

Branches Mining for ROI



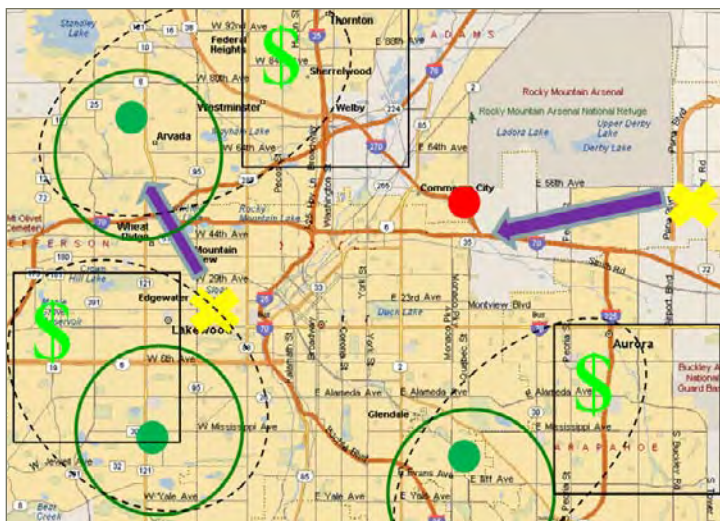
Discovering new ROI through increased facility and market efficiency and enhanced productivity

Branches

Branch networks and markets can be mined for substantial operating cost savings and increased ROI.

There is **significant opportunity in existing branches** and branch networks to increase efficiency, productivity, competitive positioning, and ROI. The opportunities to glean savings and increase return are often created in branch networks that have become inefficient over the past 10 years due to changes in market growth, target market focus, products or services, retail and transportation, and/or mergers. Additionally, we find that many branches do not match current or future market potential and are not efficient in terms of the member service-to-operations space ratio, wasting thousands of dollars per month.

In 2003, Orange County's Credit Union began re-engineering their branch network. Five years later, they had grown 77% from \$520 million to \$920 million.



It is often difficult to obtain a clear picture of the opportunities to tune a branch network from the inside and objectively answer the questions that will discover the greatest return:

- Are branches positioned to maximize target-market convenience and generate the right PFI relationships to raise profitability?
- Can we enhance our branch network, individual branch performance, and ROI by relocating, right-sizing, closing, or remodeling existing facilities?
- Do the product and service offerings match highly-served markets?
- What will be the impact of increased remote transactions and new target generations on branching?
- Are the branch location drivers correct?
- What is the market potential for each branch in terms of competitive positioning, attracting and retaining target households and small business relationships, building deposits and loans, and delivering non-traditional services such as insurance, investments, and trust?
- What should be the break-even expectations?
- Is shared branching an advantage or disadvantage?
- What are the alternatives to typical branching?
- How can we create greater market flexibility?
- What are new ways to grow market share with the same branch network?
- Is the ATM network productive and how should it be employed to increase target-market use and return?
- What role should mergers play in the branching strategy?
- How can new ways of measuring performance help us win?

These questions and more are answered by strategic growth and branch planning. Recommendations from these studies are helping credit unions build and operate new and more effective branching strategies, re-engineer their branching networks and individual branch business models, better deliver services to members, and **generate new revenue to the bottom line.**

Operations Mining for ROI



Operations

Operations centers represent big investments and large operating costs. Small efficiency improvements and the right short- and long-range occupancy strategies can produce big and long-lasting benefits.

Increasing occupancy efficiency by just 5% can save \$940,000 over 20 years.*

*for a 20,000 square foot building at an average lease rate plus NNN

Operations centers are the biggest capital cost and least flexible assets for most credit unions. Ownership of operations centers offers long-term benefits in terms of occupancy cost control, efficiency of centralization, and high appreciation over time. At the same time, we find that many operations centers could be made much more efficient and become revenue centers through business-to-business services and through leasing unneeded space. Additionally, the internal organization and layout of many operations centers is inefficient by 5%, 10%, or 15%.

When analyzing operations occupancy efficiency, looking for the savings, and seeking higher staff productivity and satisfaction, these key questions should be answered:

- Is our existing facility being utilized to its fullest? Where can the savings be found?
- Is our current occupancy most efficient in terms of short- and long-range cost, staff productivity, cultural support, and energy usage?

- Do we follow a strategic operations occupancy plan that links branch and general credit union sustainability and growth to operations occupancy support? Are the operations and branch facility budgets integrated?
- Would it be best to own or lease our facilities?
- Are our workstation and support areas efficient and appropriate for the future? Too much, too little?
- What are the reasonable future space needs, based on realistic growth projections and understanding the economies/ efficiencies of scale and technology advances?
- Has the facility's best use changed in a way that might suggest relocation to a better market position or potential income generation?
- How will future alternative work modes impact future operations facility needs?
- How do you plan for best- and worst-case scenarios so that you are always positioned to respond to a downturn or take full advantage of prosperity?

Tuning branch networks, maximizing individual branch performance, and increasing operations occupancy efficiency is the work we do for credit unions across the nation. We have many case studies that we can share with you. We would enjoy hearing about your situation and discussing how we may be of help. Just give us a call.



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