

BRANCH OPERATING HOURS

by [Steve Brown](#)

"Bankers' Hours" used to be considered a joke by many. Considering we reach more bankers at 6:00am or 7:00pm than ever before, the joke no longer applies. Community bankers now work some of the longest hours in the corporate world. This is also true for branch hours. In the quest for better customer service and greater deposits, we are finding that both business and retail-oriented community bank branches are open longer than ever before.

Our internal data indicates that the average community bank branch is open 45 hours per week, the most in history and up 5% from 2Ys ago. Extended workday hours, Saturdays and in some cases, even Sunday hours are now common. The question is - does it help grow deposits and increase customers? The answer is yes on both counts. There is a positive correlation between the number of hours a branch is open and both deposit growth and new customer acquisition. However, before you start going 24/7, a better question needs to be answered - Is it profitable to have longer branch hours? Our relationship profitability data indicates, probably not. Given the cost of staffing, overhead and operational risk, having longer hours exhibits little correlation to profitability. In many cases, it is negatively correlated.

From the data, we can ascertain a couple of takeaway points to make your branches more profitable. For starters, a branch has to have at least \$25mm in deposits to make extended weekday hours profitable and more than \$35mm to make any sort of weekend hours profitable. A branch needs a certain amount of profitable customers to make servicing them worth the effort when hours are extended. Another takeaway is that there is a stronger correlation for business banks, extended hours and profitability, than with retail-only banks. That is, the right sized business bank is more profitable, more often, than a similar retail-oriented community bank.

Another point is that traffic matters. Branches that experience more foot and drive-up activity are more likely to benefit from longer hours. Branches with lower deposit balances, but higher traffic patterns are more apt to benefit from longer hours. Additionally, branches located in high-traffic areas, such as a popular suburban or downtown locations also have a higher probability of profitability with longer hours. High-traffic retail areas such as shopping malls, dining areas and transportation centers (like subway stops), can most likely benefit from extended hours. Suburban branches adjacent to areas where business owners tend to live, have also proven more profitable than average (but the qualities of such are often difficult to determine).

When it comes to deciding how and when to extend hours, we can tell you that being open on Sunday is rarely profitable; Saturday is only sometimes profitable (rarely if you are a business bank) and later weekday hours can be profitable up until 7pm. During the week, Thursday and Friday are the most profitable. Business banks should note that additional hours also have cyclicity to them. Longer hours are more profitable in Dec. than in Jan. due to holiday activity. If you have to choose, longer drive-up hours tend to be more profitable than longer walk-in hours (due to the related staffing requirements).

Having longer hours sends a marketing message that you are convenience-oriented, but know that we have not analyzed how convenience affects profitability of traditional hours. Our current data on

longer branch hours shows that extending them does not necessarily result in a clear cut path to greater profitability. However, if you know what you are doing and you have the quantitative methods to measure success, then longer hours can help gather cheaper deposits. If you don't, longer hours most likely will not help. We suspect that by the time we look at this issue again mid-next year, extended hours are going to be even less profitable, given the increase in online usage, ATM imaging and remote deposit capture.

BANK NEWS

Almost Gone

A person with knowledge of director decisions inside Merrill Lynch, indicates CEO Stanley O'Neal has been pushed out of the company and will leave as early as today. The firm had its worst loss in its 93Y history last quarter and its shares have lost 33% of their value in the past 5 months.

Bad Prime Loans

Countrywide reported that some option ARM loans that were classified as prime when originated are going bad at a rapid pace. According to a study, 3.55% of option ARMs originated by Countrywide in 2006 are more than 60 days past due, compared to a delinquency rate of 2.56% for the industry as a whole.

FFIEC Marketing

The regulators issued the final rules that require banks to provide notices to consumers plus the opportunity to opt out of certain marketing done by affiliated companies. The ruling sets up 3 criteria that must be met (notice, ability to opt out, and have not elected to opt out) before an affiliated company can send sales info. The rules should be implemented immediately, but not later than 10/1/08.

Gift Card Milestone

US Bank solidified its place as the top Visa gift card issuer when it issued its 20 millionth gift card earlier this week.

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