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aruba

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Enterprise company

The Changing Face of Retail Banking Centers in North America

Aruba Banking Survey

Analysis report + updated retail footprint data analysis

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01 Introduction

Introduction

The intent of conducting this primary research was to gain perspectives from IT and Line-of-Business (LOB) Executives who work at North American Retail Banking Tier 2 and 3 institutions. Respondents are involved with the strategy and implementation of the bank's retail banking center technology. They're also involved with the strategy and implementation of the bank's retail banking center customer experience.

The research study covered a spectrum of topics relating to their bank's retail banking center:

- Importance and role in servicing customers
- Factors that are driving change – internal and external – with a view to better understand decision-making authority
- Networking technology needs, and to understand if banks are seeking new networking technology companies

The output of this research is to be formulated into communication programs that appeal to LOB Executives. The job of this material is to support Aruba raising its brand profile to these influencers, and, in many cases, active decision-makers.



02 Executive summary

Executive summary

- Retail banking centers have grown in importance and will increase in number.
- Their role is to deliver a one-stop digital experience that's high-tech, high-touch.
- Nearly a quarter of IT Executives report their banking center's wired access switching infrastructure needs to be updated.
- Networking technology budgets are expected to increase over FY 2022/2023.
- LOB Executives have active roles selecting retail banking networking technology while CTO, CIO Office, and Infrastructure teams make the selection.



Executive summary

Retail banking centers have grown in importance and will increase in number, delivering a one-stop digital experience to banking customers.

Centers have an elevated role, that's to deliver a one-stop destination that's high-tech, high-touch, paired with new mobile banking apps that support 24/7 banking services. The number of centers will increase with networking technology budgets also growing.

87%

see an increased importance in the role of retail banking centers.

51%

of LOB Executives that expect an increased role for the banking center believe it needs to be a one-stop destination with high-tech, high-touch customer interactions.

70%

of banks, regardless of number of retail locations today, expect to increase the number of centers in the next 24 months.

68%

of LOB and IT Executives say, in the next 24 months, investment and wealth management, advisory, and small business and estate loans are planned for retail banking centers.



Executive summary

For respondents, the digital economy is the leading external factor shaping the retail banking center.

Forces shaping the banking center vary between LOB and IT Executives. LOB state customer demands, big data, and hyperpersonalization are critical forces, while IT is focused on big data analytics and cybersecurity concerns.

18%

of LOB Executives view the digital economy as the leading external factor shaping the retail banking center.

23%

on aggregate, LOB, and IT Executives are focused internally on managing operational, security compliance while reducing costs to improve margins and growth in new markets.

15%

of LOB Executives view customer demands as their second prominent external leading factor shaping the retail banking center.

17%

of IT Executives view both big data analytics — ML, AI for personalization at scale, and cybersecurity concerns — as key forces driving retail banking center change.

14%

of LOB Executives view big data analysis, and the ability to leverage AI for personalization at scale.



Executive summary

Banking center's wired access switching infrastructure needs updating, budgets to increase.

Line-of-Business Executives play active roles in selecting networking technology for retail banking centers with CTO, CIO Office, and Infrastructure teams making the selection.

22%

of IT Executives state that updating the banking center's wired access switching infrastructure refresh is needed to support higher workstation connectivity speeds, power over Ethernet, and Internet of Things (IoT).

81%

expect their networking technology budgets to increase and 16% to stay the same over FY 2022/2023.

90%

of networking technology solutions are selected across a mix of CTO, CIO Office, and IT Infrastructure teams.

45%

of banks are looking at new technology companies to deliver networking technology changes.

85%

of LOB Executives are actively involved in selecting a networking technology provider for retail banking centers. IT Executives are 91% actively involved.



03 Methodology

Methodology

The survey was presented in a mobile-friendly format that's easy for audiences to respond. Survey questions were mapped in close collaboration with Aruba's banking team, making sure key topics were in the study.

The survey was in-field from February 21 to March 30, 2022.

143 respondents were captured from audiences located in US or Canada. Respondents were split: US 96, Canada 47.

Job roles aligned to LOB and IT Executives:

- LOB – 97 respondents covering a mix of titles: Chief Digital Officer, VP/Director/Manager of Banking Customer Experience, VP/Director/Manager of Retail/Digital Banking, Chief Marketing Officer, VP/Director/Manager of Marketing
- IT – 46 respondents covering a mix of titles: CIO, Deputy CIO, CTO, Director of IT, VP/Director of Technology & Innovation, VP or Head of IT Infrastructure

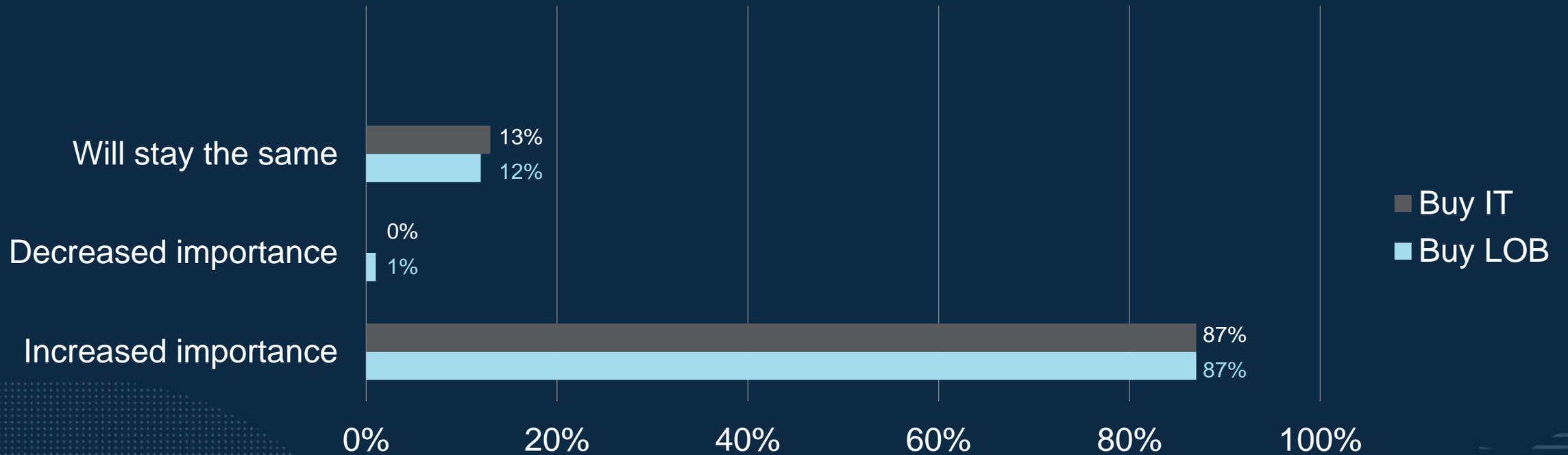




04 Retail banking's role

87% see an increased importance in the role of retail banking centers

Banking center's importance when delivering banking services over next 24 months



Q5. Which one statement best describes the retail banking center's importance when delivering the bank's services over the next 24 months?



Those that expect an increased role for the banking center believe it will become a one-stop destination with high-tech, high-touch customer interactions

For those who see an increased importance in the role of retail banking centers, 46% say making the banking centers a one-stop destination for all brand services best describes its role over the next 24 months.

- Of this group, 51% of line-of-business and 36% for IT roles share the same opinion.

41% believe introducing on-premises, high-tech, high-touch digital interactions with customers is important for the retail banking center.

- Of this group, 40% of line-of-business and 44% of IT professionals share the same opinion.

“A physical location that builds more customer trust ... (shows) we are real.

Serving the banking needs of the community ... to help people build wealth.”

Q7. If another statement better describes the role the retail banking center is expected to play, please specify

“It’s the core to serving our customers and we must cater to their wants and needs.

It’s where customers can go for any banking and servicing needs.”

Q7. If another statement better describes the role the retail banking center is expected to play, please specify



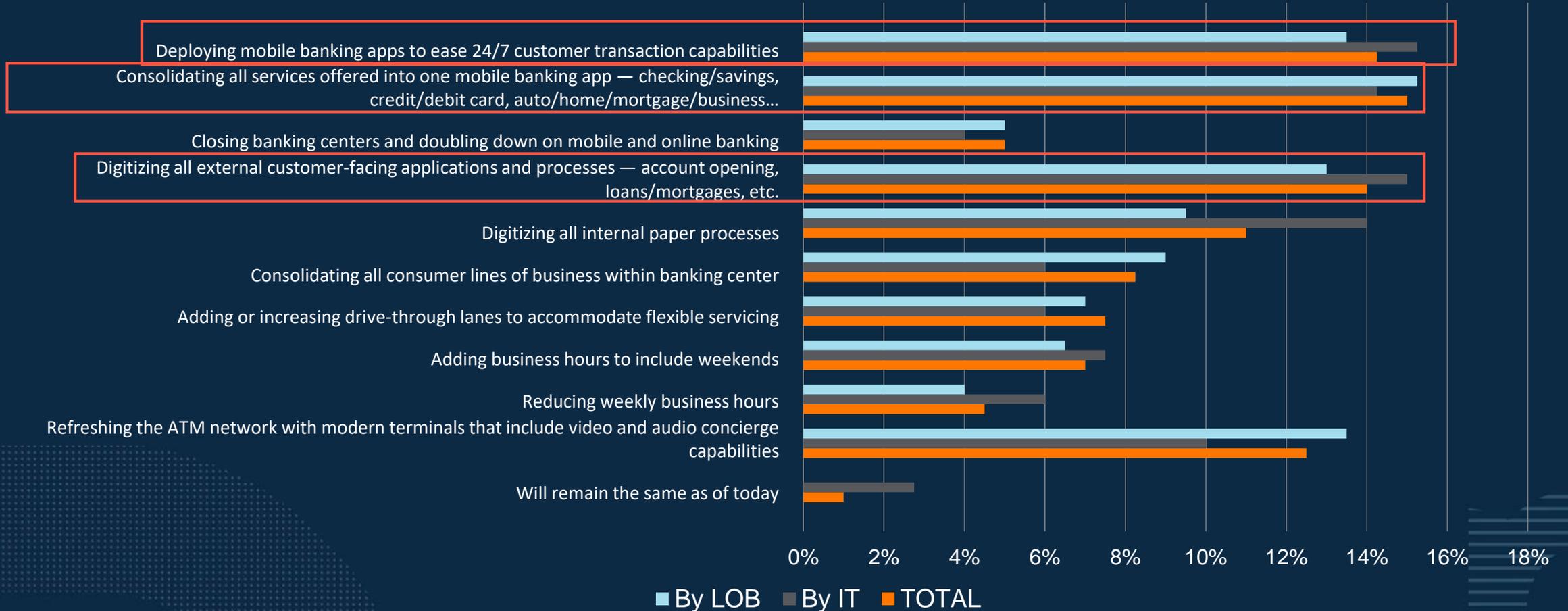
“Bring the customer experience to the next century as we transition to a digital society that uses less physical cash.”

Q7. If another statement better describes the role the retail banking center is expected to play, please specify



Digitizing the banking center and providing mobile banking apps that support 24/7 banking services are key areas for improving retail customer delivery

How the Retail Banking Center Is Changing Its Customer Delivery Model Over the Next 24 Months

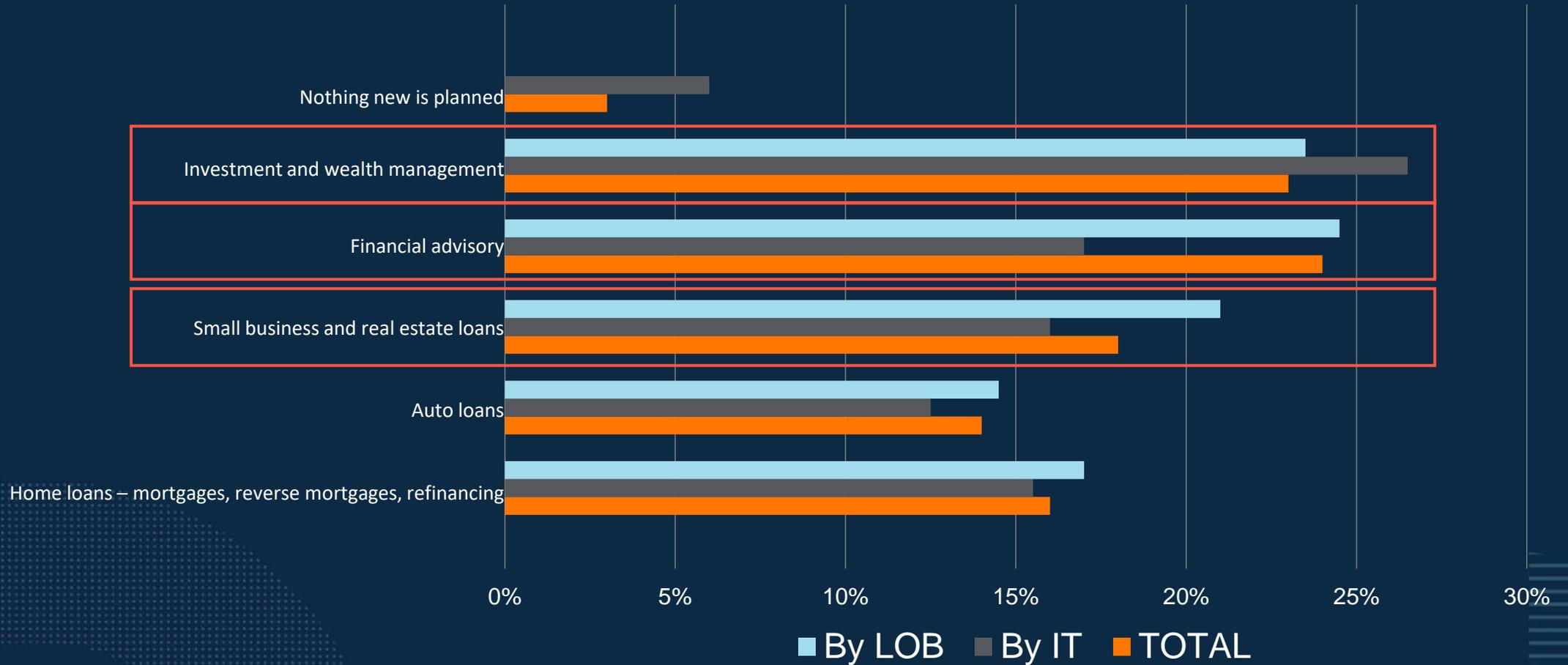


Q8. Select all the statements that best describe how the bank is changing its customer delivery model within banking centers over the next 24 months



68% say, in the next 24 months, investment and wealth management, advisory, and small business and estate loans are planned to be available in retail banking centers

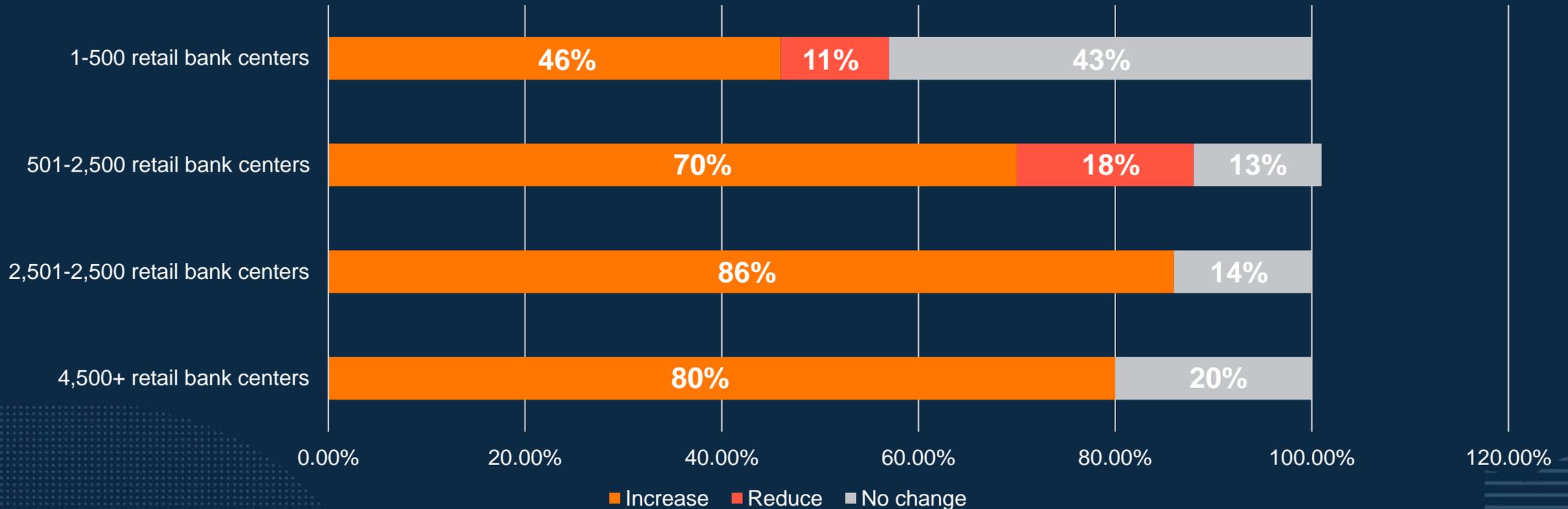
New financial services planned in the next 24 months



05 Retail banking changes

On average, 70% of banks, regardless of number of retail locations today, expect to increase the number of centers in the next 24 months

Retail banking center location changes in the next 24 months by number of bank's retail locations



Q5: Which one statement best describes the retail banking center's importance when delivering the bank's services over the next 24 months?

Q10: By size

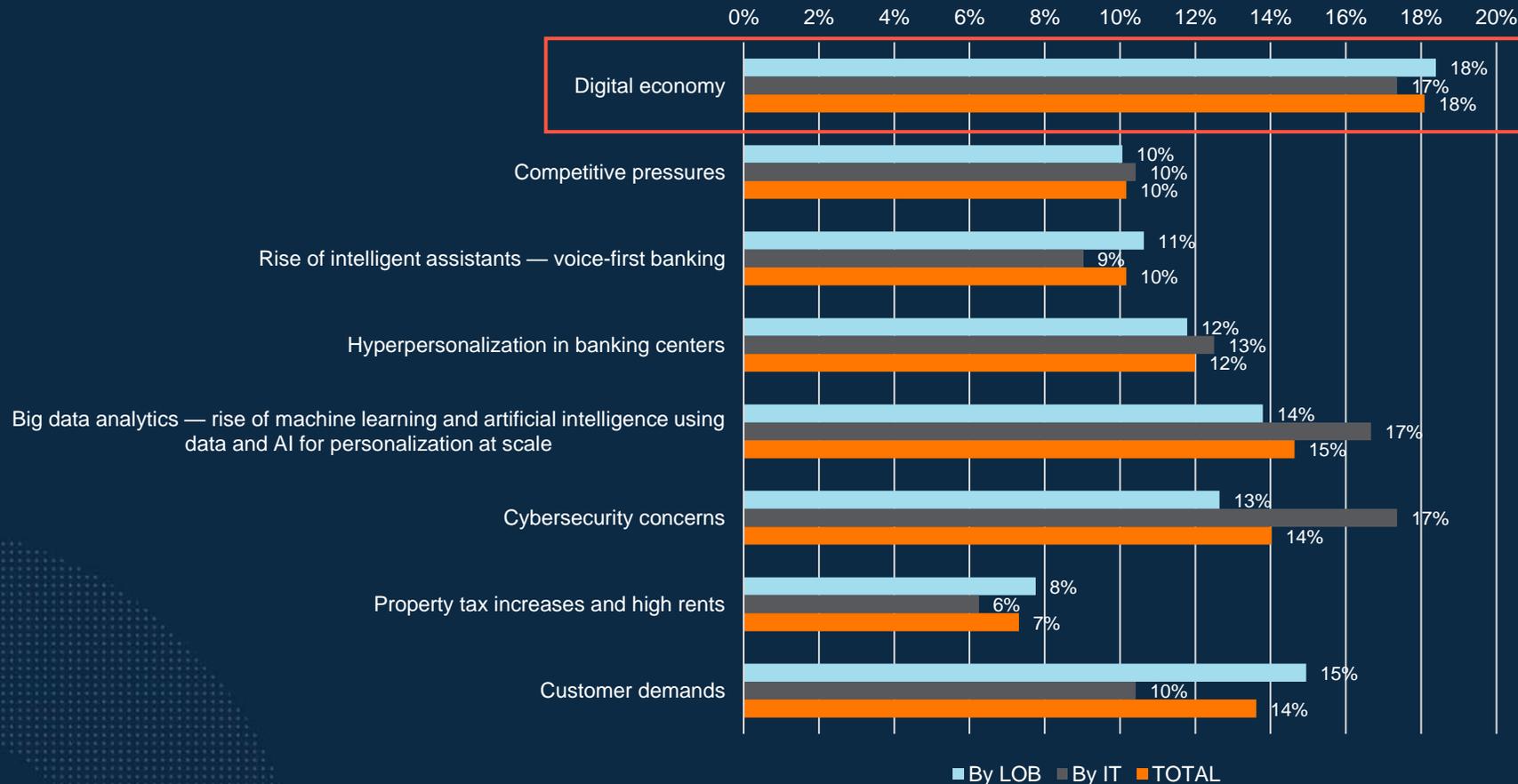
Q11: Which statement is most applicable? Response: The bank expects to increase its North America retail banking centers over the next 24 months; the bank expects no change in its North America retail banking centers over the next 24 months



Both LOB and IT Executives are focused on the digital economy as an external driver that shapes the retail banking center

LOB focus is on customer demands, big data, and hyperpersonalization, while IT is focused on big data analytics and cybersecurity concerns

External factors shaping the banking center's role

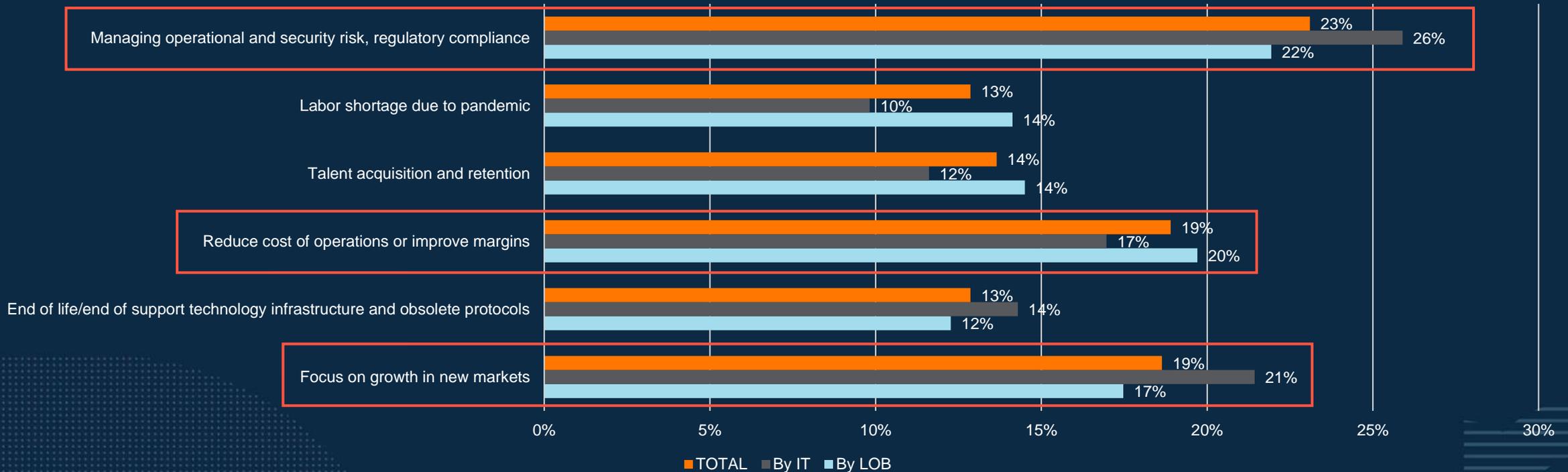


Q14. Select all the following external factors that are shaping the bank's retail banking center:

On aggregate, 23% of LOB and IT Executives are focused on managing operational, security compliance while reducing costs to improve margins and growth in new markets

LOB is more focused on labor and talent while IT is also focused on end-of-life support for technical infrastructure

Internal factors shaping the banking center's role

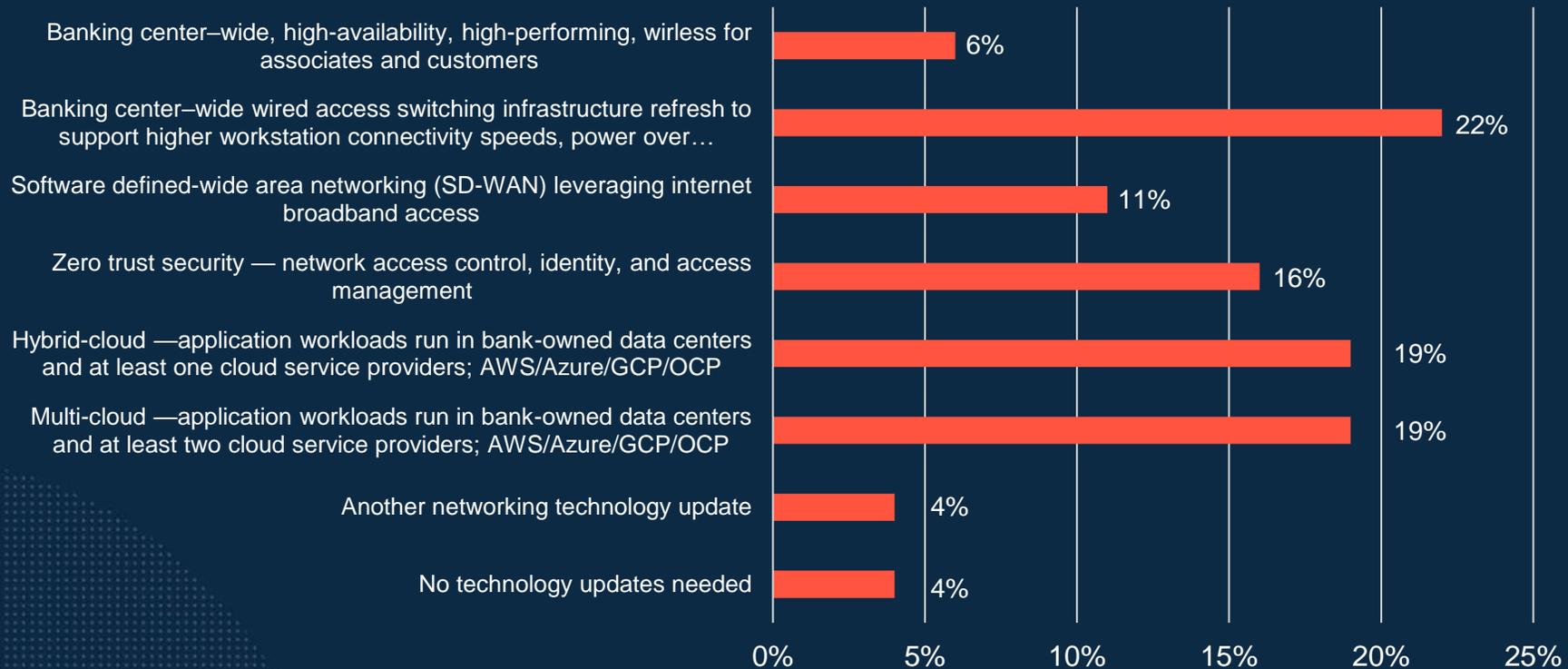


06 Retail banking networking technology needs

22% of IT Executives state banking center-wide networking technology needs to be updated

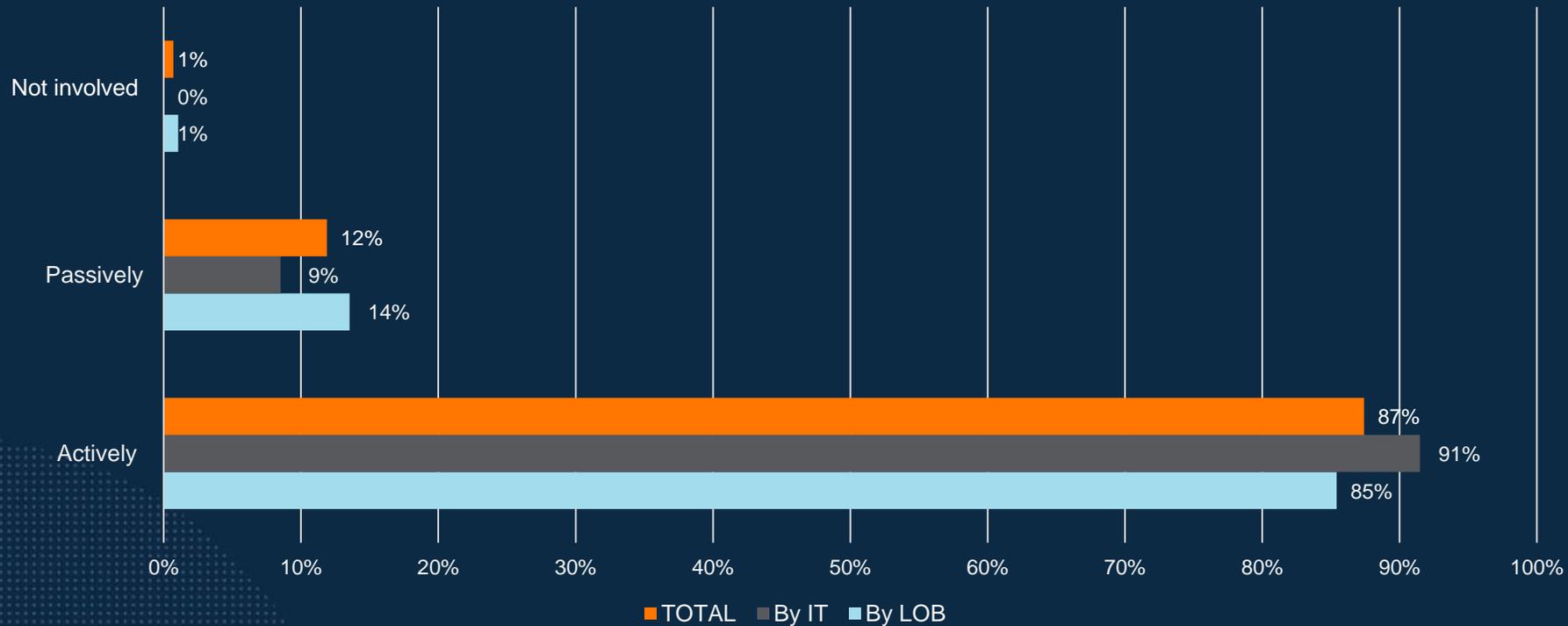
Focus spans refreshing banking center switching infrastructure, multi- and hybrid-cloud application workloads in the data center, and zero trust security

Networking technology updates the bank needs to implement over the next 24 months – IT Executives only



Respondents across LOB and IT Executives are actively involved in network technology selection for retail banking

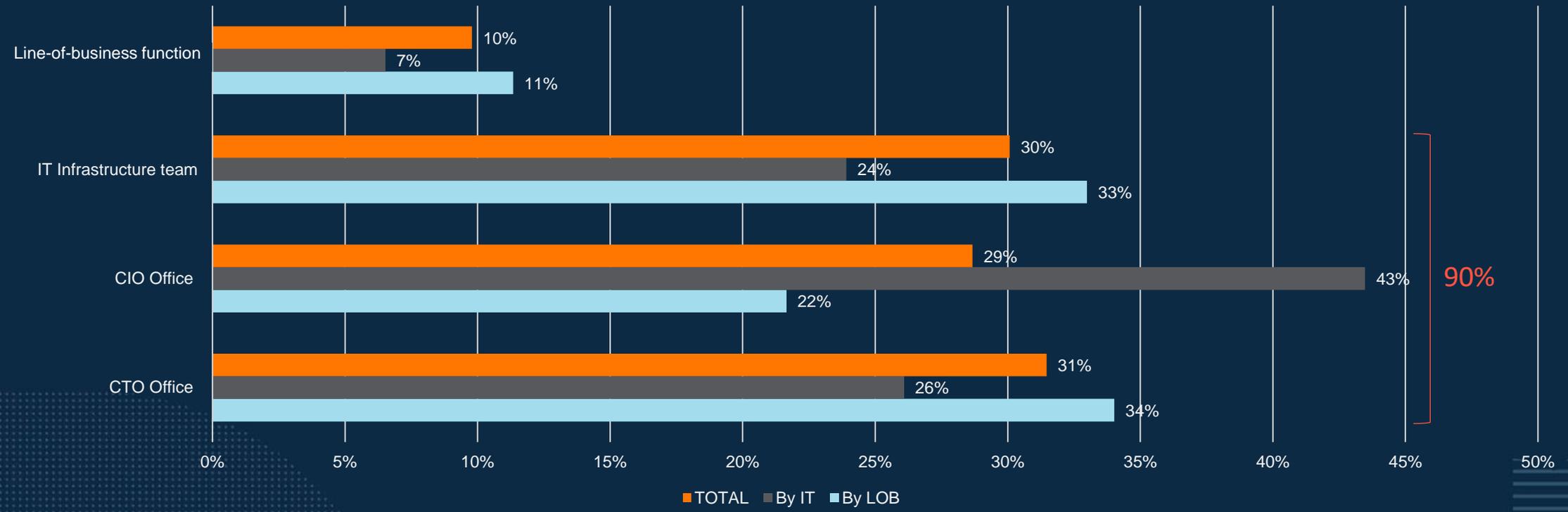
Role in networking technology provider selection for retail banking centers



Q18. In your role, select the one response that describes how you are involved in networking technology provider selection for retail banking centers

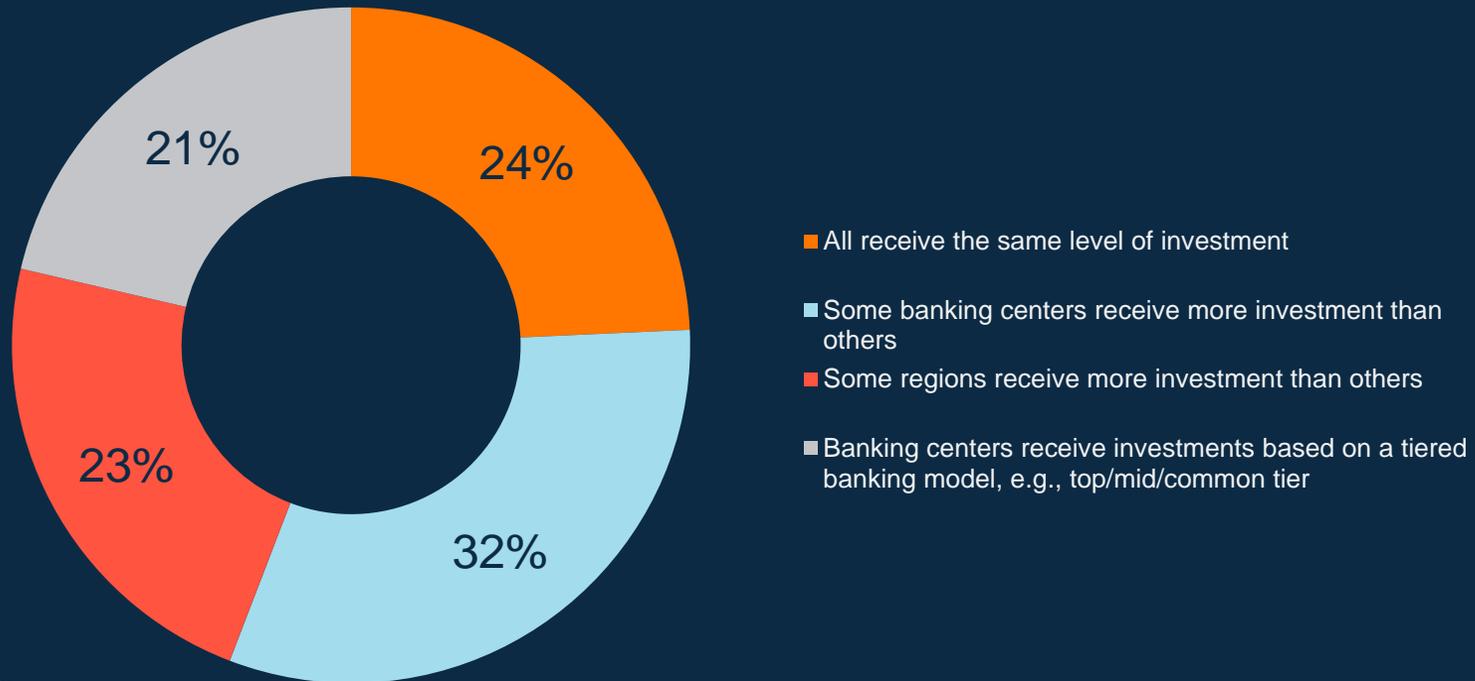
90% of networking technology solutions are selected across a mix of CTO, CIO Office, and IT Infrastructure teams

Group selecting bank's networking technology



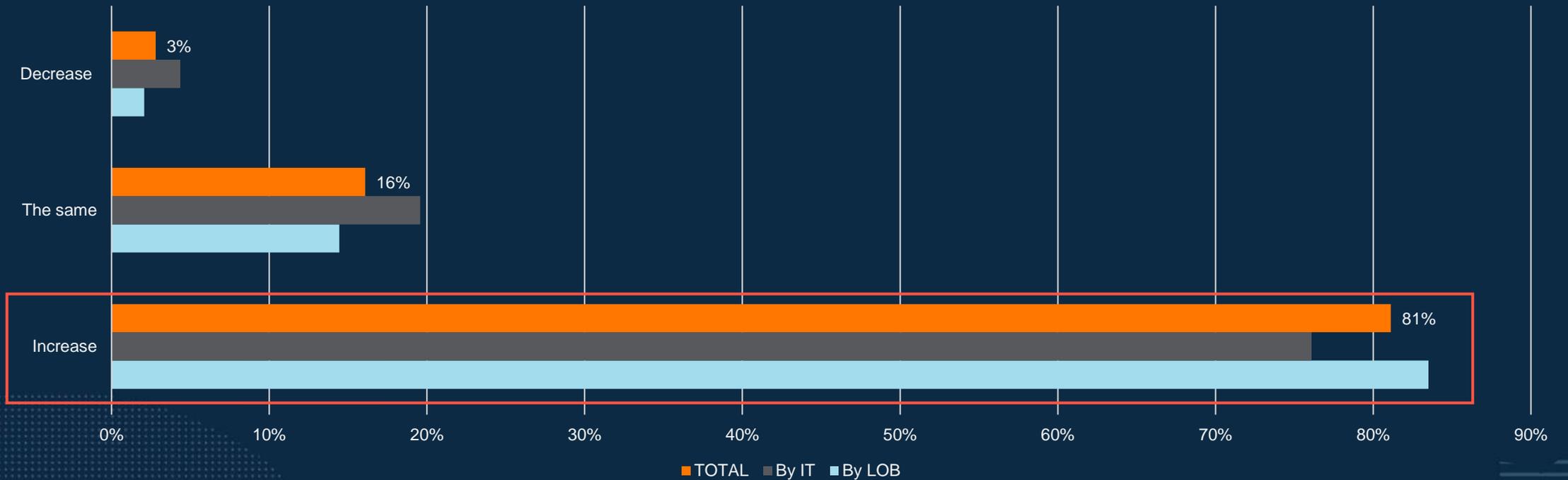
An even aggregate spread for how banking center infrastructure investment is funded

Aggregated Funding Approaches



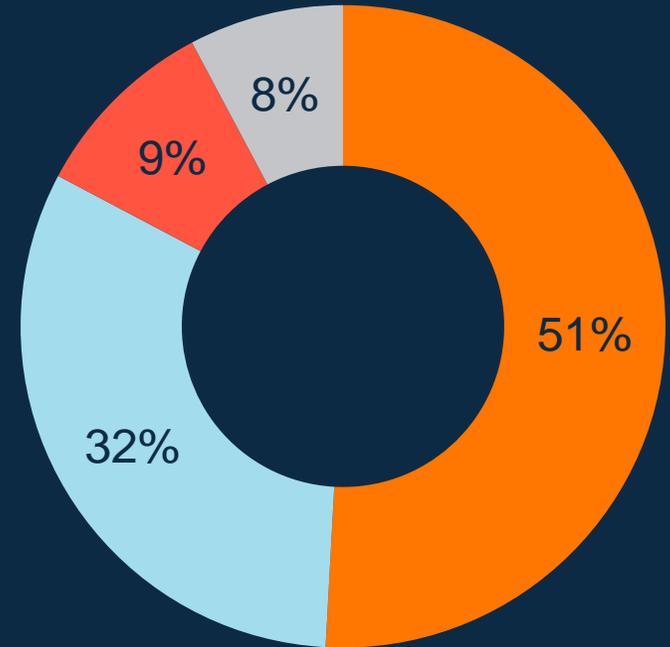
81% expect budgets to increase and 16% to stay the same over FY 2022/2023 for networking technology

Budget expectations for networking technology – FY2022/2023



Of the 81% that expect budgets to increase in FY 2022/2023 for networking technology, half expect up to 25% increase, a third is expecting a 26% to 50% budget increase

Aggregated Levels of Increased Funding FY 2022/2023



■ 1% to 25% ■ 26% to 50% ■ 51% to 75% ■ 76% to 100%

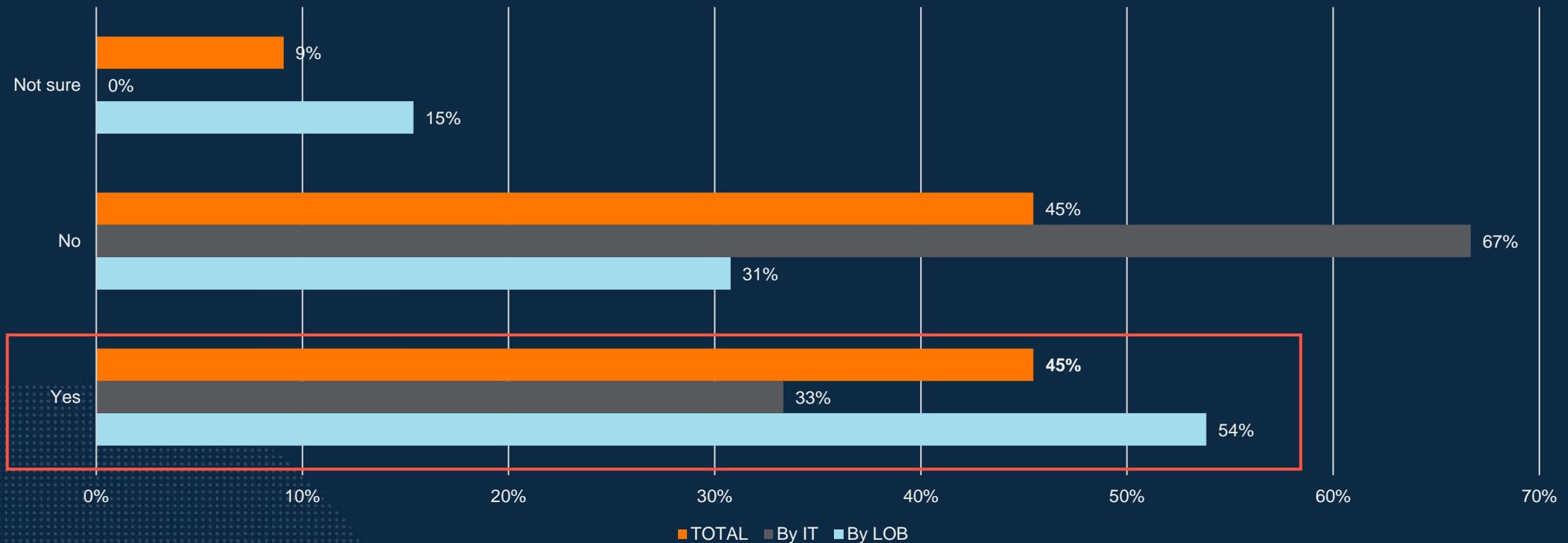


Q21. Select one response that best describes FY 2022–2023 budgets for networking technology changes

45% of banks are looking at new technology companies to deliver networking technology changes

Given that 90% of networking technology solutions are selected across a mix of CTO, CIO Office, and IT Infrastructure teams (Q19), a third say they are looking at new technology companies and 67% say they are not.

Banks Looking at New Technology Companies to Deliver Networking Technology Changes

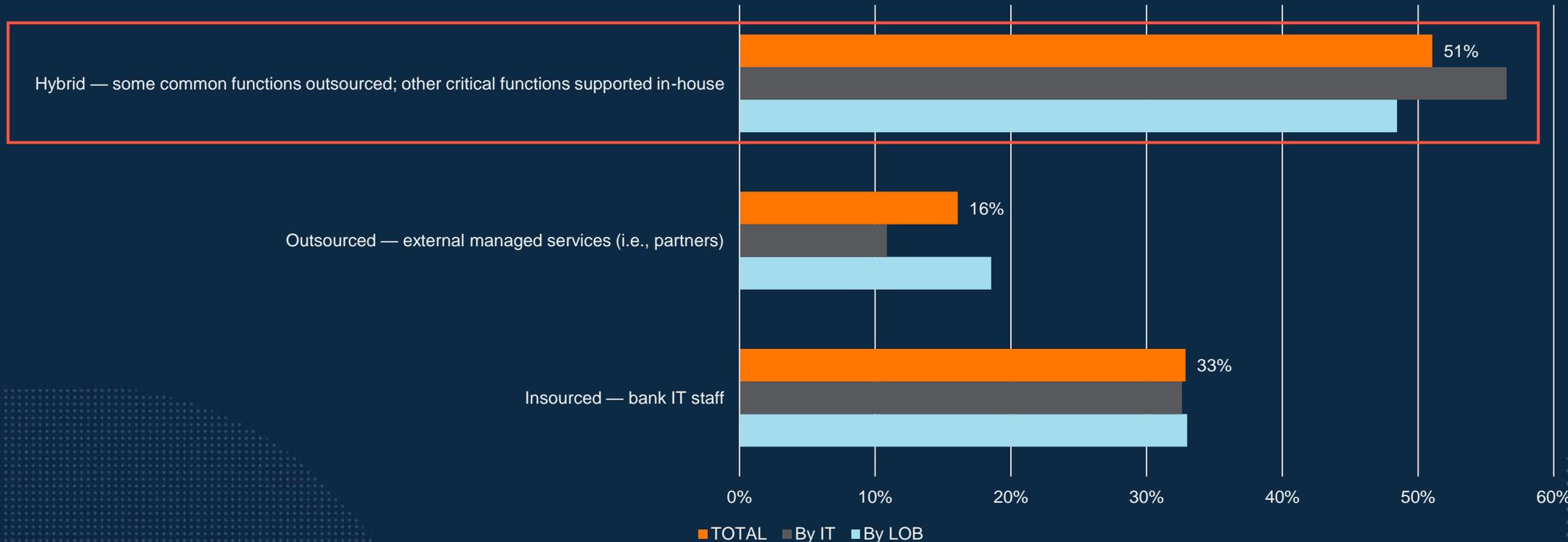


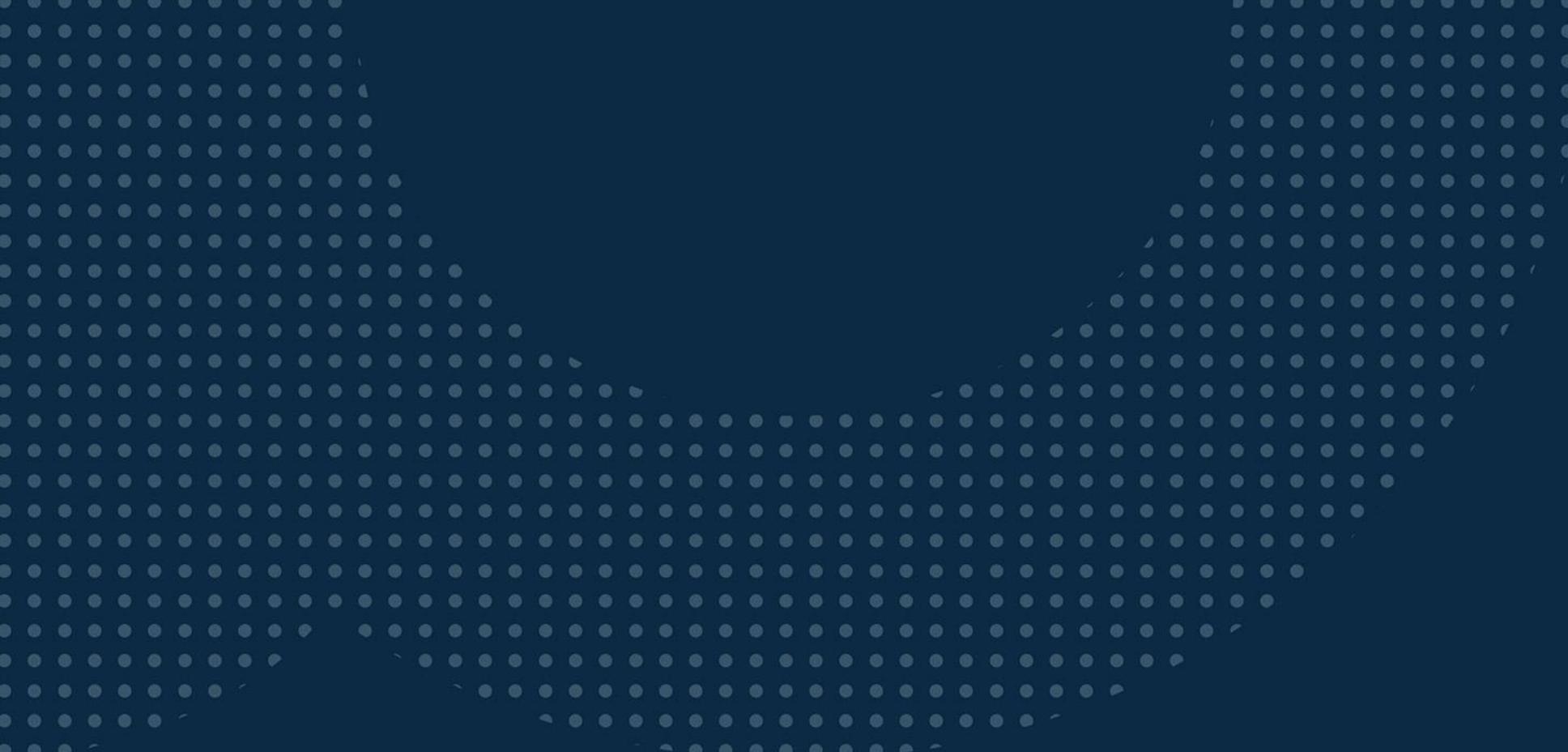
Q24. Is the bank looking at new technology companies to deliver networking technology changes?

51% of IT technology operations at the banking center are supported in a hybrid model — some functions outsourced and some in-house; a third are managed by IT bank staff

57% of IT Executives say their IT technology operations are managed in a hybrid model, 9% higher than the LOB Executives report.

Technology operations supported at the banking center





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Thank you