

Phygital

INNOVATION

Merging the Physical and Digital Worlds in Banking

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In today's rapidly evolving financial landscape, the concept of merging the physical and digital worlds has gained significant traction. This convergence, known as "Phygital (physical + digital) Innovation," has revolutionized various industries, including banking, where many branches were built decades ago and no longer reflect the wants and needs of today's consumer.

Why is merging these two worlds just gaining traction now? And why is it so relevant when many institutions are looking to consolidate the branch network and are facing considerable budget constraints?

First, advancements in technology have made it easier for financial institutions to offer digital services and create seamless experiences across physical and digital channels. Consumers now expect the convenience of accessing banking services anytime, anywhere, and financial institutions are responding by integrating their physical branches with robust digital platforms. While this may involve some initial cost, the long-term outcome more than makes up for it by allowing for better space utilization, enhanced self-service options, boosted consumer experiences, and improved employee satisfaction.

Second, the COVID-19 pandemic accelerated the adoption of digital banking as consumers increasingly turned to online and mobile channels for their banking needs. This shift has prompted banks and credit unions to invest in digital transformation initiatives and find innovative ways to bridge the gap between physical and digital interactions.

And finally, the rise of fintech startups and non-traditional players in the banking industry has intensified competition. To stay competitive, traditional institutions are embracing digital innovation and integrating their physical infrastructure with digital capabilities to provide a seamless and comprehensive banking experience.

We now know how Phygital evolved, but why is it important and what is the benefit of adopting a Phygital strategy? The seamless integration of physical and digital experiences is so important because it can provide key benefits such as:

An Enhanced Experience

Phygital innovation in banking aims to create a consumer-centric approach by offering a seamless and personalized experience across physical and digital channels. By integrating physical branches with digital platforms, consumers can enjoy the convenience of accessing banking services anytime, anywhere. Whether it's through mobile banking apps, online portals, or interactive kiosks in branches, consumers can perform transactions, check balances, and seek assistance effortlessly. This integration also allows financial institutions to gather valuable consumer data, enabling them to offer tailored products and services based on individual preferences and needs.

Increased Efficiency and Cost Savings

By merging the physical and digital worlds, financial institutions can streamline their operations and reduce costs. Traditional banking processes often involve time-consuming paperwork and manual tasks. However, with the adoption of digital technologies, such as online account

opening, digital signatures, and automated document verification, financial institutions can significantly reduce paperwork and manual errors. This not only improves operational efficiency but also saves costs associated with physical infrastructure and staffing.

Strengthened Security Measures

Phygital innovation in banking places a strong emphasis on security. While digital banking offers convenience, it also raises concerns about data breaches and fraud. By merging the physical and digital worlds, financial institutions can implement robust security measures to protect consumer information. For instance, biometric authentication methods, such as fingerprint or facial recognition, can be integrated into both physical and digital channels, ensuring secure access to accounts. Moreover, physical branches can serve as verification points for consumers, providing an additional layer of security when conducting high-value transactions or resolving account-related issues.

The merging of the physical and digital worlds offers numerous advantages, but it is crucial to approach the integration with careful consideration.

To ensure the creation of a successful Phygital experience, it is essential to keep in mind the following key factors:

The Right Team. To transform your retail network into a powerful and profitable tool, it is crucial to shift your perspective. Instead of treating it as a mere depreciation item on your financial statement, it's time to recognize its potential as a catalyst for acquiring new business and enhancing the overall consumer experience. Achieving this requires a holistic approach where your physical and digital spaces align seamlessly, and your facilities, IT, and marketing teams collaborate effectively. It is not solely the responsibility of one or the other, but rather a synergy of expertise that goes beyond constructing walls and selecting flooring. It demands a comprehensive branded experience across all touchpoints that consistently delivers a WOW factor, captivating individuals and drawing them in at every opportunity.

A Cohesive Branding Strategy. When integrating the physical and digital realms, it is vital to prioritize a consistent and unified branding strategy. A robust brand presence plays a pivotal role in establishing a cohesive and recognizable identity for your institution through both physical and digital platforms. By maintaining consistency

in appearance, atmosphere, and messaging across diverse touchpoints such as physical branches, websites, mobile apps, social media platforms, and other digital channels, your institution can facilitate seamless transitions for consumers. This fosters trust, familiarity, and differentiation, enabling consumers to easily identify and engage with your institution regardless of the chosen interaction channel.

Evaluate for Effectiveness. Ensuring the effectiveness and alignment of your institution's branding strategy goes beyond maintaining consistency. It is critical to conduct a thorough evaluation, either internally or through professional outsourcing, to assess its impact. This evaluation should encompass a comprehensive examination of various aspects, including the branch interior, exterior, drive-thru, and detailed floor plans including precise measurements. Additionally, a thorough digital analysis of your branch's technology infrastructure should be conducted. Such an evaluation enables the identification of any inconsistencies or areas for improvement, ensuring the strength and tone of your brand message with your target audience. Moreover, these evaluations keep you abreast of evolving consumer preferences and market trends, empowering you to make informed decisions and adapt your branding and marketing strategies accordingly.

Undoubtedly, financial institutions must establish a presence in both physical and digital realms. While digital banking is now an expected necessity, there remains a significant consumer segment that highly values the convenience and personal touch offered by physical branches. Physical presence facilitates face-to-face interactions and personalized advice, while instilling a sense of security for those who prefer traditional banking methods. Conversely, a digital presence is required to meet the surging demand for online and mobile banking services. It enables consumers to access their accounts, conduct transactions, and seek assistance at their convenience, regardless of time or location. By embracing a Phygital approach, if done correctly, you can elevate the overall consumer experience and positively impact your bottom line.



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