

# Got Branch Planning?

By Ron Jooss

Only about half of credit unions have a branch plan in place. Yet they are a critical tool for growth.

In the 2008 National Credit Union CEO Growth Study, conducted by the CEO Advisory Group ([www.ceoadvisory.com](http://www.ceoadvisory.com)), half (49 percent) of the respondents did not have a branching plan. That's a pretty startling percentage when you consider that branches account for the largest individual capital investments a credit union is likely to make.

In this age of metrics and demographics, credit unions have the means—and, some would argue, the responsibility to their members—to make informed decisions about where to branch. But research shows that's not the case about half the time. ...

Paul Seibert, CMC, VP/Financial Services, for CUES Supplier member EHS Design, Seattle, ([www.ehs-design.com](http://www.ehs-design.com)) describes two ways to break data down: by credit union and by market. First, he says it's important that a credit union understands how effectively its current branch network is. "If you do an honest assessment of your credit union's network, you may find that your network is not market efficient. And we think the first step is to understand if your current branch network is efficient, if it's as highly productive as it should be. We feel you've got to fix what you're already operating rather than going out to new markets. You really have to understand what you're operating before you go into new markets."

Seibert, a managing director for the CEO Advisory Group, says the best starting point for determining efficiency is to be sure members are assigned to their branch of most frequent branch activity rather than branch of origin. "If they are assigned to their branch of origin, it means they might have signed up 20 years ago, left their job or moved to another county, but they're still assigned to that branch, and that's where their record of deposits and loans go, even if they do no business there."

## BRANCH-LEVEL ACCOUNTING A MUST

For that reason, branch-level accounting is a must, Seibert says, and the lack of branch accounting creates much of the inefficiencies that exist in branch networks today. "If you don't have branch-level accounting, how do you know how your branch is performing other than we have this many transactions or we have these kinds of deposits or loans? What's the profitability of the branch? What's the return on this branch? What's the break-even analysis? How do you calculate a break-even analysis on a new branch location?"

The next data segment EHS uses is market information. Seibert says his firm uses a software product from PitneyBowes ([www.pb.com](http://www.pb.com)) called AnySite that provides details of demographic data, including measures as specific as financial product use within certain income segments.

"What you're doing is taking a clear understanding of how your branches and members are performing in a particular market and you're overlaying it with very detailed down-to-the block-level

information on what the potential is in the market," Seibert says. "You can then align your products and services with what's going on in the market and really understand where you can further penetrate that market with where the growth is going to come from."

Orange County's Credit Union ([www.orangecountyscu.com](http://www.orangecountyscu.com)), Santa Ana, Calif., received a community charter in 1999. By 2001 the credit union was looking to further penetrate its market or, in the words of SVP/Chief Operating Officer Lynda Savoit, "really maximize that opportunity." The best way to do that, the executive team and board decided, was a strategic branch plan.

"You could say, 'I like Yorba Linda (Calif.). Let's put a branch there.' But that doesn't take into account where our members reside and where they work," explains Savoit, a CUES member. "It doesn't take into account market opportunities based on potential and population growth, ease of access, home ownership and all the things that we looked at as part of a strategic branch plan."

To help initiate the planning process, Orange County's CU partnered with EHS Design. Orange County includes more than 30 cities and three million people. The Orange County's CU executive team didn't believe it had the in-house resources to pull together a truly strategic market plan. "So we chose a partner who could do the proper analysis for us. They took a very objective look at our market areas, and helped us prioritize them. They helped us determine where we would branch, as well as what those branch facilities might look like."

EHS used Orange County's CU's existing member data, blended it with market analysis, and helped the credit union prioritize five to 10 market areas it targeted within the next five years. "So by taking action, sometimes it was relocating an existing branch to a new location," Savoit explains. "Sometimes it was adding a new branch to an entirely new market, and [the plan] also told us or suggested to us the type of branch down to the square footage, like, 'This should be a large, 4,000-square-foot, full-service branch, or 'This might be a 2,000-square-foot, store-front branch.'"

Based on its strategic branching plan, Orange County's CU, now \$919 million in assets and 83,000 members, has relocated three branches while remodeling and downsizing another branch. The credit union has also opened four new branches.

Orange County CU conducted follow-up analysis of its plan in 2007 and provided EHS with new member data that included the credit union's growth since its first planning stage. The credit union has since expanded its membership base into neighboring Riverside County.

"It's allowed us to add branches in a way that we can serve and add convenience to the greatest number of our members and potential members. And it's still an evolving, growing plan. We're certainly not done with it. It's for five to 10 years, and when you get through five years, you plan another five to 10 years, for the additional market areas that you're going to." ...

