

CREDIT UNION JOURNAL

Analyzing Branches

Focus on transforming facilities

Credit Union Journal | Monday, June 22, 2009

By Ray Birch

BIRMINGHAM, Ala. — The economy will continue to raise concerns about branch profitability throughout 2009, according to one consultant who has been finding ways for CUs to address the issue.

Steven Reider, president of Bancography, expects a great deal of his company's business to continue to come from counseling clients on how to "transform" a branch to make it more efficient. "When faced with an earnings crunch, to immediately close a branch to pare expenses is not wise. Because if you close the branch and lose half the revenue that goes with it, that's self-defeating."

Reider believes that while the economy has bottomed, the recovery is going to be slow. Bancography, which assists financial institutions with branch, product, and brand positioning strategies, is working with CUs to analyze member-drawing patterns to determine the best tack to take with a branch. "Branch closure is only a last resort," Reider said. "You do it only if you are sure you are going to save more in expenses than you are going to lose in revenue through members leaving."

To transform a branch, Bancography first examines staffing levels and ways to automate services to lower member service transaction volume. Reider said often simple changes like adding a depository ATM or a teller cash recycler can either speed transaction processes or pull transactions away from the member serviced line. "Maybe we can back off drive-through hours, say 10 a week. That can have a meaningful effect on the bottom line."

New construction opportunities are also keeping Bancography busy, Reider said. Lower land prices and reduced construction costs are leading to a "surprising demand for building despite challenging times. Healthy institutions that never strayed too far from their business strengths are continuing with growth and expansion plans. They see this as an opportunity to capitalize on the weakness of the large banks."

© 2009 Credit Union Journal and SourceMedia, Inc. All Rights Reserved.

SourceMedia is an Investcorp company. Use, duplication, or sale of this service, or data contained herein, except as described in the Subscription Agreement, is strictly prohibited.

For information regarding Reprint Services please visit: <http://www.americanbanker.com/reprint-services-rates.html>