The Co-Evolution Imperative

Why the Future of the Branch Depends on Changing With Our Members, Not Just For Them

A White Paper on Branch Strategy for Community Credit Unions

Prepared by John Ragsdale
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Executive Summary

For two decades the industry has asked the wrong question: how fast do we cut branches to match digital adoption? The better question is this. What shape should a branch take when 60 to 70 percent of new deposit relationships still begin face to face, but 80 percent of routine transactions don't? The answer depends on who our members are today, who they'll be in five years, and whether we've done the work to tell the difference.

This paper argues that branch strategy has been framed as a one-way change effort. Institutions reconfigure. Members are expected to adapt or leave. That framing is incomplete. Real branch transformation is bidirectional. We change how we serve. Members change how they engage. Neither works alone.

Five operational shifts follow. Footprint should shrink in count and grow in intentionality. Layout should move from linear teller rails to functional zones. Location should be picked by member value, not by population counts on a map. Staffing should tilt from tellers to universal roles with fewer heads and deeper skills. Roles should stop being defined by transactions and start being defined by moments of financial consequence.

None of this matters if the member hasn't been invited into the shift. That's the missing piece in most published branch literature, and it's the piece this paper is built around.

Introduction: The Question Most Papers Skip

Walk into a credit union board meeting and ask about branches. You'll hear one of three stories. Branches are a sunk cost to be trimmed. Branches are the community commitment that defines us. Branches are pivoting to advisory centers. All three are partly true and mostly incomplete.

The research on branch transformation is enormous. McKinsey has published variations of the same branch paper for a decade. Filene has built its Member Pulse segmentation to help with it. Every core provider, design firm, and consultancy has a playbook. Most of these works converge on similar conclusions. Reduce square footage. Add interactive teller machines. Retrain staff as universal bankers. Build a destination instead of a transaction shop.

What most of them skip is the member. Not as a demographic or a psychographic segment, but as a participant in the change. The branch-of-the-future literature assumes members will arrive at the new branch already wanting what the new branch offers. They won't. They come in with the muscle memory of the old model. They want a teller line because they've always had one. They want to come in to sign a form that could have gone through DocuSign. They use branches in ways we no longer want branches to be used, and they got that way because we trained them.

If branches are going to change, members have to change too. This is just an honest statement about habit, and habit is formed by two parties. We made these habits together. We'll unmake them the same way.

This paper takes a different angle than most of what's been published. Where most analyses focus on what the institution should do, this one focuses on what the institution and the member should do together. The historical and operational material will look familiar. The framing around co-evolution, and the diagnostic it produces, is intended to move the conversation past the tired debate over whether branches live or die.

Part I: Where Branches Were

The mid-20th-century branch was a regional monopoly with teller windows. Its design assumed scarcity of alternatives. If you wanted to cash a check, you came in. If you wanted a loan, you sat across from someone's desk. If you wanted a savings rate, you took the one your branch offered and thanked them for it.

The network grew with the postwar economy. By the 1990s, U.S. banks operated about 85,000 branches. Credit unions added tens of thousands more. The branch was the distribution channel. Marketing, product access, service, sales, advice, and trust all flowed through the same physical door. The teller line was the chokepoint and the customer-acquisition funnel at the same time.

Two things started to loosen that model before most institutions noticed. The ATM began handling cash in the late 1970s. Direct deposit and automated bill pay moved recurring flows out of the branch through the 1980s and 1990s. The branch kept its footprint. The transactions walking through the front door started to thin.

Total U.S. bank and credit union branch counts hit roughly 105,000 in 2019, right before the pandemic[1]. That's the high-water mark as a practical matter. What came next wasn't an extinction, but it was a correction.

Part II: Where Branches Went

Between 2017 and 2025, the national banking network contracted by 14.8 percent, dropping from 86,469 branches to 73,649[2]. In 2021 and 2022, banks sustained around 200 net closures per month. That pace has slowed dramatically. In 2024 and 2025, the net decline was closer to 50 per month, and by early 2026 the Financial Brand was calling it national branch equilibrium: roughly 1,400 closures offset by about 1,000 new openings annually[3].

Several forces produced the contraction. Mobile banking adoption accelerated from a novelty around 2010 to a default by 2020. Branch transaction volumes fell by about 37 percent between 2018 and 2023.

The pandemic forced a live experiment in remote service that many institutions expected to unwind after reopening. It didn't. Habits formed during 90 days of closure proved stickier than anyone projected.

Mergers contributed more than analysts initially credited. The SunTrust and BB&T tie-up in 2019 produced dozens of geographic overlaps that got closed within 18 months. Every large bank merger since has generated similar rationalization. Credit union consolidation, slower but consistent, has shrunk the total count of charters and concentrated branches into larger networks.

The narrative got ahead of the data. By 2020, many commentators were writing eulogies. The actual math was simpler. A subset of branches was redundant. Another was misplaced. A third was burdened by a layout designed for a transaction mix that no longer existed. Closures concentrated in those three buckets. Branches that fit their markets survived.

Part III: Where Branches Are Now

Five observations hold true in 2026.

First, branches still account for the bulk of new deposit relationships. McKinsey's analysis continues to find that 60 to 70 percent of new customer relationships can be linked to in-person interactions[4]. Mobile may be the default channel for transactions. It isn't the default channel for first commitments.

Second, 83 percent of Americans still visit a branch at least once a year[5]. The frequency has dropped sharply, and it varies by generation, but the visit hasn't gone to zero. Rivel Banking Research found Gen Z averages 3.6 branch visits per year and Baby Boomers average 4.6[6]. Those aren't as different as the discourse suggests.

Third, the branches that remain are structurally different from the branches that existed in 2015. More square footage is allocated to meeting rooms, lounge areas, and consultation space. Less is allocated to teller lines. McKinsey's smart-branch benchmark inverted the old 70-30 split between teller space and self-service: well-designed branches now give about 30 percent of the floor to tellers and 70 percent to self-service and advice[7].

Fourth, staff composition has shifted. Bancography research found the average branch runs on 6.4 full-time employees, with credit unions averaging 7.1[8]. More than half of financial institutions have now adopted a universal banker model in some form[9]. Many credit unions still overstaff to minimize wait time. Most still haven't redesigned branch roles to match what members actually come in for.

Fifth, the cost base hasn't moved much. Filene's 2025 analysis showed the average credit union's operating-expense-to-assets ratio in 2024 was 3.70 percent, a trivial change from 3.66 percent in 2005[10]. Two decades of digital investment produced meaningful improvements in member experience and little at the expense ratio. It’s the clearest indication that the change hasn't gone deep enough.

Part IV: The Flawed Thesis That Still Guides Most Branch Strategy

Most branch strategy, written or unwritten, still rests on an unstated assumption. Every branch should try to be everything to every member. Cash transactions, new accounts, loans, notary, coin counting, card replacement, financial advice, dispute resolution, safe deposit access, small-business services, walk-in support for digital products. All of it, all day, in every location.

This was a reasonable model when the branch was the only channel. It isn't reasonable now. Credit unions especially have clung to it longer than they should have. We tell ourselves we do it for the member. Partly, yes. We also do it because differentiating between branches and roles requires tough choices about which members we're building for, and those choices feel un-cooperative.

Everything to everyone has a cost. Staffing levels get set by worst-case throughput, not average throughput. Cross-training is broad but shallow. Employees can do a little of everything and nothing particularly well. Members learn that every branch offers the same menu, so they don't differentiate either. Nobody becomes expert at anything. The branch as a whole becomes forgettable.

The alternative isn't to gut service. It's to stop treating all 18,000 members, or 39,000 members, or 279,000 members, as one average member. This is the pivot the literature keeps pointing at and most credit unions keep flinching from.

Filene's Member Pulse and Member Voice segmentation models have been in market since 2023[11]. They use transaction and account data to identify the why behind how a member uses the credit union. A credit union that knows its mix of Hopeful Help-Seekers, Solution-Oriented Shoppers, Pressured Optimists, and the other segments can make sharper calls about branch location, staffing, and hours than one working from averages. Filene's research indicates credit unions with clear member-focused strategies consistently outperform peers on growth and profitability[12]. That isn't a surprise.

The everything-to-everyone thesis has a second problem. It treats branch strategy and member education as separate workstreams. They aren't. If a branch is going to stop offering something, members need to be shown where to get it and helped through the transition. If a branch is going to become a consultation-first space, members need to understand why they'd bother coming in. Strategy without that work will sound like abandonment. Members hear it that way. Then they leave.

Part V: The Co-Evolution Imperative

The branch isn't an institution-side project. It's a shared system that has to change on both sides of the desk.

Think about what actually happens in a typical credit union branch week. A longtime member walks in to deposit a check she could have mobile-deposited. She has the app. She's used it before. She still prefers the in-person deposit because that's the routine, and the teller knows her, and the experience is pleasant.

No one is going to criticize this. It's also expensive, and it prevents the member from ever graduating to a new relationship with the branch.

The co-evolution answer isn't to push her away. It's to structure the visit so something of genuine value to her happens during it. A five-minute financial wellness check. A proactive review of her auto loan rate. A referral to a benefit she didn't know she qualified for. The deposit becomes a prompt for a conversation. The conversation creates a reason to come in that doesn't depend on the deposit. Over time the deposit moves to mobile and the conversation stays. That's the transition, and it happens one member at a time.

At scale, four disciplines make this work.

1. Knowing the Member

Not demographically. Behaviorally. Which channels they actually use, what they own with us, what they own elsewhere, and where the next-best conversation sits. This is the segmentation work, and most institutions still don't do it well enough to act on it. A credit union that can't answer "what percentage of our members over 65 use mobile check deposit" from its own data isn't ready to make branch-strategy decisions, because it's going to make them on stereotypes.

2. Teaching the Member

Every digital tool a credit union builds has a learning curve. Most members will never cross it without help. Branches are the best place in the institution to help them cross. When staff treat mobile adoption as a threat instead of a teaching moment, the branch fights against the institution's own strategy. Banks have recognized this tension and some have acted on it. Capital One ambassadors explicitly coach digital adoption during café visits.

3. Rewarding the Change

Members who shift to digital self-service have freed up staff time. Some of that time should come back to them in the form of higher-value contact. Annual financial reviews. Rate checks. Proactive outreach on products they'd benefit from. If the only thing a member gets in exchange for changing her habits is a slightly smaller branch with slightly longer waits, they’ve been punished for cooperating. Credit unions should be especially sensitive to this dynamic because the member-owner framing makes reciprocity part of the promise.

4. Making the Branch Worth the Trip

The space itself has to earn the visit. Not just with free coffee, but with a reason to sit down. This is where design, staffing, and role converge, and it's what the rest of this paper is about.

None of these four disciplines is new in its parts. What's missing from most published work is the explicit commitment to treat branch change as a member-side effort with the same rigor as the institution-side effort. Without that commitment, even a well-designed branch becomes another building members drift away from.

A Note on Consumer Psychology

Two patterns in member behavior shape every co-evolution decision, and both are worth stating plainly.

First, branches are self-selecting. Members who walk in have already chosen the channel that has a person in it. They could have used the app. They didn't. That decision is informative. It usually means they want contact, or they need help with something the app didn't handle well, or the trip itself is part of a routine they value. Treating a branch visit as a transaction to be minimized misses what the member actually came in for. A visit is a signal. Read it.

Second, members resist changes that feel like loss, even when the change is net-positive for them. Behavioral economics has documented this extensively under the heading of loss aversion: a member losing a favored teller feels it more strongly than the same member gaining a better mobile app. That's why transitions fail when they only communicate what's being removed. The same transition works when members hear what they're gaining, hear it from a person they trust, and have somewhere specific to go when they need help. The change happens through relationships.

These two patterns together produce a design principle. The branch's job in the co-evolution is to be the place where trust moves from old habits to new ones. Members who get that moment of warm hand-off in the branch adopt digital more successfully than members who get it from a mailer. That's a finding with years of evidence behind it, and it's the entire argument for why branches remain worth operating through the transition.

Part VI: Where Branches Are Going, Five Operational Shifts

1. Footprint

The national branch count will keep drifting down, slowly. The equilibrium range of 400 to 600 net annual closures, reported in recent FDIC and NCUA data, is likely the new normal rather than a way station to zero. For a community credit union, the question is which ones are strategically correct.

Footprint logic is going to look more like retail real estate than traditional bank site selection. Population density matters less than member density. Drive times matter more than radii. The halo effect of one branch on its neighbors is measurable and increasingly part of sophisticated branch analytics. Machine learning models now estimate what happens to deposits, loans, and new-account volume when a branch closes, and the answer is sometimes "not much" and sometimes "a lot," depending on overlap with other channels.

For a credit union specifically, footprint decisions should pass three tests. Does this location serve our existing members where they already are? Does it position us to serve members we want to acquire? Does it express the community commitment we carry as part of our charter? A branch that fails all three is a candidate for closure or relocation. A branch that passes all three should probably be invested in, not just maintained.

2. Layout

Layout is the fastest-moving area of branch transformation and the least forgiving to get wrong. A full renovation runs $300,000 and up. A new build runs $1 million to $4 million. Both numbers are high enough that most credit unions can only make the decision a few times per decade[13].

The old layout logic was a straight line from front door to teller line with a rope queue in between. The new logic is zoned. Successful branches divide space into self-service, education, advice, partnering, and transaction areas. Smart ATMs, cash recyclers, or ITMs replace the counter depending on what the branch actually needs. Glass-walled consultation rooms replace the loan officer's closed office. Lounge-style seating replaces the row of chairs against the wall.

The zone approach only works if the zones get used. A coffee bar with no one in it is just for vanity. A consultation room booked two days a week is overhead. Layout has to be paired with staffing patterns and member flow that actually produce utilization. This is where most transformation efforts stall. The layout gets updated. The behaviors don't.

3. Location

Location used to be chosen by intersection traffic and median household income. Now it's chosen by data. GECU, one of the largest credit unions in Texas and New Mexico, partnered with DBSI and The Long Group to design cashless branch concepts based on member analytics rather than broad population metrics[14]. Chase and PNC now use demographic, transactional, and mobility data together to decide whether to remodel, close, or relocate.

For a mid-sized community credit union, the practical version is simpler but still requires discipline. Pull geocoded member data. Map active members against branch proximity. Overlay transaction channel mix. Identify the clusters that are underserved and the clusters that are overserved. The overserved clusters are candidates for consolidation. The underserved clusters are candidates for either a micro-branch, a shared-branch arrangement, or a digital-first push paired with ATM coverage.

Location is where the knowing-our-member pivot becomes most tangible. A credit union built around a rural field of membership and a credit union built around a university student population shouldn't have the same footprint shape, even if they're the same asset size. Too many do.

4. Staffing

The universal banker model has been debated for more than a decade and adopted in roughly half of U.S. financial institutions in some form. Results are mixed. Kiran Analytics found only 39 percent of institutions that adopted the model felt the effort had succeeded[15]. That doesn't mean the model is wrong. It means the execution has to be right.

Credit unions that have made universal banker work share three execution patterns. They invested heavily in training and treated it as a multi-year program, not just a rollout. They redesigned compensation and career paths so a universal banker role is a step up. They paired the role change with a physical redesign that removed the teller line and made the new role actually possible. Credit Union West finished its transition to universal bankers in 2021 after starting in 2014, a seven-year runway[16]. Texas Trust Credit Union removed its traditional teller lines entirely to make open consultation spaces work[17].

Staffing levels are going to keep coming down. Most branches will run on four to six FTE within the decade rather than seven. It's the natural consequence of transaction volume continuing to migrate to mobile and to modern self-service devices, paired with role structures where fewer people handle more of the work each one does. Smart cash-recycling ATMs now cover the bulk of routine transaction volume on their own[18]. ITMs add a narrow band of additional transaction types on top of that, though, as Part VII discusses, at a cost that doesn't always pencil out. The labor savings from any of these moves, when real, should fund better wages per remaining role or investment into advisory capabilities that didn't exist before.

5. Roles

The branch role of 2030 will be recognizable but different.

Tellers, in the traditional sense, will continue to thin out, and in many branches they'll disappear entirely. What remains won't be a teller. It'll be a member advocate, member concierge, or universal associate, depending on vocabulary. The person who greets will also be the person who transacts, opens accounts, explains a mobile app feature, and schedules a follow-up. Hand-offs get rarer. Depth per interaction gets higher.

Managers will do less managing of transactions and more coaching of conversations. In the branches that work, this is the biggest behavioral shift. Old branch managers came out of teller ranks and spent their day checking cash drawers and settling disputes. New branch managers look like retail store leaders. They set the performance tone, role-play member conversations with their team, and hold staff accountable for specific outreach activities during slow hours.

Specialist roles that remain in branch, typically lending officers and financial coaches, will be fewer in number but more deeply trained. For many community credit unions, some of those specialists won't be in every branch. They'll hub out of one location and serve others via video. People First Federal Credit Union runs its 250-square-foot micro-branch this way, with ITMs, kiosks, and video access to remote bankers[19].

The hardest role shift is ambassadorial. When Capital One relabeled tellers as ambassadors[20], some people rolled their eyes. That reaction missed the point. An ambassador doesn't just do transactions. An ambassador represents the brand's promise in a room. The same behavior from a teller and an ambassador is different behavior because the frame is different. Credit unions that get this right don't just rename. They redesign what people are expected to do in every member interaction, and they measure it.

Part VII: The ITM Question, Consumer Psychology Meets the Math

Most branch-transformation papers recommend interactive teller machines without examining the math carefully. That's a mistake worth correcting, because ITMs are one of the most common capital expenses a credit union will make in the next five years, and the payback case for them is weaker than vendor materials suggest.

The core question isn't whether ITMs work. In isolated use cases they clearly do. The question is whether they work for the specific problem a community credit union is trying to solve, and whether the spend is justified versus simpler alternatives.

What Members Actually Want

There's a consumer psychology issue at the heart of the ITM pitch that rarely gets acknowledged.

Members who come to a branch are self-selected for human preference. They could have used the app. They didn't. They came in on purpose. Asking that member to interact with a video teller on a screen in the lobby offers them the friction of technology without the warmth of presence. It's the worst of both channels for a member who just wanted to see a person.

Members who don't come to a branch have already made peace with digital self-service. They deposit checks on their phones, apply for loans online, and use ATMs for the cash they still need. They aren't waiting for a better kiosk. They're waiting for a better app.

The theoretical ITM user, the member who wants both convenience and human contact, is a smaller population than vendor materials imply. Bancography's industry survey found that when members have a live teller and an ITM available in the same space, they consistently choose the teller. That creates an all-or-nothing decision for the institution. Either rip out the teller line entirely and force ITM adoption, or accept that the ITM will underperform because members walk past it[31].

This is a specific instance of a general service-design principle. A channel sitting between two preferences often serves neither well. Self-checkout at a grocery store works because it's faster than a human cashier for routine baskets. Video customer service fails when it's slower than a phone call and colder than face to face. The ITM lives in that in-between zone for a lot of members. The only way to make the math work is to remove the alternative, and members notice when the alternative disappears.

What a Modern ATM Actually Handles

The commonly cited ITM statistic is that interactive teller machines handle 92 percent of transaction types and 98 percent of transaction volume that would otherwise run through the branch[18]. That number gets quoted as if it justifies the ITM purchase by itself. It doesn't.

A modern cash-recycling ATM, without video, already handles the large majority of that 98 percent. Cash withdrawal, cash and check deposit, balance inquiries, transfers, loan payments, bill pay, and card-based account access are standard capabilities of current-generation machines. Globally, cash recycling capabilities have grown by about 76 percent since 2013[32], and are now a standard feature in new deployments rather than an upgrade. U.S. adoption lagged for years but is now moving.

The gap the ITM actually fills sits in a narrow band of transaction types that require teller judgment or specific authorizations. Exact-change check cashing. Cardless withdrawals verified by ID. Large withdrawals above standard ATM limits. New account openings. Specific account maintenance changes. IRA-related service. These are real, but they're low-volume and high-friction transactions. In a typical community credit union branch they probably represent 3 to 5 percent of daily transaction activity, not 20 or 30 percent.

Spending $150,000 to $250,000 per ITM to cover 3 to 5 percent of transactions, compared with $30,000 to $60,000 for a smart ATM that covers the other 95-plus percent, is a tradeoff worth examining explicitly rather than defaulting to the upgrade.

The Cost Comparison That Usually Doesn't Get Asked

Per-transaction costs from industry studies, averaged across multiple sources, tell a sharper story than most vendor decks.

Table 1. Channel Economics and Coverage

Channel	Cost per transaction	Coverage	Capital cost per unit
In-person teller	$4.00 to $8.00	All transaction types	Staffing-driven
Smart ATM with recycling	$0.75 to $1.25	~95% of transaction volume; cash, deposit, transfer, payment	$30,000 to $60,000
ITM (interactive teller)	$0.50 to $1.50	~98% of volume; 92% of types; adds check cashing, cardless, new accounts	$150,000 to $250,000
Mobile app	$0.05 to $0.15	Most non-cash transactions	Platform-driven

Pneumatic tube drive-thru	$3.00 to $5.00	Most routine teller work, slower	Legacy infrastructure

Cost figures synthesized from NCR Atleos, Quality Data Systems, and GonzoBanker industry research. Coverage estimates based on Fiserv and Datos Insights reporting.

A teller transaction costs a financial institution roughly $4 to $8 in fully loaded labor and overhead. An ATM transaction runs $0.75 to $1.25. An ITM transaction runs $0.50 to $1.50, comparable to the ATM, because a centralized video teller can cover multiple machines at once.

That last comparison matters. The per-transaction ITM cost advantage over the ATM is small or nonexistent once you include the centralized staff the ITM still requires. The ITM's advantage isn't cost per routine transaction. It's the ability to do things the ATM can't. But those things are the 3 to 5 percent of volume described above.

A realistic capital comparison for a single location looks like this. Smart ATM with cash recycling, deposit automation, and core integration: roughly $40,000 hardware plus ongoing software and maintenance. ITM: roughly $200,000 hardware plus ongoing software, maintenance, and a share of centralized video-teller staffing. The premium runs about $160,000 per unit. It's paid back only if the unit actually displaces branch staff costs. If it runs alongside existing staff, the savings never show up.

This matches what Bancography found in its client survey. Breakeven for ITMs was reported at seven to ten years in most cases[31]. Five Star Credit Union achieved faster payback specifically because they redesigned the drive-thru around the ITM and displaced 75 percent of the associated labor[26]. Institutions that added ITMs to existing configurations reported the longer payback curve.

The Two Places ITMs Actually Pencil

Nothing above is an argument against ITMs as a category. It's an argument against treating them as a default transformation tool. Two specific use cases produce clear returns, and neither of them is replacement of lobby tellers.

The first is extension of hours. A drive-thru ITM operating from 7 AM to 9 PM while the branch is staffed from 9 AM to 5 PM captures member demand that would otherwise be lost or diverted. NCR Atleos reports that some institutions see 30 percent of deposits occurring outside normal branch operating hours once ATMs and ITMs are available[33]. That volume is incremental. It's value the institution didn't have before. If the ITM adds real evening and weekend capacity, the math starts working.

The second is extension of footprint. A 250-square-foot micro-branch with one ITM, a couple of kiosks, and video access to remote bankers lets a credit union enter a market where a full branch wouldn't pencil out. People First Federal Credit Union used this model to reach 250 new census tracts. It's one of the cleanest use cases in the industry.

Table 2. Where ITMs Produce Returns (and Where They Don't)

Use case	ROI likelihood	Why
Extending hours beyond staffed branch	High	Captures incremental demand outside branch hours; value the institution didn't have before
Micro-branch expansion into new market	High	Lower capex than a full branch; real footprint extension; lets you serve markets a full branch can't justify
Drive-thru replacement for pneumatic tubes	Medium-High	Faster transaction time, lower maintenance, modernized experience; requires full commitment to the new configuration
In-lobby replacement of tellers (with redesign)	Medium	Can work if branch is fully redesigned around the ITM; fails if tellers remain, because members walk past the ITM
Adding alongside existing teller line	Low	Costs stack without savings; member behavior doesn't migrate; breakeven pushes out to 7 to 10 years
ITM deployment without a branch ambassador	Low	Utilization stays low; members avoid unfamiliar technology without guidance; savings never materialize

Assessment synthesized from Bancography industry survey, Tidal Commerce case data, and The Financial Brand's reporting on ITM-driven branch redesigns.

Everything else on the ITM decision tree deserves harder scrutiny than most vendors encourage. A smart ATM plus retained tellers often serves more members at less cost than an ITM rollout. Not always. Often enough that the default assumption should be reversed.

The broader point: branch transformation has to start with member behavior and cost discipline, not with technology adoption for its own sake. A credit union that skips ITMs and invests the same capital in better-trained universal bankers, smart cash-recycling ATMs, and a redesigned digital experience frequently comes out ahead. Vendor pressure pushes the other way. Boards sometimes listen to vendors as often as they listen to operations leadership. That's where the real conversation needs to happen, and it needs to happen before the capital request hits the approval stage.

Part VIII: Case Studies

These six cases illustrate the range of viable branch strategies. They're picked to cover the spectrum from pure destination to pure efficiency.

Capital One Cafés: Destination as Distribution

Capital One opened its first café-style branch in 2017 and had grown to 50 locations across 16 states by 2024[21]. The cafés sell Peet's coffee, house comfortable seating, offer free Wi-Fi and power outlets, and host money coaching sessions that are open to the public. Teller roles were renamed ambassadors. Video-teller ATMs handle the machine-compatible transactions.

What makes the model work is the strategic logic behind it. Capital One is primarily a credit card company with a national brand that doesn't need a dense branch network. One or two cafés per metro area is enough to anchor brand presence and support account-opening conversations. The bank closed more than half its traditional branches over the 2010s while continuing to open cafés[22]. The cafés aren't a replacement for branches in a one-for-one sense, but they are a different channel that happens to share a physical form with one.

Lesson for community credit unions: destination branches only make sense for a small number of locations, and only when the brand and strategy justify it. Copying the café aesthetic without the underlying strategic clarity produces a coffee bar in a bank.

Umpqua Bank: The Community Hub, Sustained for Three Decades

Umpqua debuted its "store" branch concept in 1995, evolved it into a community hub in 2003, and opened its first neighborhood store in Seattle's Capitol Hill in 2007[23]. The stores feature free coffee, dog-friendly policies, yoga classes, community event space, and interactive walls showcasing local businesses. Tellers dress casually. Mobile concierges roam with iPads.

The hub model has held up because Umpqua tied it to a specific brand promise around community presence and followed through. The stores cost more per square foot than a traditional branch. They justify that cost by generating deposit and loan activity through relationships that wouldn't form in a standard lobby.

Lesson for community credit unions: the hub model aligns naturally with credit union values around community. It works best when there's meaningful local programming and not merely decorative gestures. A community board with stale flyers doesn't qualify.

Texas Trust Credit Union: Universal Banker Plus Open Layout

Texas Trust, a $2 billion Arlington-based credit union, eliminated traditional teller lines and introduced open consultation spaces when it transitioned to a universal banker model. Stephanie Sides, VP of retail quality control, reports improved member satisfaction, increased branch efficiency, higher employee engagement, and cost savings from smaller footprints[24].

The important detail: the layout change and the role change happened together. Institutions that try universal banker without redesigning the space end up with universal bankers standing behind teller windows doing teller work. Institutions that redesign the space without the role change end up with nice furniture and the same bottlenecks. Both moves at once is what produced the results.

People First Federal Credit Union: The Micro-Branch

People First opened its first micro-branch at 250 square feet, outfitted with interactive teller machines, kiosks, and video access to remote bankers. It subsequently launched a full digital branch: a virtual lobby connecting members via video to universal bankers for account opening, loan applications, and comprehensive services. The strategy reached 250 new census tracts without building costly physical infrastructure[25].

The micro-branch fits situations where member density doesn't justify a full branch but presence matters. A rural county seat, a university campus, an employer campus with a select employee group, a town where a competitor just closed. For community credit unions with stretched capital budgets, micro-branches are an underused expansion option.

Five Star Credit Union: Drive-Thru ITMs Done Right

Five Star, a $500 million Georgia and Alabama credit union with about 50,000 members, moved roughly 75 percent of branch transactions to drive-thru ITM lanes. After opening three new ITM-based branches in early 2019, at least two of those became top-five performing branches in the organization. Annual labor savings reached approximately $240,000, enough to pay back ITM hardware investment within a few years[26].

Five Star's case is instructive precisely because it's one of the two use cases where ITMs work. The branch wasn't a standard lobby where ITMs got dropped in next to tellers. It was a drive-thru designed around the ITM from the start, replacing slower pneumatic-tube infrastructure and extending service hours. The 75 percent figure came from redesigning the entire service flow, not from expecting members to voluntarily migrate to an unfamiliar kiosk. That's the pattern to copy. Dropping ITMs into existing branches without the redesign almost never produces the same numbers.

GECU: Cashless by Design

GECU developed cashless branch concepts in partnership with DBSI and The Long Group. Routine transactions move to self-service machines. Staff time shifts to high-value conversations. The branch network expands without blowing through capital budgets[27].

The cashless approach is the cleanest operational expression of the everything-to-everyone critique. By deciding that cash transactions weren't going to be handled by staff in certain branches, GECU freed the staff and the space for other things. Not every branch should be cashless. That's the point. Differentiation produces clarity.

Part IX: The Credit Union Advantage

Credit unions possess an advantage in this transition that banks don't, and that few credit unions have meaningfully operationalized. Members aren't customers. They're owners. The relationship is structurally closer to an Amazon Prime membership than to a transactional banking relationship. That ownership can justify deeper engagement than a bank relationship would. It also gives the credit union a legitimate reason to ask members to change with it.

Mike Kelly, former PSCU CEO, noted that credit unions possess innovation opportunities in hospitality and human engagement where larger players can't compete: branch staff training, genuine friendliness, readiness for member moments[28]. This is an advantage in an industry where most competitors are racing toward sameness through technology.

The caution: credit union branches have lagged banks in consumer satisfaction ratings for five consecutive years, according to the American Consumer Satisfaction Index[29]. Ownership structure alone doesn't produce satisfaction. The work still has to happen.

Cornerstone's 2026 credit union growth research highlighted the same pattern. Credit unions struggle with a "deployment gap" where roughly one in four institutions planning technology initiatives fails to execute them[30]. The advantage is real. So is the gap between talking about it and doing something about it.

Part X: A Diagnostic Framework

Five questions a credit union board should be able to answer before approving any branch-related investment.

1. Who specifically are we serving, and how do we know? If the answer is "all our members," the strategy isn't differentiated enough yet. Segmentation work should precede capital commitment.
2. What are we asking members to change, and what are we changing in return? Co-evolution only works when both sides move. A branch renovation without a member transition plan is just a furniture purchase.
3. What can this branch do that our digital channel cannot? If the honest answer is nothing, the branch is overhead. If the answer is a list of moments of financial consequence where members want human help, it's an asset.
4. What are we prepared to stop doing in this branch? "Everything to everyone" stops when specific services get consolidated, moved to digital, or hubbed out. Every successful transformation includes a subtraction.
5. How will we measure success in 24 months that isn't raw branch transaction count? Transaction counts will drop, and they should. Measure deposit relationships per visit, products per

member, advisory appointments per week, Net Promoter trends by channel, and staff productivity against those outcomes.

If any of these questions feels uncomfortable to answer, that's useful information. It probably means the branch strategy isn't finished yet.

Conclusion

The branch isn't dead. The undifferentiated branch is dying.

For a community credit union with a defined membership and a defined community, the branch is still the most powerful tool we have to turn members into owners and owners into advocates. What it can't keep being is the same tool it was in 1995. The transaction count that used to justify the real estate is gone and isn't coming back. The teller line that used to be the acquisition funnel now just holds people up on their way out. The branch manager job that used to be a promotion for good tellers isn't what branches need next.

We get this right by doing two things at once. We change the branch. Fewer, smarter, zoned, staffed differently, located by data, scoped for specific member segments rather than averaged demand. And we invite members into the change. By teaching. By rewarding the behaviors we want. By filling the space with conversations worth making a trip for. Neither side of that equation works without the other.

Branches are changing. So are members. The institutions that build a strategy for both at the same time will still have thriving branches in 2035. The institutions that only change the building will be writing the next round of closure press releases.

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About the Author

John Ragsdale is Vice President of Operations at Illinois State Credit Union, a $250 million credit union serving approximately 18,000 members across five branches in Bloomington-Normal, Illinois. His responsibilities span lending, branches, call center, deposits, and member experience. He writes on leadership, operations, lending, member experience, and AI in financial services at john-ragsdale.com.

Prior to ISCU, John served as a consultant with the League of Southeastern Credit Unions and held roles at Family Savings Credit Union, including marketing and business development, inbound and outbound lending, and strategy work. His work has focused on turning operational and lending data into board-ready strategy, building internal programs such as the CORE Leadership Framework, and developing segmentation and structures that move credit unions away from undifferentiated service toward intentional member relationships.