JAVELIN

Don’t Misinterpret Chase’s News About Branch Closures

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Many of the headlines in the wake of J.P. Morgan’s investor day fixate on the news that the banking giant plans to close hundreds of bank branches. On the face of it, that is factual. But this is akin to focusing on layoffs without accounting for hiring in other parts of a company that can drive future growth and employment.

The reality is Chase’s news is an example of getting leaner, not lopping. And it points to the bank’s strategy to boost profitability by reinventing the branch of the future, playing more of an advisory role, and spurring customer engagement through digital channels. To be sure, Chase does forecast reducing its 5,602 branches, but only by about 300 over the next two years. But Chase also sketched out its strategy to target expansion in promising areas like San Jose and evolve its branches from “transaction centers to advice centers.”

Look for its branches to increasingly set aside private spaces for face-to-face interactions between advisers and business, commercial, and private banking clients. An important part of this strategy will hinge on reducing the number of tellers and assistant branch managers who handle routine transactions.

What’s going to happen to those routine transactions? Customers increasingly will conduct them online, on smartphones, on tablets, and at ATMs.

Will they do it because Chase leaves them no alternative? Nope. They’ll do it because they prefer the digi tal channels.

Citing year-over-year numbers, Chase reported hefty increases in mobile app users (20%), mobile QuickDeposit transactions (25%), mobile QuickPay transactions (80%), mobile bill payments (30%), and ATM deposits (10%). And here’s an important milestone for Chase’s branches and ATMs: 2014 marked the first year its customers made more deposits through digital channels than at teller windows (ATMs 48%, mobile deposit 10%, and tellers 42%). Like Javelin and our view about Moneyhawks, Chase concludes that digital usage leads to more engaged, more satisfied consumers who are less likely to switch banks. They do more transactions, and they conduct them in cost-effective, self-service digital channels. And when they do head to a branch, there will still be plenty of them – with an increasing focus on face-to-face interactions that matter both to the customer and Chase’s bottom line.