



## Building Branch Network Productivity

**B**ranches are expensive and continue to be a necessary component of convenience for most customers — even in today's multi-channel marketplace. Although the impact of the banking crisis is different for every institution, whether big or small, national or community, consumer- or business-focused, high branch network efficiency and productivity are essential to ongoing growth and profitability.

Over the past six months, our firm has experienced a five-fold increase in the demand for branch and branch network efficiency and productivity analysis and recommendations to enhance performance. As one CEO put it, "We are running a good operation, but we know that there is more we can do to maximize branch and market productivity. We just can't see it. We want to move from a good to a great branch network." Some of the fixes are easy; others are hard. But all can benefit the bottom line.

In this period of industry upheaval, now is the time to assess and re-engineer branch networks and the brand experience they present to target markets. Let's consider a few key questions, which by answering we can drive branch network improvements and increase ROI.

### Are Branches Correctly Positioned to Maximize Target Market Convenience?

Should branches be closed, relocated, downsized, expanded or remodeled? If we take these actions, will we lose customers or build more customers in more-profitable product user segments? Will refocusing our resources increase our ability to compete in terms of rates and services? If we increase

our market efficiency by 15 percent, what will that produce in terms of new customers, share-of-wallet and ROI?

### Are We Operating the Most Productive Business Model?

Can we increase deposits, loans and investments per square foot? The answer is "yes" for most institutions, as the average ratio of retail to back-office space is 65 percent versus an achievable and much more productive 85 percent. Is the customer-and-staff experience highly productive in terms of creating opportunities for relationship building, strong brand recognition, increasing product and service awareness, and cross-selling that tangibly translates into profitability?

Is the size, configuration and level of fit and finish at each branch appropriate for the consumer and/or business banking opportunity? What is the break-even period for new branches, and how can this be shortened by modifying the business model?

Differences in target market characteristics should drive the cost of branches while remaining on brand. On the consumer side, this typically means that a branch targeting "emerging and mass affluent and wealthy households" would likely be more expensive than one focused on "middle- and upper-middle-income households." The former, however, would produce a significantly faster payback. If the business model components are well articulated, there is no impact on brand perceptions.

### Do We Need to Further Differentiate Our Brand?

Do you have a strong brand or is it under-



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performing and considered ho-hum in terms of competitive positioning? A brand assessment is critical to understand if you are promoting the right messages to your target markets and have a solid foundation upon which to build a strong and differentiating market position and bankable brand.

Your brand should drive every decision — from products to delivery methodologies to staffing to marketing and even to the development of every branch design and cultural and delivery element. This understanding has helped drive success for Umpqua Bank (serving California, Oregon and Washington State) and others with similar commitments to their brands.

### **How Can We Boost the Productivity of Existing Branches?**

It seems simple to say that if your customers do not know what you have to sell they won't buy. Many banks under-communicate their products and services to customers. This is made clear by asking customers as they exit branches about a bank's products and services. We know there is a correlation between product and service awareness and use. The addition of a well-designed and brand-appropriate messaging and merchandising system can increase customer awareness of key products by 50-200 percent.

Additionally, branches can be made more efficient and profitable by creating new business models that approach customer services and operations in new ways. For example, one of our clients in Canada implemented a new brand image and customer experience focused on affluent households and savvy business owners. The first relocated branch increased deposit growth from \$1 million per quarter to \$1 million per week, and it continues on this path after three years.

### **How Can the Cost of Operating Our Branches be Reduced?**

Small and large steps can be taken — like “going green” — to reduce cost while enhancing your brand image. Consider

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eliminating plastic water bottles, changing to automated light switches, turning off the sprinkler system when it is raining. Evaluate staffing and operations at each branch to determine if you are overstaffed — if cross-training, the use of automation (such as cash dispensers or “smart” ATMs), or an enhanced business model could reduce staffing and space needs.

This is also a good time to assess space usage in large branches. Do you need 7,000-square-foot branches or would 3,500 square feet be just as productive? You could then lease the unused space and refocus the resources and generate more income or sell the facility and lease.

### **Do We Have Accurate and Timely Measurement Systems?**

How could “dashboarding” enhance your ability to closely monitor performance and respond with the most productive tactics? Should you add new matrices that help you understand branch performance, such as deposits, business and consumer loans, and money-under-management per square foot?

Customers, staff and investors understand the need for change. Now is the perfect time to assess the performance of your branch network, enhance your delivery strategies, and take the tactical measures to increase branch and market ROI. A little work now will pay big dividends in the near future. **CB**

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