FUTURE BRANCHES INSIGHTS

Future-Proofing the Branch and the Customer Experience in Banking

How Banks and Credit Unions Are Innovating to Drive Deposit and Loan Growth

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Executive Summary

The results of a recent study of leaders at banks and credit unions reveal that they continue to struggle with technological disruption, evolving customer expectations, and intensifying competition from fintech innovators. Although most of the respondents have made significant advancements in areas like technology implementation and personalization, customers and members continue to experience friction during the account opening and loan origination processes.

Other issues, such as manual errors, the limitations of legacy technologies, and insufficient point-of-sale systems, are also contributing to attrition during the application processes. In 2025 and 2026, leaders at financial institutions will focus on integrating artificial intelligence (AI), streamlining onboarding processes, and optimizing the omnichannel experience as key strategic priorities.

This report provides key benchmarking data, actionable insights, and critical suggestions for banks, credit unions, and their branch networks.

About the Respondents

100 respondents were surveyed to generate the results featured in this report.

The respondents are leaders from **regional, national,** and **global banks,** as well as credit unions.

76%

have **$10 billion or more** in assets under management.

They occupy roles in:

- strategy
- banking
- lending
- operations
- digital
- technology

Key Insights

Top three priorities in consumer banking:

- Integrating AI/ML (46%)
- Speeding up account opening (42%)
- Personalization and omnichannel (38%)

Top two challenges in consumer banking:

- Fintech competition (45%)
- Regulatory complexity (43%)

Top three methods for attracting younger customers/members:

- AI virtual assistants (51%)
- Mobile experiences (50%)
- Faster payments (39%)

Most frequent customer problems when opening a deposit account:

- Time-consuming processes (41%)
- Data errors (39%)

Technologies for improving account opening processes:

- Digital applications (64%)
- AI-powered decisioning (61%)
- Predictive modeling (56%)

Top priorities when selecting a POS system:

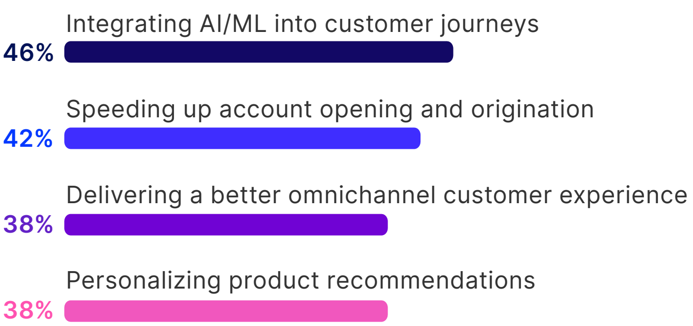
- Ease of use by customers (63%)
- Ease of use by employees (61%)
- Reporting capabilities (60%)
- Automated decisioning (53%)

Financial Institutions' Key Priorities and Challenges

Banks and credit unions are transforming their branch and customer experience strategies to match those of emerging and non-traditional organizations like financial technology (fintech) firms. Driven by technological advancements and shifting customer expectations, financial institutions are now prioritizing customer-centricity and a digitally enabled banking experience that's synchronized across the in-person and digital retail environment.

Top Priorities for Consumer Banking

What are your institution's top business priorities for consumer banking in the next 12 months?



37% Modernizing account-opening systems

25% Accelerating back-office automation

24% Improving customer satisfaction scores (NPS or other)

23% Enhancing cross-selling capabilities

16% Modernizing loan origination systems (LOS)

11% Improve operational efficiency / Reduce costs

The respondents were asked to identify their top three priorities over the next 12 months. Two of the priorities presented to them in the study tied for third place, with 38% of the respondents selecting them, in each case:

1. Integrating AI and ML into Customer Journeys

Artificial intelligence (AI) and machine learning (ML) are becoming central to enhancing customer experiences. Institutions are leveraging these technologies to deliver personalized interactions, automate processes, and improve decision-making. This priority reflects the industry's commitment to staying competitive by offering smarter, data-driven services.

2. Speeding Up Account Opening and Origination

Streamlining account opening and loan origination processes is critical for improving customer satisfaction and reducing abandonment rates. By investing in digital tools and automation, institutions aim to make these processes faster and more efficient, aligning with customer demand for convenience.

3. Personalizing Product Recommendations

Tailored product recommendations are increasingly vital for deepening customer relationships. By analyzing customer data, financial institutions can offer solutions that meet individual needs, fostering trust and loyalty.

4. Delivering Better Omnichannel Customer Experiences

The integration of physical and digital channels is essential for providing seamless banking experiences. Institutions are prioritizing omnichannel strategies to ensure customers can transition smoothly between in-branch, online, and mobile banking.

Top Two Challenges in Consumer Banking

What are your institution's top consumer banking business challenges in the next 12 months?

The leaders also identified the top two challenges they face in the current environment:

1. **Competition with fintech Companies and Digital Platforms**

   Fintechs continue to disrupt traditional banking by offering innovative solutions that appeal to tech-savvy customers. To compete effectively, banks must adopt agile strategies that blend traditional strengths with fintech-style innovation.

2. **Regulatory Complexity**

   Navigating an increasingly complex regulatory environment remains a significant challenge. Compliance demands require institutions to invest in robust systems and expertise while balancing operational efficiency.

The fact that competition with fintech organizations was one of the most notable challenges demonstrates the level of disruption these organizations are causing in the market. Consumers have demonstrated that they are attracted to digital financial platforms due to their accessibility, ease of use, and savings opportunities.

The Impact of Fintechs on Retail Banking Strategies

In conversations with researchers, the respondents highlighted several ways financial technology firms have reshaped customer acquisition and retention strategies.

"Valuing and being more cognizant of customer feedback and suggestions are some major changes that we've implemented due to the rise of fintech companies," says one respondent. This organization has recognized that fintechs have an advantage when it comes to customer responsiveness, which has driven it to prioritize the voice of the customer even further.

Similarly, another respondent says, "We have made it easier for the customer to reach us after seeing the way fintech companies operate."

Some respondents say they are prioritizing ease of use in their apps, websites, and bank branches.

"Making it easy for the customer to engage with our products and services is something we aim for as a part of our customer retention strategy," says a respondent.

"Customer expectations have risen, pushing us to make our online and mobile platforms better," says another.

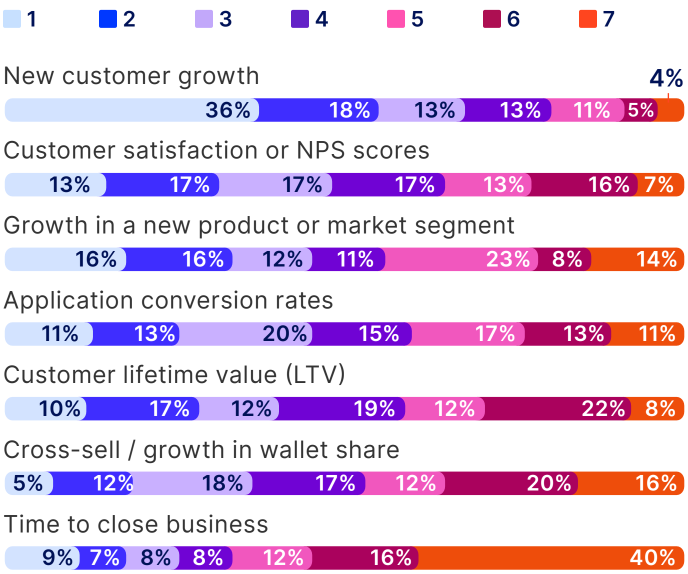
One respondent says they are simply imitating the services offered by fintechs as a strategy to meet customer expectations: "We've been blending innovations that are usually offered by fintechs with traditional banking."

The rise of fintechs has forced traditional banks to become much more customer-centric—not just by listening more closely to customer feedback, but by actively simplifying engagement across digital and physical channels. Institutions are reacting by improving ease of use, speeding up access to services, enhancing mobile and online platforms, and in some cases, directly replicating fintech innovations to stay competitive.

Most Important Key Performance Indicators (KPIs)

What are your institution's key performance indicators (KPIs) for success in 2025?

"1" being "most important KPI" and "7" being "least important KPI."



Banks and credit unions are measuring the success of their customer acquisition, account opening, and overall branch strategies to determine where improvements can be made to drive results.

1. New Customer Growth

Acquiring new customers remains the top priority for many institutions as they seek to expand their market share.

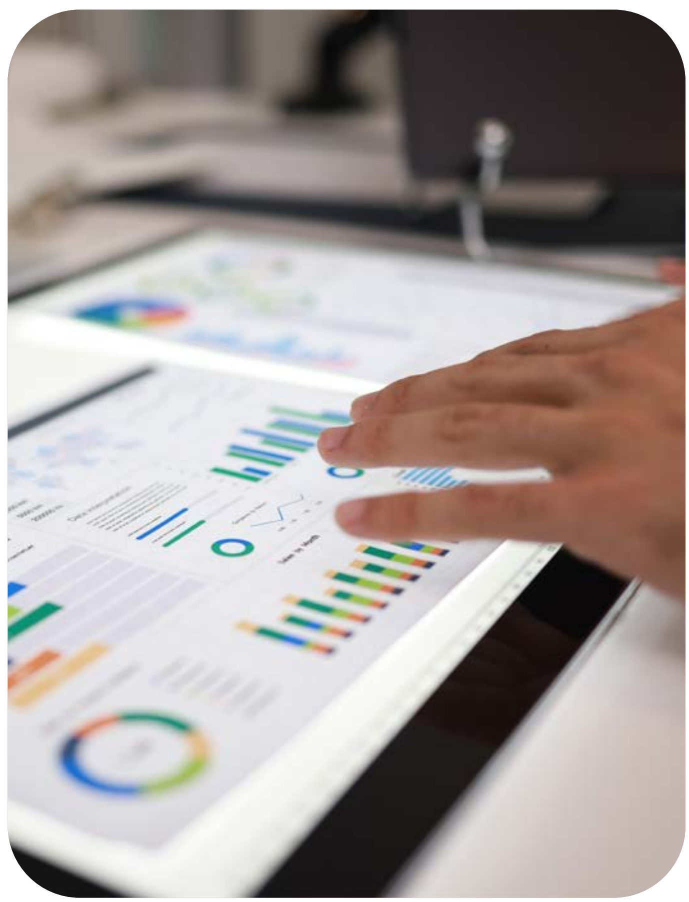
2. Growth in New Product or Market Segments

Diversifying offerings is seen as a key driver of growth.

Secondary KPIs include customer satisfaction metrics like NPS scores, customer lifetime value, and application abandonment rates—highlighting the importance of both acquisition metrics and long-term relationship management.

The findings reveal a dynamic industry focused on leveraging technology to enhance customer experiences while addressing competitive pressures from fintechs and regulatory challenges. By prioritizing AI integration, personalization, and omnichannel strategies, financial institutions can position themselves for sustainable growth in 2025.

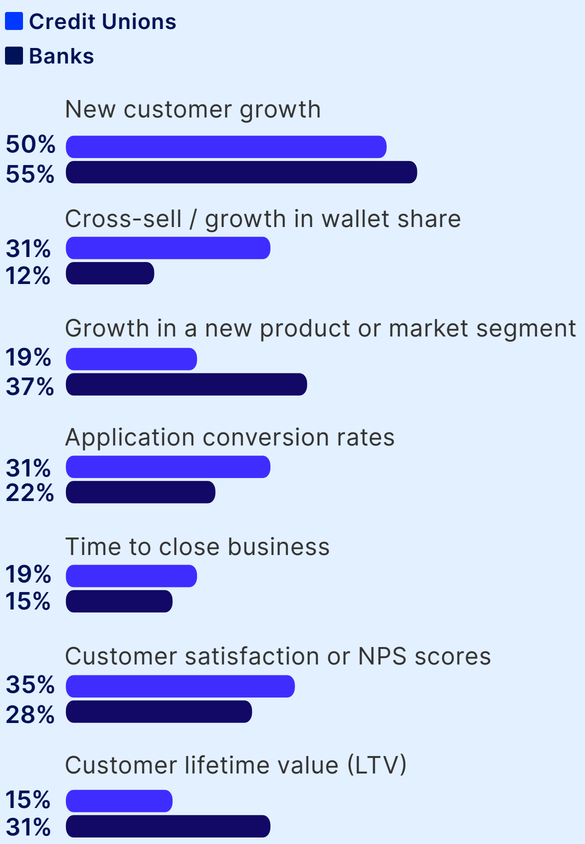
However, success will depend on their ability to implement technology effectively, adapt quickly to changing consumer behaviors, and maintain compliance while delivering value across all channels.



Strategic Priorities in KPI Selection: Banks vs. Credit Unions

The study reveals distinct strategic orientations between banks and credit unions, reflecting their unique institutional objectives. These differences become apparent when the KPIs that the respondents ranked either "1" or "2" are combined, and when the results of respondents from the two types of institutions are segmented.

First and second most important KPIs for sccuess in 2025:



Divergent Growth Strategies

When assessing KPIs for acquisition and branch strategies, 55% of banks rank new customer growth as a top priority, compared to 50% of credit unions. While this difference isn't very noteworthy, a significant 37% of credit unions prioritize growth in a new product market or segment compared to just 19% of banks.

This underscores credit unions' strategic push to diversify offerings beyond core membership bases.

This KPI often reflects initiatives like embedded lending for small businesses, digital-first wealth management tools, or geographic expansion into underserved communities. Banks, meanwhile, focus on scaling established segments (e.g., wealth management, commercial banking) through cross-selling ecosystems rather than untapped markets.

Customer Lifetime Value vs. Relationship Depth

The data also highlights a stark contrast in profitability metrics:

- 31% of banks prioritize LTV (vs. 15% of credit unions), reflecting shareholder-driven imperatives to maximize revenue per customer.
- Credit unions focus on wallet share and member longevity, with the average member relationship valued at $20,000 over time.

This divergence stems from structural differences. Banks use LTV to justify acquisition costs and tiered service models, while credit unions leverage NPS and feedback loops to deepen engagement-a strategy that boosts wallet share but often lags in deposit growth despite high satisfaction.

Technology Implications of Market Expansion

Pursuing growth in new product markets or segments demands integrated digital platforms capable of unifying legacy systems with modern APIs.

For example:

- Credit unions entering embedded finance (e.g., point-of-sale lending) require partnerships with financial technology firms like Stripe or Shopify to embed banking services directly into third-party platforms.
- Banks seeking to optimize customer lifetime value must rely on predictive analytics and AI-driven customer segmentation to identify high-value cross-sell opportunities.

A unified digital experience is critical in both cases. High-performing credit unions often attribute loan growth to advanced digital adoption, while banks that invest in omnichannel platforms tend to reduce churn and enhance LTV.

While credit unions traditionally emphasize member satisfaction, many now see disruptions from neobanks and big tech as significant threats. This explains why some are being driven toward an increasing focus on growth KPIs.

Balancing Tradition and Innovation

The findings validate that banks remain growth-oriented, while credit unions navigate tension between member-centricity and expansion. However, both sectors face converging pressures to adopt cloud-based platforms, embedded finance ecosystems, and AI-driven analytics to remain competitive.

Institutions that align KPI strategies with scalable technology infrastructure, whether for LTV optimization or community-focused growth, will lead the next phase of retail banking transformation.

Future Technology Implementations at Banks and Credit Unions

Banks and credit unions are leveraging emerging tools and technologies to enhance the customer experience, streamline operations, and address generational shifts in banking preferences. The survey data reveals a sector actively experimenting with advanced solutions while grappling with systemic gaps in technological infrastructure.

Adapting Products for Younger Generations

What are the top-three ways you are adapting your products to attract younger customers?

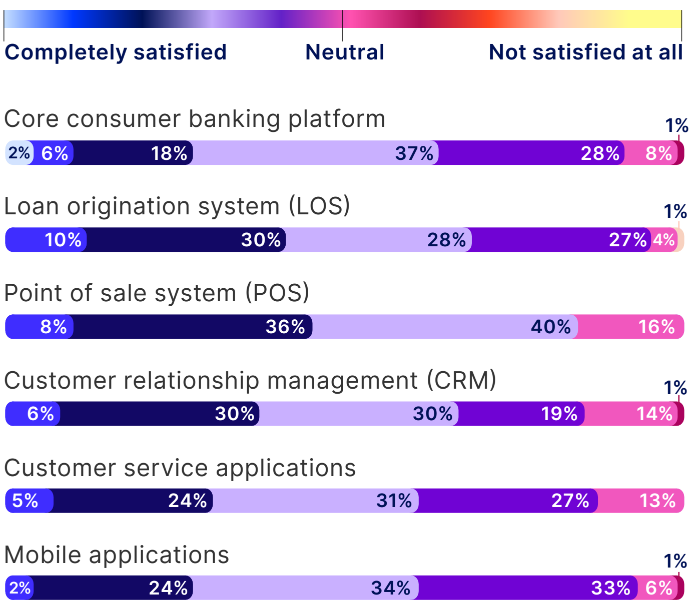
To attract digitally native Millennial and Gen Z customers, 51% of institutions are implementing AI-powered virtual assistants designed to provide instant, personalized financial guidance as one of their top three strategies. These tools address younger customers' preference for self-service options while maintaining accessibility through natural language processing capabilities.

Another 50% of respondents cite improved mobile experience design as one of their top three priorities, reflecting demand for intuitive interfaces that replicate the seamlessness of fintech apps. Notably, 39% are focusing on faster payment systems as a top strategy, recognizing younger demographics' expectations for real-time transaction capabilities comparable to Venmo or Cash App.

These investments underscore a strategic pivot toward meeting the 24/7 digital engagement standards set by non-traditional financial platforms.

Moderate Satisfaction with Current Technology Stacks

On a scale of "completely satisfied" to "not satisfied at all," how satisfied are you with your current technology solutions in the following categories?



Despite ambitious modernization efforts, only 2% of institutions express complete satisfaction with their core consumer banking platforms. Most have only moderate level of satisfaction with their other technology solutions.

This isn't the first time financial institutions have expressed dissatisfaction with their core systems. These sentiments were echoed in presentations and panel conversations at Future Branches Austin 2024.

For example, one executive vice president at a national bank said they wanted create a nationalized digital consumer platform, but the bank's core legacy systems couldn't facilitate it. The bank turned to a cloud-based solution to pursue the strategy and never went back.

"That led to a five-year relationship," they said. "And because of what I've seen a cloud-based core system do we are doing full conversion off our legacy core. Now, we can plug in virtually any fintech solution we want."

Other speakers at the event noted that ineffective core platforms had resulted in negative effects on their brand's image and the overall customer experience.

"We fired our core vendor and went through a conversion because our customers were telling us we were failing at meeting their needs," said a chief banking officer at a regional bank.

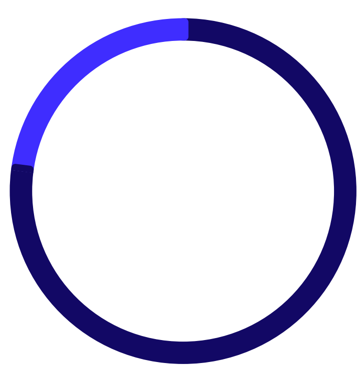
Although the conversion process was challenging, the bank needed the flexibility and integration capabilities that cloud-based solutions provide.

If banks and credit unions are still struggling with their digital infrastructure, it could create operational bottlenecks, particularly when integrating new AI capabilities. This is particularly relevant to customer service applications, where outdated architectures may struggle to support the type of omnichannel engagement consumers have grown accustomed to in other industries.

This data highlights a pressing need for platform modernization that balances incremental upgrades with transformational overhauls.

Generative AI and Machine Learning Integration

How advanced is your institution at integrating generative AI and machine learning into your business?



- **0%** We're waiting or just getting started.
- **77%** Intermediate – We're getting smarter.
- **23%** Advanced – We're on the cutting edge.

Nonetheless, financial institutions report moderate progress in deploying generative AI, with 77% characterizing their maturity level as intermediate, or "getting smarter." This suggests that most organizations remain in the experimental phase, using AI for back-office automation and tested forms of customer interaction, such as informational chatbots.

Banks may be particularly cautious about implementing customer-facing AI due to "hallucination" risks in financial advice. This occurs when an interactive AI misrepresents information, provides objectionable suggestions, or outright lies. Institutions may also be concerned about regulatory uncertainty around AI-driven decision-making.

However, forward-looking institutions are building foundational data pipelines and ethical AI frameworks to support future scalability.

Strategic AI Prioritization for 2025–2026

In which areas of your business are you prioritizing the use of AI in 2025 and 2026?

Personalization emerges as the dominant AI use case, with 63% of institutions prioritizing AI-enhanced marketing and 60% focusing on tailored product recommendations. These initiatives aim to replicate the hyper-personalization fintechs have achieved through alternative data analysis.

Meanwhile, 53% are investing in conversational AI for customer service, which aligns with previous results. Many banks and credit unions are working on deploying chatbots that combine transactional efficiency with brand-aligned communication styles.

The results suggest that banks and credit unions are focused on taking advantage of turnkey AI services that enable some of the many established use cases for AI in the banking industry.

For example, some successful organizations have adopted modular architectures that wrap legacy systems with API-driven microservices, enabling gradual modernization without business disruption. This approach proves particularly effective in payment modernization initiatives, in which institutions layer real-time transaction capabilities atop existing settlement infrastructure.

60%
are focusing on tailored product recommendations

Factors Influencing Account and Loan Origination

Banks and credit unions are grappling with persistent challenges in account and loan origination processes, which directly impact customer satisfaction and operational efficiency. The results from the study highlight key pain points, areas for improvement, and success metrics that shape institutional strategies for enhancing these processes.

Challenges in Deposit Account Opening

How often do the following problems impact your deposit account opening process?

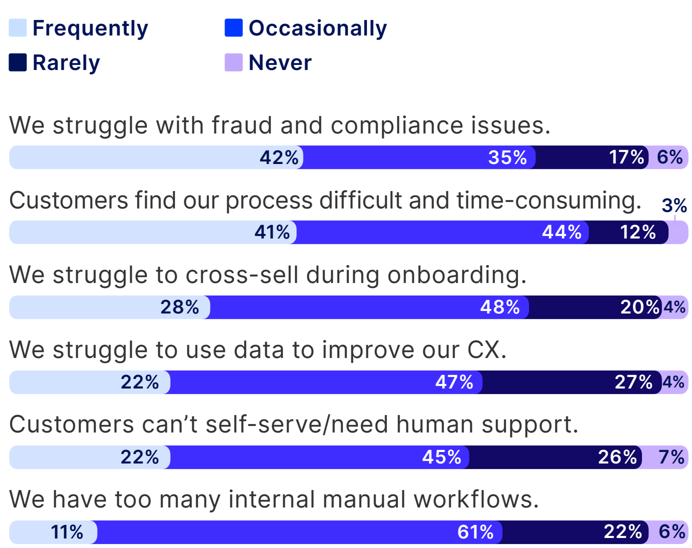
More than one-third of the respondents report "frequent" issues with customers finding the account opening process difficult and time-consuming (41%). This friction not only discourages new customers but also contributes to higher application abandonment rates.

Additionally, 39% cite "frequent" data errors requiring manual corrections, which increase operational costs and delay onboarding.

Occasional challenges include customers needing human support due to limited self-service options (55%), institutions struggling to leverage data for customer experience improvements (51%), and fraud and compliance issues (51%). These findings underline the need for streamlined workflows, robust data management systems, and enhanced fraud prevention measures to reduce inefficiencies.

Challenges in Consumer Loan Origination

How often do the following problems impact your consumer loan origination process?

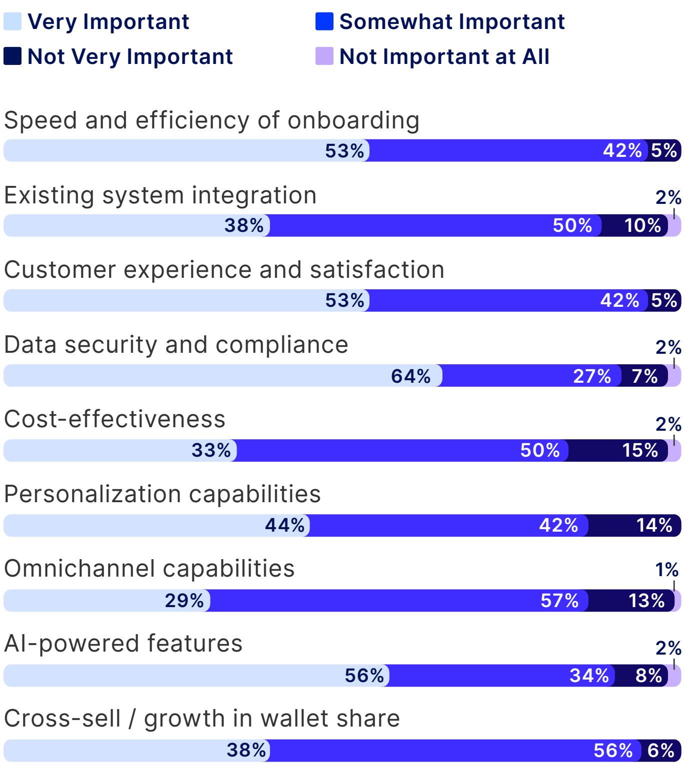


Similar difficulties plague loan origination processes, with 42% of respondents "frequently" encountering fraud and compliance issues and 41% "frequently" noting customer frustration with time-consuming procedures. Furthermore, 61% of respondents say excessive internal workflows "occasionally" impact loan origination efficiency, highlighting the need for automation and process simplification.

These challenges emphasize the importance of balancing regulatory compliance with customer-centric innovations to improve loan approval rates and funding timelines.

Key Factors for Improvement

How important to your leadership are the following factors in improving account opening and origination in 2025 and 2026?



Respondents identified several factors as "very important" for improving account and loan origination in 2025 and 2026:

1. **Data Security and Compliance**

   Institutions are prioritizing robust security measures to protect sensitive information while meeting regulatory requirements.

2. **AI-Powered Features**

   AI-driven tools for decisioning, underwriting, and personalization are seen as critical for reducing manual errors and enhancing customer experiences.

3. **Speed and Efficiency of Onboarding**

   Faster processes are essential to meet customer expectations for convenience while minimizing abandonment rates.

4. **Customer Experience and Satisfaction**

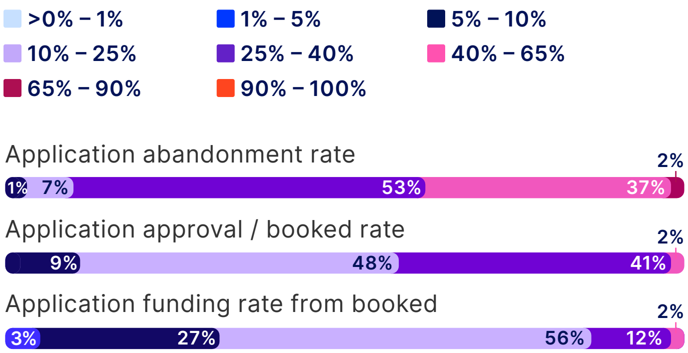
   A focus on delivering seamless, user-friendly experiences is vital for retaining customers in an increasingly competitive market.

Secondary factors deemed "somewhat important" include omnichannel capabilities (57%), cross-selling opportunities (56%), and growth in wallet share (56%).

These priorities reflect a broader strategy to integrate digital tools with branch operations while maximizing revenue potential from existing customers.

Current Success Metrics

What are your current success metrics for customers or members starting then completing the deposit account opening process?



The respondents also shared their current success measurements for customers or members starting, and then completing the deposit account opening process. These numbers provide important benchmarking insights for institutions intent on improving rates of deposit account openings.

Application abandonment rates remain a concern, with 53% of respondents reporting rates between 25%-40%, while 37% report rates as high as 40%-65%. Similarly, application approval/booked rates range from 10%-25% for 48% of respondents, with only 41% achieving higher success rates of 25%-40%.

Funding rates for booked applications are also modest, with most institutions falling within the 10%-25% range. Although funding rates could be expected to be lower than application completion and approval rates, these metrics reveal significant room for improvement in streamlining origination processes to boost conversion rates and reduce attrition.

The survey results highlight systemic inefficiencies in account and loan origination processes that hinder customer acquisition and satisfaction. By prioritizing data security, AI-powered features, faster onboarding, and improved customer experiences, financial institutions can address these challenges effectively.

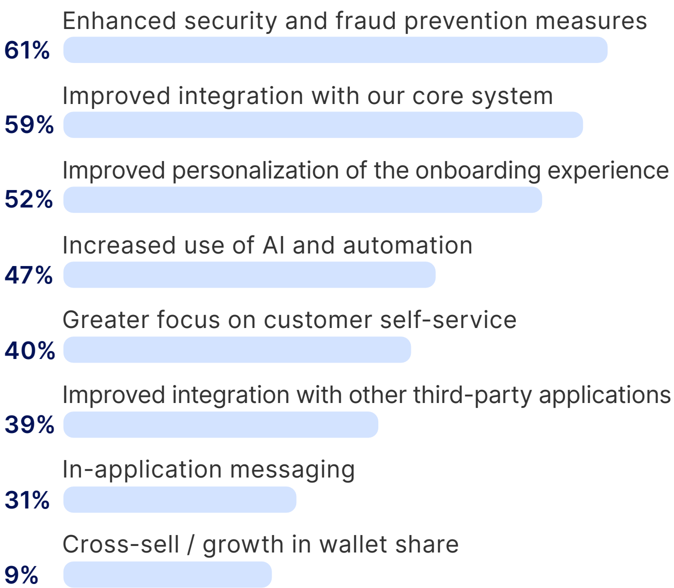
Success will depend on integrating advanced technologies while simplifying workflows to deliver seamless omnichannel solutions that meet evolving customer expectations.

Opportunities for Improving Account Opening Processes

As we've learned, institutions are prioritizing targeted investments in security, system integration, and AI-driven automation to address persistent friction points in account opening processes. While significant gaps remain in delivering seamless, personalized experiences that meet rising customer expectations, banks and credit unions have opportunities before them to improve outcomes for customers and members.

Strategies for Improving Digital Account Openings

What are your institutions' formal plans to improve digital account opening in the next 12 to 18 months?

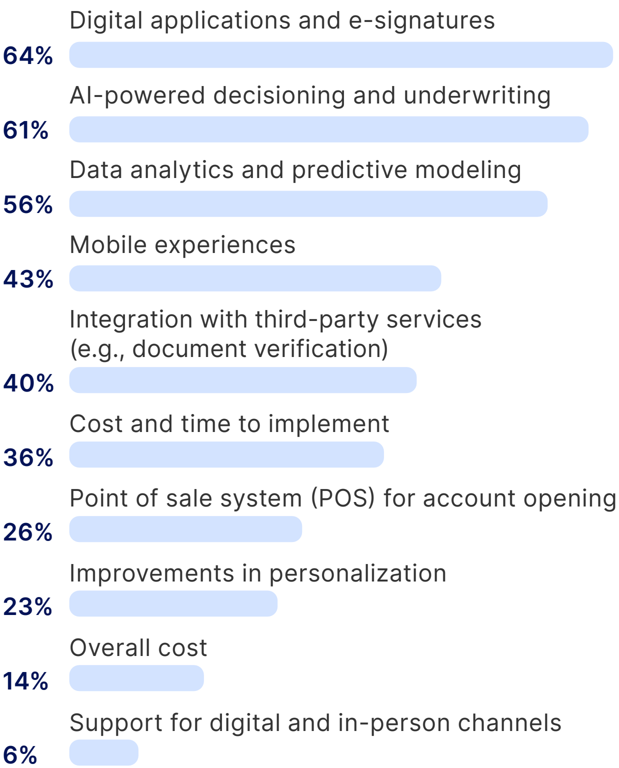


A majority of institutions (61%) are enhancing security and fraud prevention measures to build trust and reduce application abandonment rates. Concurrently, 59% are improving core banking system integrations, which could eliminate data silos that contribute to manual error resolution—a problem we've learned affects 39% of deposit account opening processes "frequently."

Over half (52%) are focusing on personalized onboarding experiences through AI-driven insights. This could help institutions that frequently struggle to deliver tailored interactions during applications.

52%
plan to improve personalization in onboarding

Where are you investing in technology in the next 12 months to improve your account opening process?



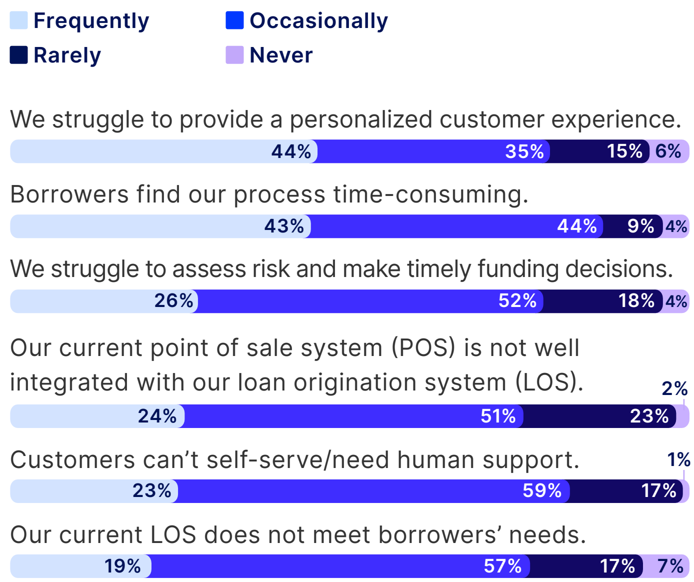
These initiatives align with broader investments in technology over the next 12 months to improve account openings.

Most of the respondents are planning investments into digital applications and e-signatures (64%), AI-powered decisioning (61%), and predictive analytics (56%) to streamline workflows. Notably, 43% are investing in mobile experiences and 40% are investing in integrations with third-party services.

These investments perfectly complement the respondents stated priorities of enhancing security, improving integration with core systems, and improving personalization during the onboarding experience.

Persistent Process Challenges

How often do the following problems impact your application opening process?



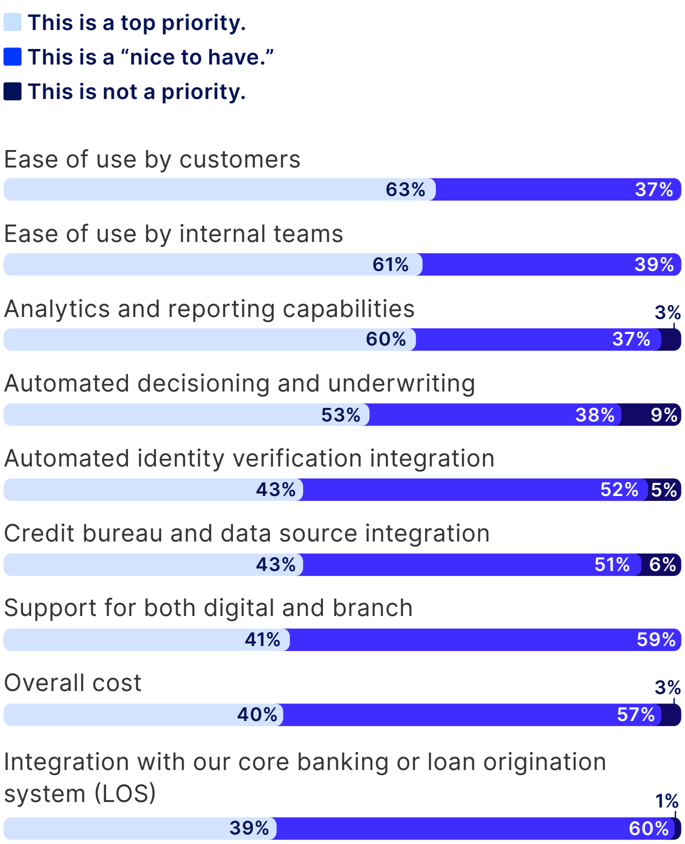
These technology investments come at a critical time, as 43% of institutions report "frequent" customer complaints about time-consuming procedures, while 44% acknowledge "frequent" difficulties in personalizing experiences. These are the primary issues leading to drop-offs during the application and onboarding processes.

Furthermore, the respondents' "occasional" challenges reveal systemic weaknesses in banks' and credit unions' workflows. Specifically, 59% occasionally face self-service limitations requiring staff intervention, 57% use loan origination systems that occasionally fail to meet borrower needs, 52% struggle to asses risk, and 51% operate with poorly integrated POS systems that occasionally delay funding decisions.

Operational Priorities for System Selection

As we learned, point-of-sale (POS) systems that aren't integrated effectively with core banking systems can result in errors. Now, next-generation POS systems have emerged as significant assets in both digital and in-person sales processes. Once designed simply to process transactions, these technologies now include hardware, software, and cloud-based solutions that streamline complex financial workflows, such as account openings.

How would your leadership prioritize the following factors when selecting an account-opening point of sale system (POS)?



When evaluating account-opening POS systems, institutions prioritize customer ease of use (63%) and employee usability (61%) to reduce training costs and application friction. Advanced analytics capabilities (60%) and automated decisioning (53%) also rank highly. This suggests that organizations seek to improve approval rates while addressing approval-to-funding rate gaps that leave many institutions with lower rates of success.

These results underscore a dual focus on hardening technical infrastructure and human-centric design. While security and system integration form foundational priorities, leaders recognize that winning younger customers requires marrying regulatory compliance with fintech-grade convenience and ease of use.

Institutions that successfully implement AI-driven personalization alongside intuitive POS systems will should see fewer application abandonments and and more conversions based on improvements to the customer experience alone.

Conclusion: Strategic Imperatives for Hybrid Banking Success

The survey results reveal an industry at an inflection point.

While most institutions have deployed—or are in the process of deploying—AI-enabled processes and user-friendly omnichannel experiences, only a fraction express satisfaction with their core banking platforms. This disparity highlights the tension between banks' and credit unions' aspirations for innovation and the constraints of their legacy infrastructures.

The rise of fintech competitors has also forced institutions to rethink their customer and member experiences, especially if they hope to attract younger customers who are already accustomed to a digital-first financial environment.

To move forward, AI integration must progress beyond the pilot stages. Branches must be redefined as experience hubs and doorways toward the institution's omnichannel ecosystem. This will require the use of sophisticated POS system integrations that support cross-channel consistency.

Finally, institutions must implement faster and more user-friendly applications and onboarding systems to meet customers' and members' expectations for real-time results.

Key Suggestions

- **Implement advanced AI solutions both for customers and frontline staff.**

Deploy generative AI tools that augment—rather than replace—branch personnel, and that streamline customer transactions and processes.

- **Prioritize personalized customer experiences in your digital and branch strategies to meet evolving expectations.**

Most consumers, especially younger generations, expect the same level of personalization from financial institutions that they receive from companies like Netflix and Amazon, making it essential to implement data-driven experiences that tailor financial solutions to individual needs and preferences.

- **Redesign application, origination, and onboarding as value-creation journeys.**

Invest in personalized onboarding solutions that embed financial literacy tools, predictive product recommendations, and streamlined digital applications to reduce friction in the customer or member experience.

- **Establish a framework for collaborating with fintechs and other solution providers.**

Counter displacement risks by formalizing partnerships with compliant financial technology firms. Many can provide turnkey and white-labeled solutions like next-generation POS systems, user-friendly interfaces, and non-traditional financial services to attract younger customers and members.

About the Author

FUTURE BRANCHES INSIGHTS

Future Branches Insights, the industry research and digital publishing arm of Future Branches, delivers cutting-edge data and analysis on trends, challenges, and opportunities in the retail banking and branch transformation sectors. Through comprehensive research reports, webinars, and thought leadership initiatives, we empower senior-level banking leaders to make informed strategic decisions and stay ahead in the rapidly evolving financial services landscape.

Our deep industry intelligence not only informs banking leaders but also connects innovative solution providers with key decision-makers, fostering a dynamic ecosystem that drives the future of branch banking and customer experience in the financial services space.

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