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THE ART OF POSITIONING
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2018 Staffing Benchmark Study Results

As retail branch banking continues to evolve from a transaction-oriented mindset towards a sales-and-service emphasis, up-to-date retail branch benchmarks remain critical for performance comparisons. In support of that need, Bancography has refreshed its 2015 benchmarking study with new data from more than 40 client institutions. The sample included more than 1,000 branches, divided roughly equally between bank and credit unions. Across the panel, the participating institutions maintain an average of 23 branches (33 branches for the participating banks, 16 for the credit unions).

Sales

The most recent sales data from credit union branches show average new account production levels of 184 deposit accounts per month and 53 loan accounts per month, well outpacing the bank branch totals of 35 new deposit accounts and 2.4 new loan accounts per month. Although we expect credit union deposit production totals to well exceed bank totals due to mandatory share accounts for new membership, the five-fold disparity in volume should alarm those on the bank side of the industry. In lending, the disparity reflects issues of strategic focus as well as productivity, with banks more likely to emphasize business over consumer lending. Further, the bank totals also impound that some banks book mortgages, home equity lines/loans, and/or commercial loans at centralized versus branch cost centers.

	Average deposit accounts opened per branch per month	Median deposit accounts opened per branch per month	Average consumer loans closed per branch per month	Median consumer loans closed per branch per month
Banks	35.2	27.3	2.4	2.0
Credit Unions	183.7	150.0	53.1	41.0

But again, the magnitude of the disparity reveals a significant credit union advantage in consumer installment lending.

Transactions

In 2012 bank branches averaged 7,500 transactions per month, down from more than 10,000 five years prior. With new technologies such as image-enabled ATMs, remote-deposit capture, and mobile banking taking hold, bank branches have experienced further declines, from an average of 5,600 transactions per month in 2015 to 4,600 per month in 2018. In contrast, credit union branches still average 11,000 transactions per month, unchanged over the past three years. The stability in credit union transactions reflects several factors, including slower implementation of new technologies and a client base more skewed toward lower-income and older-aged market segments, both of which remain more likely to prefer face-to-face interactions.

Freestanding branches experience 30% to 40% greater transaction volumes than inline (storefront) or in-store locations. This confirms using smaller, spoke-style branches, which have become increasingly prevalent in recent years, for focusing on customer acquisition and service; while leaving larger hub branches to address the majority of transaction demand.

Deposits

On average, credit union branches hold larger account bases than bank branches (with the required share account a contributing factor). Credit unions have historically operated with smaller branch networks than banks, and relied on workplace branches as (continued on page 3)

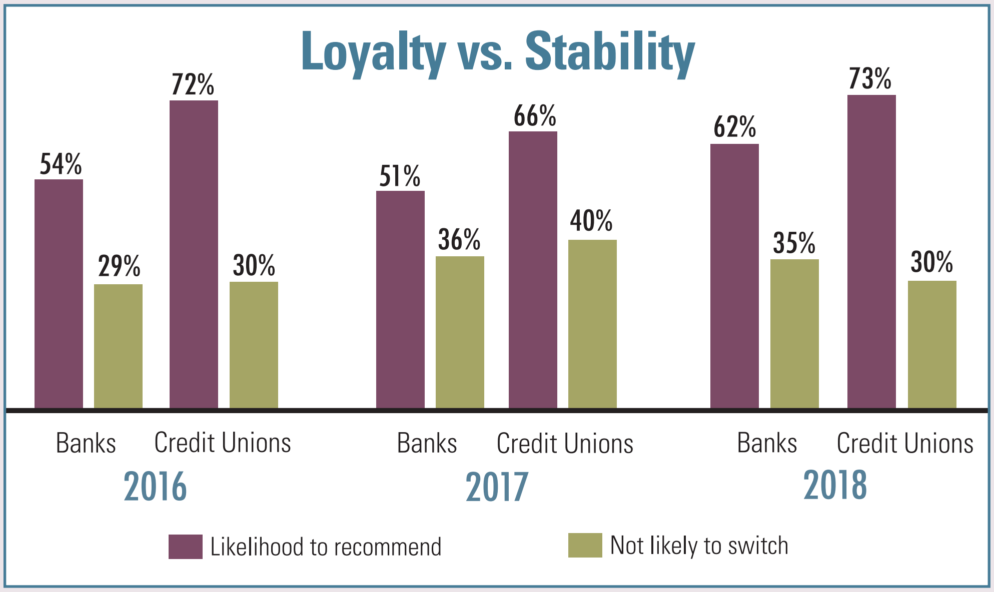
A Road Map for Branch Design

Working on that branching strategy but can't determine what type of branch to build in each market? Let the road map above serve as a guide to your configuration decisions. Start at the top and follow the decision tree downward (based on the demographics and geography of the target markets and the breadth of the preexisting customer base in the market), and see recommendations for physical configuration, operating model, and staffing complement.

Keep in mind in the chart above the recommendations are not meant to be dispositive for every institution in every situation; but rather to provide guidance in your decision process. Use the chart as a template to customize for your own decisions; the classifications presented remain deliberately imprecise, as different institutions will define concepts such as flagship or spoke differently. Further, delineations such as mixed-use versus residential or suburban versus exurban can vary by market and subjective factors, too. However, the two underlying points remain clear and critical: ***first****, branch design and configuration should reflect the specific conditions of their respective markets; and* ***second****, institutions should maintain a specific protocol to consistently follow in terms of facility, design, technology, staffing, and operating-model decisions.*

Brand Evaluator: Trends in Client Loyalty

Branding studies evaluate an institution's brand awareness and market potential by assessing the strengths, weaknesses, opportunities and threats of the institution and its competitors, as well as the banking behaviors and preferences of consumers. Bancography's Brand Evaluator conducts telephone interviews with a random sample of households in a market. The survey itself is masked, i.e., interviewers do not reveal the name of the sponsoring institution.



One of the survey questions asked the respondents if they would recommend their primary financial institution to a friend or business associate. The chart shows that, in the markets Bancography studied in recent years, those who cite a credit union as their primary financial provider have been consistently more likely to recommend their institution to others than those who cite a bank as their primary provider (purple bars). This correlates with the greater service quality scores that those using credit unions awarded to their primary provider. Note though, the gap between credit union and bank clients on this dimension has narrowed in each of the past two years. Credit union clients showed an 18-percentage point advantage in 2016 (72% likely to recommend versus 54%), but that gap eroded to 15 percentage points in 2017 and to 11 percentage points in 2018. *(continued on page 4)*

2018 Staffing Benchmark Study Results *(continued from page 1)*

	Average Deposit Accounts	Median Deposit Accounts	Average Deposits	Median Deposits
Credit Unions	11,890	7,850	$62M	$48M
Banks	3,140	2,600	$140M	$50M

a primary vehicle for new-account generation. Accordingly, credit union branches show median deposit account bases three times larger than bank branches. Bank branches carry much larger average deposit bases, but the $140M average is highly biased by corporate and public-funds deposits in main offices. Thus, the median may provide a more indicative measure. On that dimension, both institution types show similar results, with median branch deposits near $50M. The similar medians but divergent account volumes yield significantly greater per-account balances at banks, reflecting the strength of those competitors in the higher-balance affluent and commercial-banking segments.

Staffing Levels

Staffing levels remain stable at 5.5 - 7.5 FTEs per branch. Credit unions sit at the higher end of that range, averaging 7.8 FTEs per branch, versus banks, which average 6.1 FTEs per branch.

Freestanding branches average 6.9 FTEs per branch, only slightly surpassing the 6.6 FTE average of inline locations. In-store branches use an average staff of 5.8 FTEs; keep in mind that allotment typically covers a broader range of hours. The lower staff complements at inline and in-store branches reflect differences in transaction volumes, as well as greater use of universal agents versus a traditional teller/CSR operating model.

Consistent with the disparity in transaction volumes, credit unions maintain greater staffing levels, averaging 8.3 FTEs at freestanding locations, 7.5 FTEs at inline locations, and 6.2 FTEs at in-store branches. In comparison, banks average 6.2 FTEs at freestanding locations, 5.5 FTEs at inline locations, and 5.3 FTEs at in-store branches.

As retail banking continues to migrate from a transaction-centered model to a sales-and-service-focused environment, the data presented above and similar benchmarks can provide key indicators for comparison to your institution's branch network.

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This suggests that bank investments in service-quality training in recent years have yielded results in the form of improved customer loyalty.

Another question in the survey asked whether respondents were likely to switch from their primary financial institution in the next 30 days. The green bars represent those who said they were not likely to switch providers, and show similar proportions between banks and credit unions, with 30% - 35% unlikely to consider a change in primary institution. There is no correlation in *likelihood to recommend* and *not likely to switch*. On the surface, one would believe that loyalty, as measured by likelihood to recommend, would predict a similar level of stability, as measured by a reticence to switch providers. However, the gap between the loyalty and stability measures suggests two tiers of loyalty: a base tier of extreme loyalists who would not switch under any condition; and then a second group who, while satisfied enough to recommend the provider to others, could still be vulnerable to a competing offer. Locking down or luring away that second tier could hold the key to growth for current and competing providers, respectively.

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