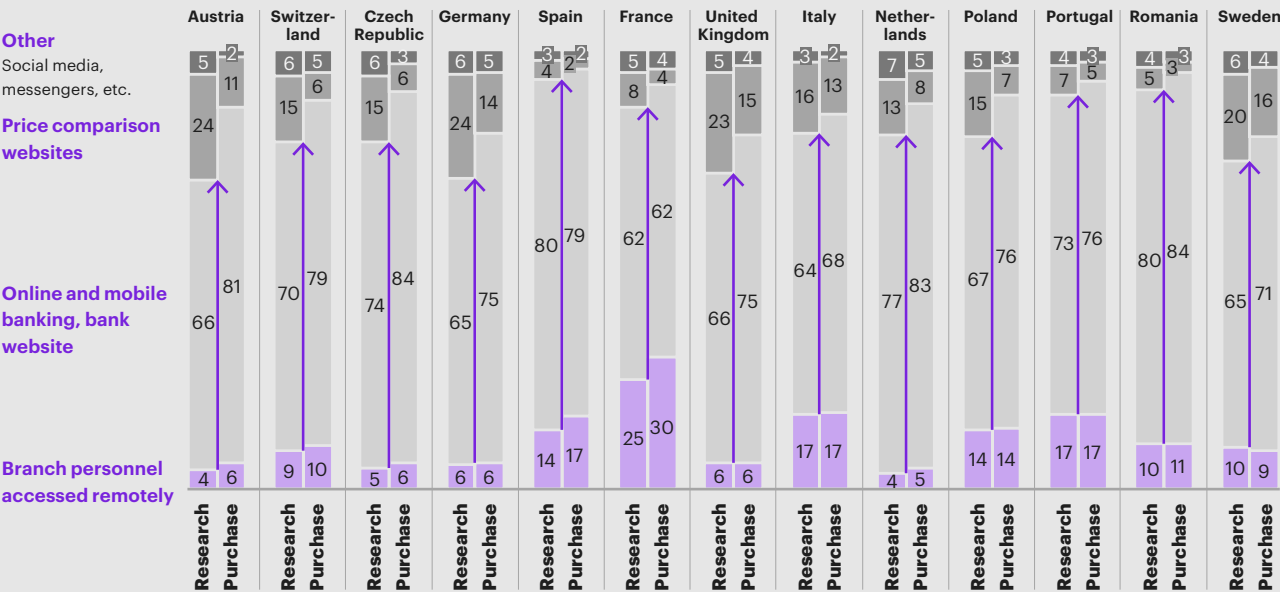
Both convergence and divergence in the preferred digital channels

Online banking, mobile banking apps of the own banks, and the product websites of other financial providers are the preferred digital channels for both researching and purchasing new banking products. This behavior is complemented through other digital channels.

Price comparison websites play an important role in the research and, increasingly, in the purchase of new products (see figure 3). About every fourth online search for a new financial product in Germany and Austria (24 percent) goes through a price comparison platform, and between 45 and 60 percent of these searches result in a purchase through the platform. The importance of price comparison platforms is also evident in the UK and Sweden (23 percent and 20 percent of all new product searches respectively). Sweden leads in the share of financial products bought through such sites, with four out of five searches resulting in an actual sale. Consumer finance is by far the most popular product on price comparison platforms, attracting 19 percent of this product’s total sales. This choice of price comparison platforms in these countries could be rooted in their wide adoption for other subscription products (such as electricity, gas, or mobile phone plans) and by regulators’ increased focus on convenient bank account switching.

Figure 3
Online and mobile banking have solidified their status as the preferred digital channels for client interactions

Research and actual sales through digital channels across all banking products in Europe (2024)



Note: Research refers to pre-purchase research; purchase refers to the actual purchase.
Source: Kearney 2024 Retail Banking Radar based on market research conducted in June 2024 with approximately 500 respondents per country

An opposite trend is the increasing adoption of remote interactions with branch personnel in the more southern parts of Europe. One out of four French digital consumers (25 percent) discuss potential new financial product needs with their advisor either through phone, video conference, online chat, or email exchange, and close to a third of all digital product purchases (30 percent) takes place through digital signing and without the need to visit a branch. Remote interactions with branch staff are also enjoying wide acceptance in Italy, Spain, and Portugal, where about one in six digital clients (17 percent) choose to engage with the bank to purchase their next product. Most remote advisory sessions in the countries where this channel is gaining popularity are either about mortgages or consumer loans.

Remote advisory services had roots in several countries before the COVID-19 pandemic. For example, in Spain, remote advisory allowed banks to reduce the number of branches without a noticeable reduction in the quality of advisory and provided an opportunity to retain skilled employees after branch closures. French banks reduced the cost to serve by moving simple interactions with mass market clients to the contact center and focusing branches on complex products and more affluent segments. In Italy, remote advisory gained momentum as a result of the pandemic lockdowns and stayed as an alternative to in-branch interactions after the pandemic was over. Although banks have benefitted from lower costs and more efficient processes, their customers have been enjoying a competent advisory and a smooth transition from a branch-centric to a more remote and digital model.

Face-to-face and remote interactions remain crucial—and have even grown in importance—for complex products.

Face-to-face interactions remain key for complex products

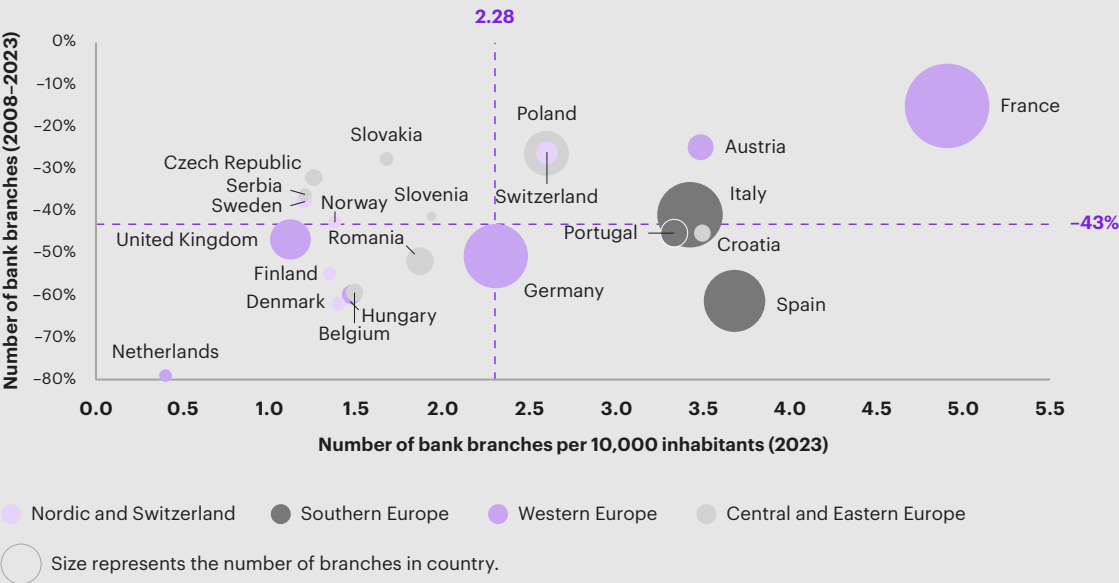
The number of branches in Europe has experienced a steep decline over the past 15 years, with 43 percent fewer branches today than in 2008 (see figure 4 on page 5). This trend has not yet come to a halt. In the past year alone, 3 percent of the branches in Europe closed their doors, with the largest declines in Belgium (-12 percent), the Czech Republic, and Croatia (both close to 6 percent).

As in the past, Dutch banks lead in enabling customer interactions with very few branches. There is only one branch available to every 25,000 people in the Netherlands as opposed to France, where one branch serves only 2,000 people. Every fourth bank branch in Europe is located in France.

Despite the universal decline in the number of branches, face-to-face and also remote interactions remain crucial—and have even grown in importance—for complex products. With Europe’s interest rates ticking up, a growing number of homeowners faced higher monthly repayment and contemplated refinancing or restructuring their mortgage loans. Customer interactions with independent financial advisors in Europe grew by 50 percent compared with only a year ago and were most favored in the Netherlands and in the Czech Republic, where respectively 33 percent and 23 percent of individuals who took a new mortgaged or refinanced a home equity loan did so through this channel. Personal financial advisors also played an important role for the advisory and sale of mortgages in the UK and Austria and for investments in the UK and Romania.

Figure 4
Despite the shrinking number of bank branches, customers still want face-to-face interactions when it comes to their finances

Total number of branches and branch density in Europe



Sources: ECB, National Bank of Serbia, National Bank of Switzerland, ONS, global data; Kearney analysis

Takeaways

With customer preferences clearly favoring digital channels, banks must continue investing in this area to ensure end-to-end digital sales, enhance customer experience, and make services across the board more intuitive and user-friendly.

At the same time, almost a third of customers transition between channels during the purchase process. It is still mostly a transition between digital and physical channels. However, more clients are paying attention to potential friction in the transition from one digital channel to another, such as from a bank website with a loan calculator to accessing their account for the transaction history and prepopulating a loan application. Because customers expect the same level of service and information regardless of the channel they use, creating a cohesive customer experience will remain a core task for the coming years.

Finally, branches and personal interactions are not a relic from the past. They have an important role to play when consumers—both young and old—prepare for retirement, save for the education of their children, buy their first home, or consider starting up a business. These interactions at major life events require having an in-depth understanding of the specific client situation and preferences, with data analytics and AI helping to improve the quality of advice. Although these interactions are pivotal, they are also less frequent, which will continue to reshape the number and role of branches.

Building a powerful channel game plan requires a strategic approach, including investing in advanced technologies, continuous employee training, and robust data management practices. By doing so, banks can ensure a consistent and high-quality customer experience and remain a relevant partner in the financial lives of their clients.

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