



Strategies For Reducing Branch Costs

performance branch strategies automation

Summary: Costs associated with branch networks are in the range of \$600k to \$2mm per year. Is it time to do a sanity check on your branch costs?

Generation Z (ages 7-22Ys) orders for food delivery are the fastest growing, according to NPD Group research. This group is even finding ways to deliver food to school so they must be hungry indeed (although many schools have banned it). It looks like customers are getting younger by the day--something to think about when it comes to branches.

According to published reports, costs associated with branch networks are in the range of \$600k to \$2mm per year, depending on size, location and other factors. This is a hefty chunk of change, despite economies of scale brought about by digitalization and consolidation. Given profit margin tightening in many areas of banking, here are a few cost-curbing ideas.

In-house currency processing. Bringing currency processing in-house is one way to avoid high transportation and processing fees and reap other benefits as well. Countertop multi-pocket currency sorters can count and sort large volumes of cash, for fast and effective ATM and commercial deposit processing. The cost-savings impact is magnified across multiple ATMs and branches. According to one published report, some institutions that have installed multi-pocket currency sorters have reduced their ATM processing time by 89%.

Consolidate products and services. Another way to reduce costs is to simplify your suite of products and services. To some, it may seem counterintuitive to eliminate certain products, if the end-goal is to personalize the customer experience. But, having too many products can scatter your focus unnecessarily. Simplifying products and underlying processes can deliver significant cost savings, make things more efficient, and even save costs for customers as well.

Consider scrapping or reworking unprofitable branches. Peak Performance data indicates that while 52% of all bank branches are achieving acceptable levels of profitability, 28% are below breakeven. To figure out next steps, put on your analytics thinking cap and review metrics, such as how many customers come into the branch and what the revenue figures are. Peak Performance estimates that a branch needs about \$25mm in deposits to achieve breakeven.

The role of automation. Next, you may want to review whether there can be cost-savings achieved by automating tasks, like using more ATMs, and asking employees to do higher value activities. Think about the various ways staff can increase traffic to your branch and improve profitability. You will want to run your customer profitability model with any new changes too, to make sure that you are seeing the right results.

Other options to consider could be consolidation of nearby branches, or possibly turning a general purpose branch into a small-business or mortgage loan center.

It may be a good time to check all of your branch costs and strategy. We can also assist you with the [customer profitability](#) of your branch. Contact us today for more information.

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