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How Banks are Restructuring their Branch Networks

Exodus from “full-service branch network” and emergence of “unconventional branches”

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Summary

- Full-scale restructuring of bank branches is underway. Amid sluggish earnings, branches have been attracting attention as assets for cost reduction. The COVID-19 pandemic accelerated this move by raising questions regarding the value of face-to-face service.
- In the long run, customers have been moving away from doing business at bank branches. On the one hand, this means that digitization has made it unnecessary for customers to visit branches. On the other hand, it also means that branches have not been able to offer any value-added service other than administrative processing. Yet, some research indicates the importance of bank branches, implying that critics who dismiss the value of branches may be overlooking certain risks.
- In light of this situation, strategies that banks are pursuing in restructuring branch networks can be classified as follows: exodus from full-service banking networks, and adoption of “unconventional branches”. The former focuses on functions that branches perform and diversifies branches by assigning each branch a certain specialization. The latter is characterized by unique outlets that attempt to overcome the traditional branch image.

Attention

This report is a summary translation. The official document is only in Japanese.