

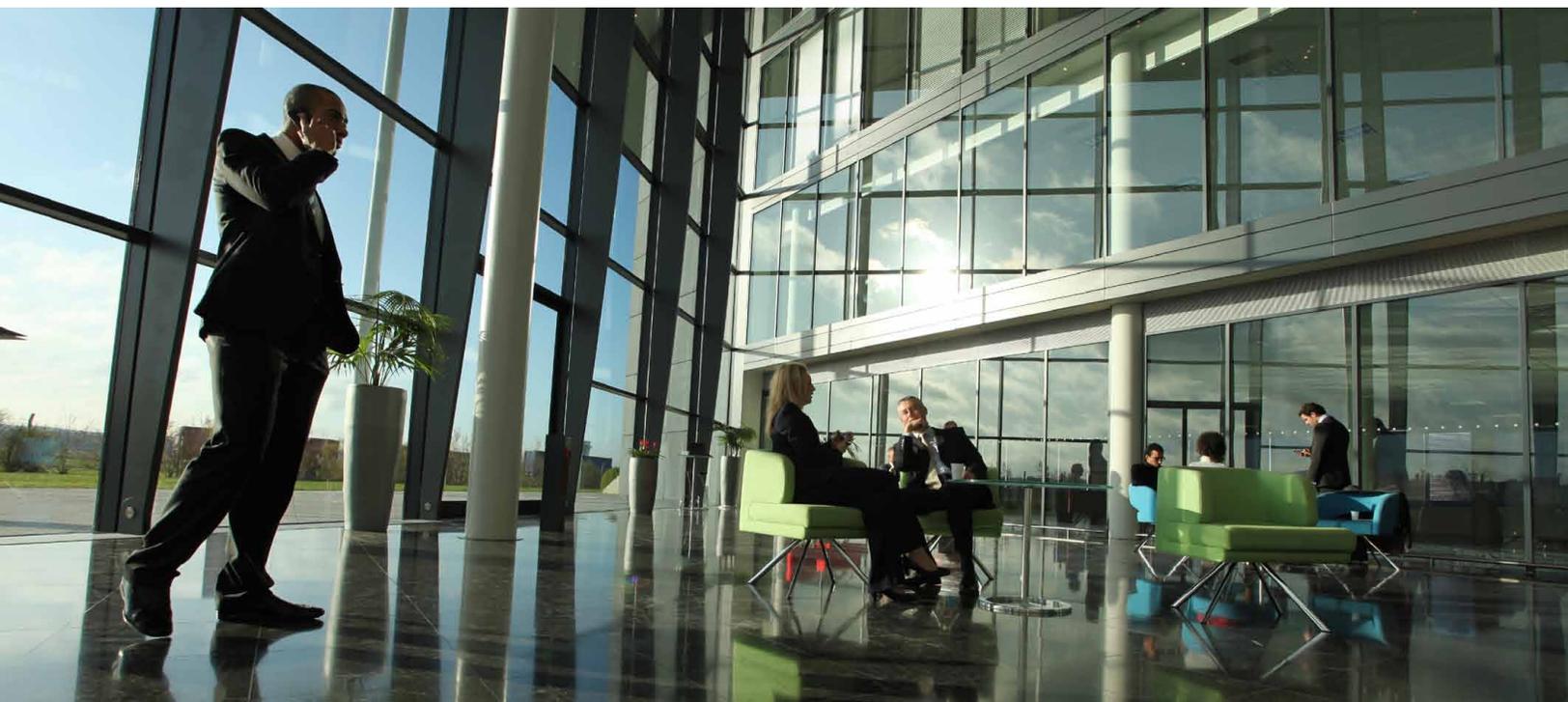
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## How Europe's retail banks handle channel strategy

**Consumers say they want both electronic and physical contact points, but the desired mix varies by country and age.**



**In response to consumer demand** for more—and more varied—channels for financial services, Europe’s retail banks are offering customers an increasingly sophisticated choice of remote (mostly electronic) interactions and traditional face-to-face connections through branches and other physical meeting places. Consumers say they want both electronic and physical contact points, but the extent to which they embrace electronic banking, and consequently the pace of change, varies significantly from country to country and generation to generation.

These are among the main conclusions of a joint study by McKinsey and the European Financial Management and Marketing Association (EFMA) titled *Face-to-face: A €15–20 billion multichannel opportunity*. The research included interviews with 3,000 consumers, an online survey of more than 150 banks, and in-depth discussions with leading European executives.

The report reveals a complex, fast-moving European retail-banking sector in the throes of deep-rooted change, with some players already well down the multichannel route and others just starting. It confirms that customers increasingly use face-to-face channels for sales and advice, and remote ones (the Internet and ATMs) for most transactions. But at a country and product level, and during different phases of a product purchase, the picture is more complex.

Spanish customers, for example, already seem quite comfortable using direct channels (for instance, the Internet) to buy even complex products such as mortgages. In the Netherlands, 50 percent of consumers told us that they had not visited a bank branch in the previous year, compared with just 10 to 20 percent in France, Germany, Italy, and the United Kingdom. Even more striking is the fact that older Dutch consumers (aged 55 and above) use Internet banking more than 20- to 35-year-olds in other European countries: 67 percent versus 58 percent, respectively.

Overall, we found that consumers in Western Europe use an average of 2.6 channels to interact with their banks. The Dutch and French average is higher (3.0), the Italian average the lowest (2.0). Mass-market and affluent customers use comparable numbers of channels, but younger people (aged 20 to 35) use more of them than older ones (aged 55 and above)—an average of 2.9 and 2.3, respectively.

There are three important implications for banks in this increasingly multichannel environment. One is that the density of branches will fall considerably in overbanked areas of Southern Europe but remain stable or even rise in parts of Central and Northern Europe. Second, banks will have to develop smaller, more customer-centric branches.

**Related thinking**

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“What’s in store for global banking”

Finally, with most customers using more than one means of interaction, banks will have to devote greater attention to integrating channels seamlessly. To generate more leads, they will also have to invest heavily in digital and pricing skills.

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