Reset the Mindset

Planning for the Future of Branch Banking

Andrew Grinstead, SVP & Senior Bank Strategist,
Bank Intelligence Solutions from Fiserv

Uncertain times breed creativity, innovation, and progress—but not without risk. This couldn't be more true for today's financial institutions.

AS DIGITAL TRANSACTIONS REPLACE most in-branch activity, bank executives are challenged to understand the role that branch banking will play in the future. At the same time, advancements in IT and mobile banking are transforming the industry at a wild and exciting pace.

Fortunately, the recent disruption in branch banking can only be matched by the opportunity it presents to redefine how branches serve their communities. Capitalizing on this opportunity, however, will require bank leaders to think differently about every aspect of strategic planning.

For decades, bank performance has been dictated by one-size-fits-all branch planning strategies that don't take into account branch-specific challenges and opportunities.

Currently, bank executives do very little to differentiate at the branch level. In the branch of the future, individual branch offerings and marketing will be highly tailored to the market being served. It stands to reason that branches eventually will be managed like franchises, a sharp contrast to today.

This tailored approach to branch management requires banks to respond to local and broad market changes with nimbleness. For that reason, today's bank leaders must tackle branch planning from two points of focus: a short-term focus on branch efficiency and profitability, and a long-term focus on viability, growth, and transformation.

Determine the Right Metrics for the Right Operating Strategy. A wholesale-funded institution and a core deposit-funded institution are vastly different. Yet, both institutions are typically evaluated using the same key metrics (e.g., branch deposits, revenue by FTE). The problem is that these metrics provide little insight without the context of operating strategy. Focusing on the right metrics for the right operating strategy is crucial.

Evaluate Marketplace Capacity, Competitive Landscape, and Rationalization Opportunities. Bank executives typically analyze projected household growth to determine market growth opportunity. Once again, this metric is empty without context, such as how saturated the market may be or what competitive differentiation opportunities exist. Instead, banks should look at objective data, including household and businesses per branch and peer-based market saturation, to determine additional capacity in the market. This granular level of insight also can help identify differentiation and customer segmentation opportunities. For example, an institution may discover that a seemingly saturated market still has opportunity for growth in small business lending.

As executives increase their understanding of marketplace capacity and competitiveness, they must use this knowledge to determine which branches are performing well, which are underperforming compared to the competition, and if these branches are underperforming in areas of high or low market saturation.

■ **Future** — continued on page 24

■ **Future** — continued

Set Branch-Specific Goals. After a thorough analysis of branch performance, bank leaders can establish goals that take into account each branch's unique challenges and growth opportunities. While goal setting has traditionally been a one-size-fits-all exercise, it's no longer acceptable for a bank executive to demand 5 percent growth from every branch. Underperforming branches in saturated markets may be candidates for closure or consolidation, while high-performing branches may require more investment. On the other hand, a branch of average performance that's located near a medical research hub may have a strong opportunity to grow its medical practice clients.

For this reason, bank executives should be armed with the insight to understand which branches need to expand, which need to be consolidated or rationalized, and which customer segments present opportunities for growth and differentiation. Only from that point can bank leaders set context-driven quantitative goals.

One formulaic approach to determining market growth potential per branch is to divide the annualized growth in the marketplace by the number of branches in the marketplace. This formula gives banks visibility into which branches need the most attention, both strategically and financially. From there, executives can create branch-specific goals that are rooted in market context.

Insight-Driven Transformation Ahead. Financial institution executives are drowning in data, yet few have the branch-level information they need to improve branch performance. Bank executives must employ analytical tools and strategic planning methods that yield objective insights rooted in accurate peer- and market-based comparisons.

These insights will enable the branch of the future to thrive in changing market conditions, confront market-specific challenges, and realize growth opportunities. Strengthened by this shift in branch planning, banks can be ready for the transformations ahead.

A Fortune 500 company, Fiserv (NASDAQ: FISV) is a worldwide leader in financial services technology solutions. Ranked No. 1 on the FinTech 100 survey of top partners to the financial services industry and trusted by more than 16,000 clients worldwide, Fiserv drives innovation in solutions for payments, processing services, risk and compliance, customer and channel management, and insights and optimization. For more information, contact Andrew Grinstead at Fiserv at 800-846-6681 or andrew.grinstead@fiserv.com.