



# Five Predictions About the Future of Retail Banking

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The COVID-19 pandemic represents a point of significant historical and economic change. This paper outlines predictions for post-COVID retail banking and how brands in that space can let their experience programs guide their business decisions. The pandemic has changed customer behaviors including, but not limited to:

- How they manage their households
- How they engage at work
- How they use businesses
- How they interact with others
- How they leverage medical services

Right now, everyone is trying to determine what the new reality is and which, if any, of these behavioral changes are permanent.

Businesses that have altered their operating models and focus in these times are trying to determine which changes will affect standard operating practices and which changes are mere stop-gaps that got them through difficult times.

**This is exactly what is happening for banking today.**

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**"The impact [of COVID-19] will be felt by every financial institution in the land in some way. How they react; steps they take now to prepare for the impact – whether it be brief and intense or long and drawn out – will be of the utmost importance for not only institutions and their employees, but the consumers and businesses they serve."**

Bill Streeter, Financial Brand

# Predicting Success for Retail Banks In the Post COVID World

## PREDICTION 1:

### Adapting to A New World Isn't An Option

To be successful retail banks need to adapt and determine what changed and what remained the same during COVID-19 by asking the right questions and focusing on the most important offerings for their customers today to help make decisions for tomorrow's consumers.

Questions to ask yourself when planning how to adapt to the new normal.

- **Inactivity:** Which transactions or account openings didn't happen because of COVID-19?
- **Overactivity:** Which activities occurred more frequently during this pandemic?
- **Surprises:** What was surprising about customer interactions? What questions/inquiries came up? Were there areas where banks were not prepared or caught flat footed?
- **Audiences:** Did banks' target audiences shift? Were some harder hit than others?

Once you've asked these questions and really looked at what has changed you should then, learn and evolve from what happened during the hardest months of COVID-19. Escalate digital strategies focused on what customers would not or could not do during those months and reconfigure channel experiences, products, and services as needed to adapt to the changing consumer.

## PREDICTION 2:

### There Will Be a Continued Dependency on Digital

Banks should likely revisit their approach to delivery within all channels and make digital channels a higher priority. This means that banks have an opportunity to transition away from expensive channels, like call centers, to cheaper digital media. Digital initiatives will help banks adapt to new consumer behaviors:

- Branches will remain, but with a new focus and structure. It is in banks' best interest to position branches as locations or centers for advice, counseling, and wellness.

- Banks will create strategies that revolve around defining "universal bankers" and specific types of interactions and offerings.
- Other self-service channels like automated deposit drops, ATMs, online banking, and mobile apps will replace traditional teller transactions.
- Digital development will focus on the timing and ease of simple transactions, as well as on providing confidence.
- Digital development will also allow seamless approaches to more complicated interactions like account research, recommendations, and application processes.
- Banks will build this technology by acquiring competitors, making acquisitions and mergers less about expanding footprints than widening their tech advantage.
- All interactions across all channels will be seamless because digital experiences will allow it and enable it. Digital development will focus on features, functionality, and integration.

PREDICTION 3:

## The New Reality of Brand Impact & Consumer Loyalty

Every business is considering the pandemic's brand impact. Banks' treatment of consumers and employees will affect both groups' loyalty to those institutions after the pandemic subsides. This means that:

- Customers and prospects will watch how well banks adjust to health and safety changes brought about by COVID-19. They will pay close attention to how banks manage cleanliness, transitioning to digital interactions, individual customer services, and small business services.
- Customers will watch how seriously banks take keeping their employees safe and healthy, as well as how they treat furloughed or laid-off workers.
- Customers will switch banks if they feel that their current institution is evolving too slowly.
- The perception of who the bank is as an institution, as a community member, as an online entity will be as important as the experiences they deliver.

PREDICTION 4:

## Banks Will Need to Reimagine Their Solutions

Banks have already had to step up with small business solutions (PPP handling), but more such solutions are to come. If we remember the housing bubble crisis of 2008, banks had to think through and

create mortgage financing products like deferments, modifications, delinquencies, and so forth. The pandemic may have brought us to that point yet again. These new financial products will focus on:

- Lending
- Credit, including credit products and delivery (contactless payments)
- Debt consolidation and counseling
- Financial wellness
- Financial management
- Investing
- Retirement savings

Banks should be preparing to create new products and solutions to meet the needs detailed above. In some cases, it may be dusting off limited-use products (like CDs) or creating entirely new solutions to meet a specific need (i.e. high-risk small business lending when a business has been repeatedly denied current options).

Whereas bank products have become highly commoditized, it will be imperative for these institutions to innovate and differentiate as the pandemic subsides.

PREDICTION 5:

## Deeper Consumer and Market Intelligence Will Be The Differentiator

More retail banking clients mentioned that their experience programs (customer and employee) are valued more during this pandemic than ever before. Historical data isn't as helpful for these institutions in unprecedented times—what has been helpful are programs that can help banks learn how customers are doing and what they're seeking as it happens in the

moment. No other program, metric, or technology can accomplish this. Banks can build on this invaluable knowledge by letting their programs guide them by:

- **Being Innovative:** Isolate concerns, problems, unhappy customers, and unmet needs to identify innovation opportunities. Look closely at why customers are submitting complaints to identify improvement areas.
- **Understanding Marketplace Perspectives:** Collect and compare against competitive perspectives. Find ways to differentiate and explore gaps therein.
- **Digital Deep Dives:** Be specific about what you're exploring about digital experiences, but leverage numerous feedback methods to gather both structured and unstructured data.
- **Creating a Birds-eye View:** Even if banks' feedback channels are not fully integrated, their experience program data can be. Omni-channel perspectives enabled by banks' customer and employee programs can help them highlight areas that they need to de-silo and improve.

These predictions are based on our many years of helping clients in retail banking with their experience programs and numerous research initiatives prior to and during the pandemic. It is our recommendation that banks focus on meeting current needs and using the pandemic to guide innovative thinking, new solutions, and personalized experiences to set them apart from rival brands.

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