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# Banking Predictions for 2021: New Branches, Travel Comes Back, Overcrowded

Take a look at the banking trends that took place in 2020 as the result of COVID-19 and the banking predictions for 2021, when the pandemic ends (hopefully).



By Simon Zhen Updated: Jan 19, 2021



In 2020, the world was forced to adapt in so many different ways -- and consumer banking was no exception.

For many, money habits underwent major transformations out of necessity.

Were these adjustments good or bad?

That answer is still unclear given that we're not ready yet to define the new "normal."

With the expectation that the coronavirus vaccine becomes available to the general public, consumer banking will continue to see changes.

Some adaptations to the pandemic may not stick around while others will become core to how we interact with our money.

We've kept a close eye on how banks and other financial institutions have changed their products and services in 2020. Here are some of the consumer banking trends that we believe will take hold in 2021.

## Consumer Banking Trends of 2020

### Adoption of digital banking

Many bank customers were in for a shock when branches couldn't open to the public. In-person banking was impossible, which forced customers to digital channels to manage

their accounts.

Having tried digital banking for the first time, they go on to discover the ease and convenience of the online and mobile banking platforms.

According to [JPMorgan Chase](#), the largest U.S. bank based on total deposits, active digital users increased 6 percent and active mobile digital users increased 10 percent in 2020. Mobile check deposit responsible for 40 percent of check deposits vs. 30 percent before COVID-19.

### **Credit cards adapt to new spending patterns**

In response to travel and indoor dining coming to a halt, premium travel rewards credit cards changed their rewards programs and card benefits to maintain their allure for existing cardholders.

Otherwise, without these spend categories to earn rewards or the ability to utilize travel perks, there was little value from premium credit cards that charged hundreds of dollars in annual fees.

What we saw were premium cards (e.g., Chase Sapphire Reserve, American Express Platinum Card, Citi Prestige, etc.) adding bonus rewards on groceries, drugstore purchases or delivery services and increasing the redemption value of rewards on such common, everyday categories.

### **Investing frenzy**

Although the stock market plummeted as coronavirus cases increased, there was a massive spike in investing.

[Robinhood](#), known for commission-free trades, recorded 3 million new users in the first four months of 2020.

People were home and online more often than ever. They couldn't spend money as easily at the mall, in restaurants, or on a lavish trip. So, they looked into investing and the commission-free trading (offered by many brokerages nowadays) was tough to resist.

Banks, brokerage firms, and other financial companies are catering to the much-increased appetite for investing. They've launched or refined their online brokerage services to advertise extremely low trading costs to attractive new investors.

Additionally, more brokerages are branching into robo-advisory services that allow investors to automate their investments.

## **Expected Banking Trends for 2021**

### **A revamped branch-banking landscape**

In 2021, we expect consumers to return to bank branches to see completely overhauled experiences. More importantly, they'll be more receptive to the dramatic changes to the "traditional" way of branch banking.

Even in the years before 2020, brick and mortar banks had visions of how the future of branch banking would be different. They envisioned smarter ATMs, fewer tellers, and a reduced footprint overall.

Behind the closed doors amid the pandemic, banks had opportunities to remodel and transform existing branches to push digital and self-service banking. They had a better

reason to close a significant number of branches while local businesses shuttered as well.

## Premium travel credit cards regain their luster

If vaccinations become widely available to the general public, travel-starved consumers will lead to a boom for [travel rewards credit cards](#) once it is safer to fly again.

That said, don't expect card issuers to keep the added flexibility of rewards redemptions. Many of the changes to the rewards programs and travel perks were applicable for limited periods anyway.

## Nonbank financial providers overcrowd the market

Nonbank financial-services providers will overcrowd a consumer banking space that will eventually cause them to close up shop or close/sell off certain divisions.

Online lenders are opening brokerage divisions. Brokerage firms are introducing their own robo-advisory services. Everyone now offers cash management accounts, which are basically their versions of a pared-down checking account.

Quite often, the offerings are not attractive enough to force a major move from existing consumer accounts.

These expansions into different retail financial segments are in motion to entice consumers into a financial ecosystem, much like how Apple or Google cast a widespread network of services and products to keep customers with the brand. We don't think it'll be as easy to accomplish with consumers and their money.

## Final Thoughts

Compared to the tumultuous year we've had in 2020, the changing trends in retail banking and financial services may not be top-of-mind for consumers.

But, when we get back to some semblance of normalcy, these trends will redefine our relationships with our money on a daily basis.

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