**Retail banking operations in the US banking system**

Retail banking operations in the US banking industry have undergone significant changes in recent years. Here are some key aspects:

**Shift to Retail Banking**

The US banking industry has seen a renewed focus on retail banking activities. This shift, known as the "return to retail," is characterized by a greater emphasis on consumer and small business banking services. Retail banking now accounts for a larger share of commercial bank balance sheets, and the number of bank branches continues to grow.

**Key Features**

Retail banking includes a range of products and services provided to consumers and small businesses. These services include checking and savings accounts, personal loans, lines of credit, mortgages, debit cards, credit cards, and CDs. Retail banks also offer investment services such as wealth management, brokerage accounts, and retirement planning.

**Digital Transformation**

The COVID-19 pandemic has accelerated the digital transformation of retail banking. Banks are now focusing on providing compelling digital customer experiences and digitizing core banking processes across front-, middle-, and back-office functions. This shift is driven by customer demand for convenience and the need for banks to reduce costs by moving transactions from analog to digital channels.

**Role of Large Banks**

Large banks, such as JPMorgan Chase, Bank of America, Citibank, Wells Fargo, and U.S. Bank, play a significant role in driving this retail banking cycle. They offer a wide range of services through their extensive branch networks and online platforms, making them the go-to destinations for many consumers.

**Fintech Influence**

Fintech companies have also entered the market, offering similar services with more ease and often at better prices. Examples include N26, Monzo, and Chime. These companies have disrupted traditional banking models by providing mobile-only banking services and more competitive pricing.

**Customer Preferences**

Consumers increasingly prefer managing their banking activities in one place and using mobile apps to do so. Eighty-seven percent of survey respondents use their banking app at least once a month or more, highlighting the importance of digital banking in the retail

banking landscape.

**Regulatory Environment**

The Federal Reserve has relaxed reserve requirements, allowing banks to lend more freely. This change has increased the availability of credit for consumers and contributed to economic growth.

**Future of Retail Banking**

The future of retail banking is expected to be shaped by ongoing digital transformation, customer preferences for mobile banking, and the need for banks to adapt to changing economic conditions. Banks that prioritize customer-centric operating models and accelerate their digital transformation are likely to be better positioned for success in the coming years.

**Challenges faced by retail banks in the US**

* Increasing competition, especially from fintech companies. This has made it harder for retail banks to retain customers, as customers can more easily switch between providers.
* Operational silos within banks, where different departments collect different customer data, making it difficult to get an integrated view of the customer. This restricts banks' ability to anticipate customer needs and provide personalized services.
* Meeting rising customer expectations for digital, convenient, and personalized banking experiences, on par with what tech giants like Amazon and Apple provide.
* Navigating higher funding costs, growing competition from digital banks, and surging demand for personalized services, while also exploring new technologies like generative AI.
* Dealing with lending pressures, including higher delinquency rates on consumer loans, reduced mortgage demand, and the need to tighten credit standards.
* The ongoing "fight for deposits" as retail customers demand higher interest rates, increasing the costs for banks to retain deposits.
* Adapting to changes in the industry, such as the growth of embedded finance and open banking, which are transforming the retail banking landscape.

To address these challenges, retail banks are leveraging data and analytics to improve customer segmentation, personalization, and omnichannel marketing. Automation is also being used to enhance operational efficiency and customer experiences. Overall, the retail banking industry is navigating a period of significant disruption and transformation.