

How has digital currency influenced the physical presence of banks?

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Digital Banking

Banking first began to be digitized with the advent of the ATM in the late 1960s. ATMs allow customers to access their money without interacting with bank tellers. This was the first trend toward an automated banking system. With this trend came a shift in the built environment. ATMs were installed around bank branches and activated the environment in a new way. Over time, drive through ATMs were popularized and customers no longer needed to exit their vehicles. The machines also brought about legal changes to the banking industry. There are restrictions in place that limit the number of branches a bank can have – ATMs are not considered a branch and, therefore, are not restricted in the same way.

The next major change in the banking industry came with the internet and online banking. The ability to monitor balances and transfer money via computer created one more layer of separation between customers and bank branches. Now, smart phones and currency exchange apps offer a full range of banking services at your fingertips. Because of these tools, customers demand 24-hour mobile banking. Will physical bank branches become a thing of the past?



Physical Presence of Banking

Traditional banks were often permanent structures in central locations. They had architectural features that conveyed feelings of strength, security and power. Customers would wait behind fanciful iron booths where tellers would retrieve money from huge iron vaults. With the influx of digital currency, the reality of banking has changed. Customers do not need to see the strong features of traditional banks. Quick, convenient banking solutions have taken precedent.

While a bank's presence has evolved, its brand identity is still critical. The skyline of Downtown Los Angeles is a testament to that – US Bank, Citi National, and Bank of America are just a few names that stand tall in the sky. But those towers handle corporate needs and often do not offer banking services to customers. Customers now care more about a bank's brand identity. With the decline in physical banking, bank halls are often repurposed. Gensler Los Angeles is a perfect example of a repurposed bank hall.

In the banking world physical locations are now less important than digital convenience. Physical branches are losing importance as customers handle the majority of their banking needs via apps. Customers often feel inconvenienced when they need to visit a physical branch. Many banks now see an advantage in reducing the brand's physical presence and instead focusing on online amenities. Bank brands with the strongest and most convenient apps are growing fastest and many people are willing to switch banks based on digital convenience.



Will physical currency become a thing of the past?



While most banks now offer mobile banking apps, currency transfer has moved beyond bank brands. Physical cash is being replaced by companies such as Venmo which allow money transactions to happen with the swipe of one's finger. Mobile money began in Kenya with a company called M-Pesa. Currency was able to be transferred digitally by text. The company has been around for nearly a decade and has led to a shift in the Kenyan banking industry.

Digital currency does not only impact the banking industry. Mobile payment options such as Apple Pay are shaping the retail industry. Again, speed and convenience are changing the game. While vendors still carry cash, apps have influenced payment methods and infrastructure.

Much like banking halls, cash may soon become a relic of the past.



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