A New Era of Branch Wars at Nation's Big Banks

"The bank branch is dead," Ed Crutchfield, chairman and CEO of banking giant First Union announced to his employees 14 years ago

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It was a controversial claim. But weekend traffic at First Union's bank branches was tapering off at the time. Crutchfield envisioned "teller-less" Saturdays and customers fending for themselves at the bulky

ATMs or waiting until the workweek to process a transaction, according to an executive who attended the meeting.

The media dubbed Crutchfield a "revolutionary" at the time, but his dire call proved incorrect. The branches of First Union—through mergers with Wachovia, and then Wells Fargo—now live on (Saturday tellers, too) in the nation's largest banking footprint.

U.S. banks, altogether, operate nearly 100,000 bank branches, a number that rose sharply in the decade following Crutchfield's rein and now represents nine-times the number of retail locations operated by Starbucks.
But the revolution has started, with consumers using technology to carry out everyday banking tasks, America's banks are reconsidering the future of the branch.
"We're thinking about 25 percent of U.S. branches are financially unaffordable," Kevin Travis, a branch banking consulting with Novantas, told CNBC in a phone interview.

Customers, on average, visit a branch 85 percent less than they did in 1995, noted Brett King, a banking advisor and author of "Branch Today, Gone Tomorrow."

"It's going south," King told CNBC. "And there's no reason to assume we'll see a resurgence of activity at the branch—the mobile app is the nail in the coffin."

Mobile banking adoption rates jumped to 32 percent in 2012, up sharply from 21 percent the previous year, according to consultant Bain & Company. Bain's study also said 90 percent of branch transactions are "routine" tasks that likely could migrate online—causing branch volume to fall as much as 10 percent each year.

"Within the next five to 10 years, really, the majority of actual day-to-day banking transactions people have been doing [at branches] over the last 100 years will be gone," Travis from Novantas said.

Mobile transactions are easier for customers and cheaper for banks to service, according to Diebold, a company which specializes in ATM and branch transaction services. In the company's 2010 investor presentation, it estimated a $4.25 per transaction expense at a bank branch versus only 8 cents through mobile banking.

Even in the face of real estate and transaction costs, bank branches are a critical tool to attract new customers—if only serving as expensive billboards for the company in a choice-heavy world.

"It's going to be very difficult, to convince people…that you're a major presence in a market and you're here to serve them if you don't have any physical presence," said Jonathan Larsen, Citigroup's global head of retail banking.

Consumers rush to mobile apps for the simple transactions but still gravitate to the branch for the big-ticket transactions. Roughly 80 percent of all banking product sales are still closed at a branch, according to NCR, a transaction services company which advises many of the nation's largest banks.

JPMorgan Chase, for one, said 70 percent of its customers visit a branch once each quarter. For that reason, the bank said it would spend $1.2 billion—one of its biggest capital expenditure items in 2013—to open hundreds of new branches, all while investing in technology to shoulder the burden for routine transactions.

Case in point: Nearly all of the bank's 17,000 ATMs are deposit-friendly, and its app universe now allows mobile payments through Chase QuickPay – in addition to a real estate app resembling Zillow. But when a customer finds a home, they'll come to the branch for the mortgage: A higher-end, and therefore higher-return, advisory service.

A similar makeover may be required at, Wells Fargo. At 6,200 branches, Wells Fargo boasts the most storefronts of any financial institution. While it intends to grow, the "boring" bank is facing pressure to shift its strategy. Some 80 percent of transactions have migrated away from the branch and are now done on mobile phones, at the computer, or via ATMs, according to Jonathan Velline, the bank's executive vice president who runs their ATM and store strategy.

When endeavoring on any strategy shift, Velline has a thin tightrope to walk for this reason: its customers still expect the branch to be there, even if they only use once or twice every year.

"Seventy percent of our customers will visit Wells Fargo, talk to a teller, talk to a banker in any given six-month period," Velline told CNBC. "So our customers are still visiting us on a very regular basis."

Others, like Bank of America, are in retreat. The Charlotte-based bank is the nation's second-biggest, but bloated costs led it to shutter more than 250 branches just in the last year. Evidence of the stakes in the branch war, Bank of America's main hesitancy in selling the branches came from not wanting the real estate scooped up by a competitor.

Then there's Citigroup—at only 1,000 branches in the U.S., Citi's footprint is child-sized compared to its aforementioned domestic rivals. To make up for its relative lack of real estate, it's refocusing on high-density, urban centers—not just in the U.S., but across the globe. In other words: The most expensive real estate on the planet.

The Hong Kong-based Larsen is currently overseeing a strategy refocusing on high-traffic, urban centers—away from the all-costs expansion of the days of yore.

"We're talking about the top 150 cities in the world," Citigroup's Larsen said in an interview with CNBC. "We're talking about New York. We're talking about London. We're talking about Tokyo. We're talking about Mumbai," These are really expensive places." (Larsen, however, would not comment about the fate of its much-discussed retail franchise in Mexico, which some analysts are pressuring the bank to sell or spin off.)

While it may seem that the top money centers are diverging on specific strategy, all their top executives echo the same prediction for the future of the branch, perhaps put best by Larsen:

"We will probably end up over time with more outlets. It's just that they'll be of a different nature and, on average, smaller than the traditional outlets."

Long live the (new) bank branch.

To recap: Wells Fargo wants convenience. JPMorgan wants technology. Bank of America wants to keep cutting costs. Citi wants global density. Got all that?