Branch Briefing:
The Branch in the Age of Automated Banking

The rise of electronic transaction channels in banking has raised fundamental questions about the role of the traditional branch. As consumer preferences evolve and new channels emerge, bankers must consider how the traditional branch fits into their institutions' distribution networks. This briefing examines the state of branch banking in the United States, trends in branch activity, and the impact of new technologies to assess the role of the branch in an age of rising electronic channel availability. The study confirms that branches remain the predominant channel for new account sales, and that location convenience remains paramount in institution selection. Thus, financial institutions should view the migration of transactions to electronic channels not as a threat to the branch, but as an opportunity to reorient that channel toward higher-value sales activities. Furthermore, the combination of reduced staff requirements and new technologies can enable smaller, less expensive branches, rendering more locations viable for expansion and allowing institutions to provide the convenient access consumers want and demand.

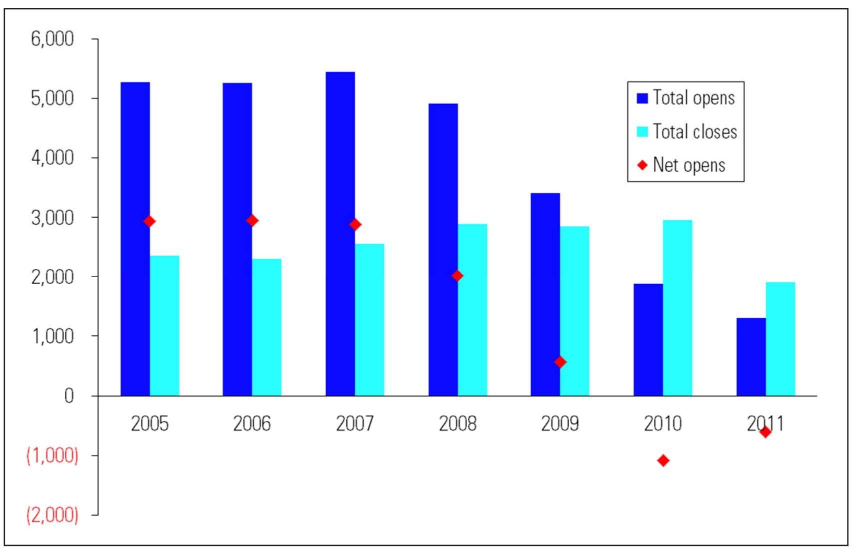
Overview

The rise of electronic transaction channels in banking has raised fundamental questions about the role of the traditional branch. As consumer preferences evolve and new channels emerge, bankers must consider how the traditional branch fits into their institutions' distribution networks, and how to allocate investments across the spectrum of delivery channels. This briefing examines the state of branch banking in the United States, trends in branch activity, and the impact of new technologies to assess the role of the branch in an age of rising electronic channel availability.

The State of U.S. Branch Networks

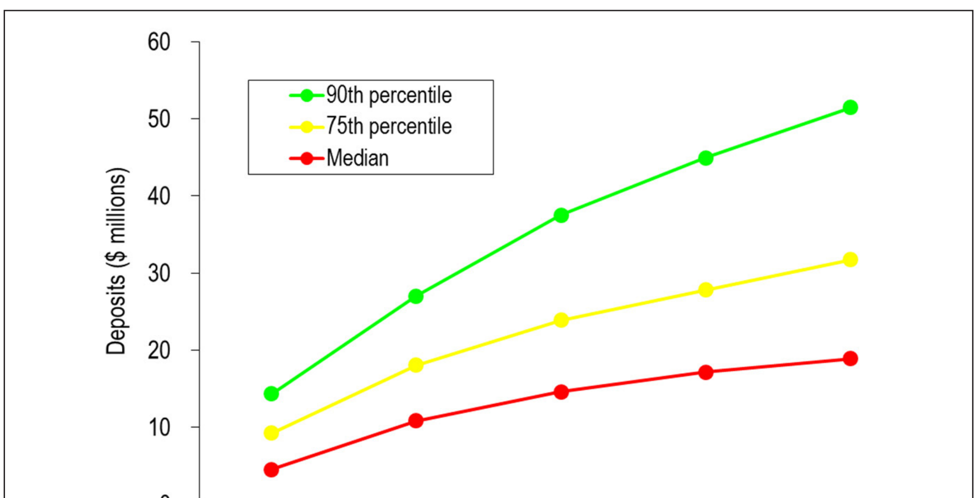
The middle part of the last decade saw unprecedented levels of branch construction. Banks and credit unions built more than 5,000 new branches per year in 2005, 2006 and 2007, and branch inventories increased by 3,000 units (net of closures) in each of those years. Although the pace of construction slowed significantly during the economic downturn, there are still 118,000 bank and credit union branches in the U.S. now, or roughly one branch for every 1,000 households in the nation.

After many years of net increases, branch closes outpaced branch opens in 2010 and 2011, and the total inventory of branches has declined by about 1,600 units from its 2009 peak. While this may appear to be a rational industry response to a decline in consumer preferences for the branch, the reality is that the overwhelming majority of those reductions were merger related. Half of the net 1,600 unit decline arose from just two institutions, Wells Fargo and Bank of America. Wells Fargo's reductions mostly reflected closures of overlapping branches from its acquisitions of World Savings and Wachovia Bank. Bank of America's reductions represented a long overdue rationalization of a franchise that had evolved from numerous acquisitions over the prior two decades. Eighty percent of the net decline in branch inventory was impounded in just eight banks: the aforementioned Wells Fargo and Bank of America, plus six other institutions eliminating overlapping branches inherited in mergers, including PNC (following its acquisition of National City Bank); BB&T (Colonial Bank); BBVA Compass (Guaranty Bank); and M&T Bank (Provident Bank).



Even in the face of one of the worst economic environments of the last 50 years, more institutions added to their networks than reduced. In the FDIC reporting year that ended on June 30, 2011, 480 banks had added branches, versus only 418 that reduced their networks. Of course, this indicates that the vast majority of the nation's 7,500 banks left their branch networks unchanged. The decision to expand their branch networks represents significant commitments by institutions: average costs for new freestanding branches approached $2.5 million in 2010, though that cost abated somewhat as the recession brought sharp reductions in commercial land prices, as well as decreases in the cost of construction labor and most building materials. The $2.5 million investment bought an average 3,500 square feet worth of branch, down from an average near 3,900 square feet in the middle part of the decade.

Although branch expansion was rampant in the prior decade and remains a primary component in the strategic plans of all but the smallest institutions, the performance of recently opened branches has been modest. Of all the branches opened in 2004 through 2006 (i.e., the group of branches that have five years of FDIC deposit reporting history), the median deposits for traditional branches (excluding in-store branches) on their fifth anniversary was only $19 million. And only 17% of new branches exceeded $40 million in deposits after five years. This compares to a median of $38 million in deposits for mature branches (defined as those opened for more than five years), and, more importantly, falls acutely below the $35 million - $50 million five-year standard bank CFOs typically demand from branch capital investments. So while branch opens reached record levels in the prior decade, the results of those opens remained modest – at least in part because multiple institutions targeted the same intersections, and in doing so diluted the forecasted demand to untenable levels. This phenomenon, akin to the "Prisoner's Dilemma" from the game theory discipline of economic research, holds significant implications for new branch construction formats that will be discussed later in this briefing.



	1	2	3	4	5
90th percentile	14,355	27,040	37,523	44,924	51,465
75th percentile	9,250	18,042	23,877	27,826	31,742
Median	4,528	10,813	14,601	17,167	18,912

Years open

Trends at the Branch

In-branch transactions are down. As noted previously, the number of branches in the U.S. increased steadily throughout the years in which the online and remote banking channels evolved, refuting thoughts that the new channel would displace the old. Despite the modest decline in branch counts in the recessionary years, the traditional branch remains nearly ubiquitous in many U.S. cities. But while the emergence of new electronic channels has yet to impact the number of branches, the trend has certainly affected the activity in those branches.

In-branch transaction activity, defined as the average monthly number of paying and receiving transactions, has eroded as alternate channels reduce the need for cash, allow remote or direct deposit of checks, or provide alternate outlets for obtaining cash. Across the industry, median branch transaction counts have declined to 7,600 transactions per month, compared to 10,200 five years ago. While that decline is significant, the level of decline varies by market segment. Branches in market areas with a high concentration of entry or affluent households have seen the most substantial declines, but many branches in markets dominated by mass market or seniors segments have experienced little if any erosion of in-branch transaction volumes.

The branch reigns as the dominant sales channel. Irrespective of the use of the branch for transaction activities, the traditional branch remains the near exclusive venue for new account openings in all market segments. While average branch transaction volumes have declined by 25% during the past five years, branch-based new account sales have increased slightly, and more than 95% of new accounts are still opened in the traditional branch channel. Even at institutions with the technological capability to originate accounts online or through the call center, the final step in the account opening process usually must occur at a traditional branch, to guard against identity fraud, check kiting schemes or other malicious behavior.

Still, in an era in which consumers visit branches less frequently after establishing their relationships, it is imperative for institutions to cross-sell effectively in initial sales interviews. Yet despite decades of investments in sales training, despite nearly every bank and credit union CEO claiming a desire to "create a sales culture," despite million-dollar customer relationship management (CRM) platforms, sales performance remains woefully inept. Across the industry, the median cross-sell ratio is just 2.2 products per household. While that modest ratio is troubling, perhaps more damning is that 15 years and millions of dollars of sales culture investments ago, the median cross-sell ratio was 2.2 products per household. Across the industry, about half of all relationships consist of only a single product, also unchanged over the past decade. So while transaction counts are diminishing, presumably allowing more time for customer conversations, institutions are not leveraging the additional time to improve relationship depth.

How to Calculate Cross-sell

Defined as the number of products per household, cross-sell represents a primary measure of relationship depth and loyalty. Because financial institutions include different products in their cross-sell statistics, it is difficult to compare results or even know which measure is appropriate. Institutions can inflate cross-sell statistics by including products that do not enhance the relationship's profitability or tenure. Here are some guidelines for building a measure that captures the depth of your customers' relationships:

- Count all services with balances and also safe deposit boxes and other core services such as trust or investments.
- Count only standalone products, i.e., products that can be used independently of any other product. A debit card is a means of access, no different from a check; and no one can walk into a branch and open a debit card without first having an underlying checking account. The same holds true for other access means such as online banking and direct deposit, and neither belongs in a cross-sell ratio.
- Calculate across households, not customers. If a woman owns a mortgage and her husband owns a checking account, the institution is meeting two needs of that household, even though each individual owns just one service.
- Consider counting multiple CDs as a single product, since the additional CDs often represent a "laddering" for flexibility relative to maturity terms, and not the fulfillment of a distinct financial need.

Location convenience remains preeminent in institution selection. As noted previously, the branch remains the near exclusive channel for new account openings. This is not just because institutions have mandated that, or have failed to provide alternate channels for account opening. Rather, the continued dominance of the branch channel for account opening seems to reflect the simple fact that consumers like branches. In primary research interviews conducted for clients, Bancography invariably finds 45% - 55% of respondents citing "convenience of locations" in response to the question "what is the primary reason you selected [First National Bank] as your primary banking provider?"

Research by the Federal Reserve Board (2012) corroborates this finding. In its *Survey of Consumer Finances*, a triennial survey of the financial behavior of American households, the Fed asks consumers to cite "the most important reason for choosing [current institution] for their main checking account." In the 1992 survey, 44% of consumers cited "location of their offices" as the primary determinant. The proportion citing that factor hovered between 43% and 46% in each of the next six iterations of the Survey, reaching 46% in the most recently completed 2010 edition.

Probing further into the responses, though, reveals that the great majority of decisions are made through a filter that at least considers location. One of the next most-cited reasons in the *Survey of Consumer Finances* is "had the lowest fees or minimum balance requirement," with frequencies ranging from 14% - 17% over the past 20 years. Yet ask consumers how they found out that their institution had the lowest fees, and the majority will expand their answer to reveal that the fees were the lowest available from *convenient branches*, not the lowest absolute fees nationwide. Responses will reveal comments such as "I looked at the banks and credit unions *in my neighborhood*, and I called four branches and found First National had the lowest fees."

Interestingly, "able to obtain many services at one place" ties with "lowest fees / minimum balances" for the second most-cited reason. While this can also be viewed as an endorsement of in-person channels (since many online banks specialize in only a subset of product types, e.g., CDs or mortgages), it amplifies the ignominy of the industry's poor cross-sell levels noted previously.

Technology is enabling lower staffing costs. The decline in transaction volume can be beneficial in that financial institutions can convert that lower demand into commensurately lower staffing costs. But a 25% reduction in teller transactions can reduce staff cost only by so much, especially given minimum staffing requirements for security and dual-control purposes. However, new technologies are enabling an additional tier of efficiency in branches.

- Teller cash recyclers (TCRs) receive, store and dispense currency and coin and also receive and store checks. The recyclers speed the transaction, improve accuracy and reduce end-of-day balancing and reconciliation tasks. Because the TCRs store cash in a secure environment (think of the TCR as an ATM for which only the teller has the card and PIN), they carry the added benefits of reducing trips to the cash vault and allowing tellers to leave the teller station to greet and interact with customers.

- Single-key safe deposit vaults negate the need for a second key held by the bank officer; instead, the customer's key is cross-checked against his own biometrics, in the form of a handprint or retina scan. The vaults let in only one customer at a time, and by eliminating the wait time for the customer and the burdensome interruption for the customer service representative, single-key vaults improve the service experience and staff efficiency.

- Videoconferencing allows line of business specialists to join a customer service representative in discussion with a customer in branches too small to warrant a full-time specialist for the business line. The technology thus allows on-site personnel to immediately address customer inquiries regarding services such as mortgages or wealth management in a format where the on-site officer provides in-person guidance, while the off-site specialist delivers advice on complex products. This can be especially beneficial in rural markets that lack the absolute demand to support full-time specialists but are geographically too far removed for prompt assistance from nearby hub offices.

- Of course, remote capture and image-enabled ATMs allow businesses and consumers to easily deposit items without visiting the teller line and to avoid the uncertainty of night deposit boxes or envelope-based ATMs; thus, these technologies directly reduce branch teller costs.

Finally, note that basic advances in computer technology – networked printers, electronic records storage, integrated teller / CSR workstations – all reduce the physical space demands of the branch, reducing the size and cost of new branch construction.

The Need for the Branch: Why Branches Still Matter

The combination of reduced transaction demand and technological advances in concept can allow financial institutions to reduce the scope of their branch networks. But technological feasibility should never dictate business practices without consideration of customer preferences.

There has never been channel replacement in banking. The ATM did not replace the branch; the call center did not replace the branch or the ATM; Internet banking did not replace the branch or the ATM or the call center; and mobile banking will not replace the branch or the ATM or the call center or Internet banking. Each time the industry has given consumers a new channel, consumers have said "thank you, I'll use that, too" and simply reallocated their transactions among a broader pool of available channels. But almost every consumer reserves some set of transactions for in-person interactions. The institution that seeks to replace branches with digital channels is constraining consumer choices just as severely as the institution that offers only branches, and the promise of "anytime, anywhere" banking that underscores so many online and mobile banking advertising campaigns falls flat if the consumer can not choose "noon, Tuesday, down the street from my office" on occasion.

Out of sight, never in mind in the first place. In marketing, the concept of the "evoked set" represents the group of providers that a consumer thinks of (i.e., what is evoked in his or her mind) when contemplating a purchase. Electronic channels inarguably bring the ability to open accounts without entering a branch, but if the institution is not part of the customer's evoked set, that capability is meaningless. If a community bank in Massachusetts adds online account opening, how many accounts will it open from consumers in Nebraska? Ask the Massachusetts banker about the success of the new channel, and the conversation will flow something like this:

Banker: We added online account opening last year. We can open accounts from anywhere in the country!
You: That's great, how many did you open last quarter?
Banker: We opened 400 checking accounts and 200 loans.
You: How many did you open in Nebraska?
Banker: I don't think we opened any in Nebraska…
You: Why not? You just said you can open accounts from anywhere in the U.S.
Banker: But we don't have any branches in Nebraska; how would anyone even know we exist?

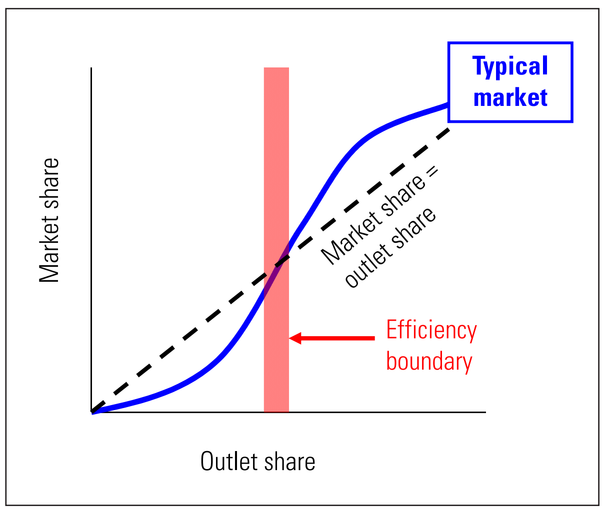
And that hypothetical dialogue underscores why branches remain imperative. Absent a nationwide advertising campaign that few institutions can afford, branches remain the best means of creating awareness of a bank with prospective customers; of reminding those prospects of the bank's convenience; and of assuring them of the bank's stability, commitment and ability to address problems.

Personal finance is, well, personal. In an age in which seemingly no topic is immune from discussion in social media; where personal boundaries have eroded; and where Americans have developed a seemingly insatiable appetite for witnessing alleged reality on television, personal finances remain among the last taboos. If there is one topic which is never raised in polite conversation, it is personal finance. How much do you earn? Or what did you pay for that house? Consumers value personal interaction for complex and confidential subjects.

Myriad news stories each year relate losses suffered due to identity theft, stolen passwords, data security breaches or other electronic mishaps. In that environment, consumers may become even more reticent to share sensitive information with a faceless agent in a distant call center or through an online interface. For account openings that require detailed questions about earnings and asset levels (for example, IRAs, mortgages), a large segment of consumers value direct, private, personal interaction with a single point of contact throughout the process. And it is significantly easier to think of the earnest agent sitting across the desk as a confidant in your pursuit of your financial goals than it is to ascribe the same perception to the call center agent who you'll never see at the next PTA meeting. For similar reasons, consumers value the ability of the branch to provide direct problem resolution. Even the consumer who transacts almost entirely through non-branch channels still values the fact that, in the event of a severe problem, they can turn directly to a person in authority to address the issue.

Preferences change over time. The younger generations have embraced alternate banking channels just as they have embraced social media and other digital technologies. But a consumer who has little need for a branch in their 20s will have different needs and expectations as they age. In midlife, financial needs grow more complex, necessitating direct interactions for questions. In later life, the reduction of time constraints and the social implications of an "empty nest" may create a social desire for personal interaction in business transactions, despite the availability of remote alternatives. The "baby boomers" were the first generation to adapt electronic banking channels in large numbers, but the leading edge of that generation is entering retirement and enjoying longer life expectancy than prior generations. Yet as declines in cognitive ability set in, won't those aging retirees covet, demand and require in-person explanations of financial concerns?

The Network Effect: Larger branch networks capture disproportionate share. There are many reasons why branches still matter, even as electronic channels continue to capture a greater share of transaction activity, but perhaps none is more telling than the empirical evidence of the network effect. In markets of all sizes, institutions with broad branch networks capture a disproportionate share of balances. For example, an eight branch network will gain more than twice as much in deposits as a four branch network. Larger networks outperform smaller ones even on a per branch basis. This relationship holds in markets of all sizes, as convenience-seeking consumers gravitate to perceived ubiquitous networks. The network effect argues in favor of dense branch networks concentrated in a few markets rather than toehold presences in numerous markets, i.e., depth over breadth. This especially holds for smaller banks and credit unions seeking to compete against the market-wide networks of regional and national banks. The network effect is empirically demonstrable, with a positive (though concave down) relationship between deposits per branch and number of branches that is statistically significant:



- At the .01 level in 25 of the 50 largest U.S. metros
- At the .05 level in 44 of the 50 largest U.S. metros

As consumers reward convenient institutions, each successive branch provides an incremental lift to the other branches in the network, providing strong rationale for increased branching. Due to this network effect, small networks usually gain less than their fair share of deposits; an institution with 5% of the branches may capture only 3% of the balances, while an institution with 12% of the branches may capture 14% of the balances. In most markets, institutions must achieve 8% - 10% outlet share (i.e., share of the market's total branches) before market share begins to exceed outlet share.

Note that the consumer preference for institutions with broad branch networks does not imply that consumers actually use numerous branches of those institutions; in fact, most consumers use no more than two branches of their primary provider. But this does not obviate the need for broad branch networks. Consumers rationally ascribe value to broad networks for the possibility that, sometime during their relationship with the institution, they'll face the need for a branch beyond their neighborhood office. Whether they actually use the additional branches is irrelevant; simply removing anxiety about future needs can be enough to sway the consumer's choice.

The Path Forward: A Prescription for Effective Branch Networks

New digital channels provide a means of reducing transaction costs, improving the customer's overall service experience, and positioning an institution as forward thinking and technologically astute. But these channels require significant investments in both capital and non-interest expenses, creating pressure to reduce cost elsewhere in the delivery network. While the obvious candidate for such reductions is in the branches, those gains need not arise from the blunt elimination of branches. And in reality, such actions can prove detrimental to an institution's growth. Institutions must meet their customers across all channels and can do so with proper realignment of the branch network by considering the following options:

Embrace, don't replace branches. Ask any community bank or credit union executive what differentiates their institution, and inevitably you'll hear "our people." And if the quality of service those people deliver is truly a differentiator, then institutions should seek to maximize contact between their people and their customers. No channel places "our people" with our customers like the branch, and we should value the face-to-face interactions that occur in our branches every day. Rather than actively seeking to migrate customers exclusively to lower cost digital channels, institutions should instead promote branch visits as an integral part of a customer's financial routine. Advertising and messaging should remind customers of the convenience of an institution's branches and their ability to provide expert guidance on a broad array of borrowing, savings and investing challenges, all in locations near the customers' homes, workplaces and shopping destinations. Institutions that can create more points of direct contact between customers and bankers will foster customer loyalty and enjoy better retention.

Less transaction, more interaction. There is no need to lament the decline of in-branch transactions as threatening to the branch or the institution overall. Transactions cost money, sales earn money, and the more of the latter and the less of the former that branches conduct, the more profitable the branch will become. Banks and credit unions would be well served by changing consumer perceptions about their branches and positioning them as venues for executing a lifelong financial strategy, and not just as places to cash a check. In tipping the balance toward interaction (i.e., advice and sales), bankers should encourage the use of alternate channels for routine transactions; just not to the exclusion of the branch for more sophisticated inquiries. Personnel should demonstrate call center and online banking capabilities and strive to introduce customers to new technologies, such as image-enabled ATMs and remote capture, knowing that transactions migrated out of the teller line equate to more time in which to pursue revenue-generating activities.

Eliminate the full-time teller position in all but the busiest branches. Despite the rapid growth of electronic transaction channels, there are still many branches in the U.S. that process more than 20,000 teller transactions per month. At those busiest branches, demand in the teller line is constant, and so the specialized teller position remains imperative. But in branches with lower transaction volumes, a teller may experience significant idle time, when no customers are in line in the lobby or the drive-in. Financial institutions can not afford to pay for that slack time with a teller tethered to the teller line, unable to perform other functions. Rather, they must adopt universal agent staffing models, in which cross-trained employees perform the functions of both tellers and customer service representatives, gravitating from one role to the other as needed.

To garner value from that redefinition of job roles, though, the institution must reconfigure the branch to allow the employee access to all workstations. Teller cash recyclers (TCRs) facilitate such an operating model by providing a secure housing for cash in place of the traditional teller drawer. Without the requirement of secure cash drawers, the institution can replace the traditional barrier-style teller line with an open teller counter not demarcated by gates. No longer needing to lock a teller drawer, the employee can leave the workstation to greet customers at the door, to perform functions at platform workstations or to escort the customer to the office of the branch manager or loan officer.

This model not only insures more efficient staff utilization, it also improves the customer experience, as every customer can be greeted, and handoffs from one banker to another are minimized. That said, the transition to the universal agent model requires a significant commitment to training, as employees must learn not only new functions but also the triage process, wherein employees determine "on the fly" who will service which arriving customers and at which workstations. In-store (grocery store) branches have used this cross-trained / flexible role staffing model for years, and institutions adding the universal agent should seek to recruit experienced in-store bankers for such roles.

Fund new channels with reductions in branch expenses. By reorienting the branch from a transaction-processing venue to a hub of sales and advisory services and by embracing the universal agent model and other efficiencies, bankers can reduce non-interest expenses. But those expense savings should not all flow immediately to the bottom line; rather, in an environment where consumers demand access in all channels, some reductions in branch expenses should be reinvested in evolving channels (e.g., mobile banking). By delivering increased access with no commensurate increase in operating costs, the institution will foster both customer acquisition and retention, driving long term income gains.

Customer relationship management must move to reality. As noted previously, 15 years and millions of dollars of investments in sales training and customer relationship management (CRM) systems have yielded little tangible improvement in cross-sell levels, or retention rates. The reduction in in-branch transactions represents a gift to financial institutions, as profitable sales activities can supplant costly transaction processing. But to leverage this benefit, the industry needs to improve cross-selling skills and migrate beyond the basic needs-assessment checklist to true consultative selling, delivering holistic advice for consumers in the lifelong management of their financial portfolios. Furthermore, as consumers interact with the institution across a widening array of channels, the institution must provide continuity in the service experience. For example, if a consumer reports a lost debit card at his branch, but then contacts the call center to check on the arrival date of the replacement card, the call center agent needs to know the date of the original report and the date the replacement card was mailed.

Align branch costs with market opportunity. One size fits all branching can not be effective, especially as increasing competition divides many top markets into ever-smaller slices. But few markets are inherently unviable; rather markets appear unviable when branches employ incompatible service models. In actuality, there is a service model that could prove profitable in just about any type of market. In order to avail themselves of as many opportunities as possible, financial institutions must build a portfolio of service models (the combination of branch size, technology and staffing that defines how the branch operates). Then, in any situation, an institution can select the service model that best aligns with the balance potential available in the selected market.

The absolute balance levels a branch captures are not irrelevant, but that statistic is also not the most important measure of branch success. Return on investment is paramount, and a branch that captures $20 million in deposits brings no less value than a branch that captures $40 million in deposits, so long as each yields the same return on invested equity and expenses. Mathematically, two $20 million branches are equivalent to one $40 million branch if each delivers the same proportionate returns; the key is operating the smaller branch for half the expense level of the larger branch.

A willingness to embrace smaller operating models renders more locations feasible for branch deployment, and also carries two ancillary benefits: by delivering more outlets for the same cost, the institution increases its perceived convenience and moves farther up the market to outlet share curve, reaping benefits from the 'network effect'; and by diversifying its revenue stream across multiple markets, the institution will lower the risk associated with receiving its projected cash flows – just as an investor derives similar benefit from holding a diversified portfolio of securities (as demonstrated by Nobel laureate Harry Markowitz in his groundbreaking 1952 thesis, *Portfolio Selection*).

Blur the lines between channels. The alignment of service models with market potential will unveil numerous opportunities not viable to an institution with a single, 3,600 square foot branching template. But in reducing branch footprints and staffing levels, institutions can redefine what constitutes a branch. Retailers are adept at devising micro-service models for specialized deployments: the Subway location inside a service station, the Starbucks kiosk in a bookstore, any number of airport or train station configurations. Bankers should pursue service models that challenge the very definition of "branch."

The network effect confirms the advantages large branch networks deliver, yet similar research shows no deeper correlation between breadth of ATM network and deposit share. If each marginal branch brings disproportionate lift to deposit share but each marginal ATM does not, where is the dividing line in what the consumer deems as delivering additional convenience to sway their choice of providers?

In an effort to gain outlet share without diluting profitability, bankers should test smaller configurations. This includes self-service branches with image-enabled ATMs and direct call center phones, cashless kiosk formats with attendants to open accounts and fulfill basic service requests, virtual branches with videoconferencing to customer service specialists, bank-at-work formats, and other small footprint, light staffed options. Ultimately, the goal should be to maximize the number of delivery outlets within the context of profitability constraints.

Conclusion

Over the past 10 years the U.S. saw a sharp increase in the inventory of bank and credit union branches. Although branch expansion abated at the onset of the recession, many financial institutions continue to add branches, and there is little evidence that digital channels will supersede branches. Nor should they. Evolving consumer preferences have driven sharp growth in electronic transaction activity, diminishing the transaction volumes in traditional branches, but the branch remains the near exclusive venue for account opening. No amount of transaction cost efficiency can impact profits until the customer actually establishes an account. Despite the rise of alternate channels, location convenience remains the primary determinant of institution choice for consumers, and nearly all consumers reserve some portion of their banking activity for in-person interaction.

Branches still matter, because consumers say they do. The role of the branch is changing, but the fundamental consumer preference for the channel endures. In respect to that preference, bankers can leverage advances in branch design and technology in concert with evolving consumer transaction behavior to render their branch networks better suited for sales growth, and more profitable, too. The decline in transaction volumes does not leave branches obsolete; rather, it turns them more valuable, as revenue-generating sales activities can supplant expense-consuming transaction processing. And because sales activities require less space and personnel than transactions, branches can become smaller and less expensive to build and operate, revealing myriad new opportunities for profitable branch deployment. However, while branches remain imperative, success in branching will not be automatic. Bankers must upgrade the sales and advisory capabilities of branch employees from historically sluggish levels if they are to realize the full benefit of the migration from transaction to interaction.

About Bancography

Bancography provides consulting services, software tools and marketing research to financial institutions to support their branch, product and brand positioning strategies. Bancography offers branch planning and network optimization services in addition to *Bancography Plan*, our market analysis and branch planning software tool. In support of our clients' current operations, Bancography builds branch staffing models, provides product and profitability assessments, and performs primary marketing research to measure market awareness, brand strength, onboarding, satisfaction and attrition factors.

Branch Services

> Bancography Plan Software
> Branch Site Analysis
> Branch Site Identification
> Branch Network Optimization
> Branch Performance Assessment
> Branch Staffing Review

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BRANCH STRATEGY

Institutions must understand the financial implications of each branch addition, closure and consolidation, as well as the appropriate configuration for each proposed location. Bancography offers one-off branch studies, custom network optimization services, branch staffing models and *Bancography Plan*, our market analysis and branch planning software tool, to assist institutions with examining their branch networks.

THE ART OF POSITIONING

bancography

BRANCH PRODUCT RESEARCH BRAND

For more information on branch strategy, contact Bancography at (205) 252-6671 or info@bancography.com.

Bancography Plan Software

Bancography Plan estimates product demand for any trade area and produces complete financial projections with institution-supplied rates and costs. By providing an objective forecast of market potential, the software also allows quick analysis of current branch performance.

Bancography Plan generates:

- competitive and demographic profiles for any trade area.
- maps of banks and credit unions in market area.
- customer household maps.
- complete pro forma projections.
- performance and overlapping branch reports.

Branch Site Analysis / Identification

In the Branch Site Analysis, Bancography evaluates the demographic and competitive environment surrounding your proposed location and builds complete financial projections for the proposed branch. The evaluation recommends whether to proceed with the project and discusses the primary indicators, risks and alternatives. For an institution that seeks to expand within a broad area but has not identified a specific site, Bancography provides the Branch Site Identification. In this offering, Bancography profiles each potential submarket within the broad target area, compares the demographic, competitive, and financial implications of each and provides prioritized recommendations for branching.

Branch Staffing Review

As electronic transactions continue to replace branch transactions, financial institutions face the ongoing challenge of optimizing the retail branch staff to remain aligned with current market demand. Staffing the branch appropriately is critical to productivity, service quality and efficiency. In the Branch Staffing Review, Bancography examines historic transaction levels and market growth projections in order to recommend the appropriate staff configuration for each branch.

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BANCOGRAPHY

Bancography provides consulting services, software tools and marketing research to financial institutions to support their branch, product and brand positioning strategies. For the branch network, Bancography offers custom network optimization services in addition to *Bancography Plan*, our market analysis and branch planning software tool.

THE ART OF POSITIONING

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BRANCH PRODUCT RESEARCH BRAND

For more information on branch strategy, contact Bancography at (205) 252-6671 or info@bancography.com.

Branch Network Optimization

By using a clean slate approach, Bancography's branch optimization projects build long-term branching strategies for any market area.
The institution defines strategic objectives for its network, and Bancography identifies the optimal means to attain those objectives. Only then is the current network overlayed to reveal branch gaps and performance deficiencies. The process yields a ranked list of target submarkets that are used to define a long-term branching plan, as well as specific consolidation and relocation recommendations.

The Branch Network Optimization process:

- defines guiding principles and submarkets.
- builds demand estimates and determines penetration.
- recommends service model and staff levels.
- produces financial projections for all submarkets.
- recommends de novo branching strategy.
- creates a database tool that resides with the institution.

Pricing

- *Bancography Plan*
  Starting at $3,500 for institutions with less than 20 branches
- *Branch Site Analysis*
  $1,500 per proposed site
- *Branch Site Identification*
  Starting at $4,800; contact Bancography for proposal
- *Branch Staffing Review*
  $400 per branch
  * larger institutions may be eligible for discounted pricing
- *Branch Network Optimization*
  Starting at $9,600; contact Bancography for proposal