



Is It Time To Review Your Branch Strategy?

branch strategies strategic planning

Summary: It is no secret that bank branches have been closing lately. M&A, rapid digital adoption, and continuing remote work options are a few notable reasons. Yet, as the Kansas City Fed noted in a June 2021 article, “community banks remain crucial financial services providers and are the predominant providers of banking services in rural communities across the country.” We provide important questions to consider as you review your branch strategy.

Trees have many positive attributes. They provide shade, shelter, block noise, filter rainwater for better soil absorption, and even increase property values. It is a good thing that they are the longest living thing on Earth, with some trees in existence for 5,000 Ys!

Financial institutions (FIs) have many positive attributes too, but unfortunately, some of their branches are not as long-lasting as our trees. [More than 13K bank branches closed between 2008 and 2020](#) — a figure that amounts to 14% of all branches. That’s according to a report by the National Community Reinvestment Coalition. While it’s not surprising that more banks are shuttering branches, especially amid a pick-up in remote job options, M&A, and customers shifting toward digital banking, it does require community financial institutions (CFIs) to do some thoughtful decision-making. Indeed, decisions around closing branches and which ones to shutter, are strategic ones that require thoughtful consideration.

First and foremost, you need a branch strategy to give you a sense of direction. Even if you have one, in the current market environment, you will want to review it with these specific questions in mind.

What’s the end goal?

Start with why you would be thinking about shutting a particular branch. Is it because there’s less foot traffic than desired? Are you trying to ensure the branches you keep open are the most utilized? Is it because the way customers use that particular branch has shifted over time, making the need for a traditional, full-time branch obsolete? Or are you simply trying to revamp the branch experience? The answers to these and other questions will help shape the next steps.

Is remodeling a viable alternative?

We’ve seen many examples of FIs that take a larger, underutilized space and turn it into something smaller, but speculator. In fact, according to Accenture, [97% of financial institutions will be redesigning their branches](#) in the next 24 months, due to changing customer needs. Turning outdated branches into more modern spaces, with mobile hot spots and comfortable meeting grounds for younger and older customers to use could be one option. CFIs don’t necessarily need as much space for traditional teller lines as they once did. But in-person meetings are still important for many complex transactions. Well-designed and inviting meeting spaces are suitable for these types of interactions and may entice deeper relationships.

Would a hybrid model work?

If a cost-benefit analysis doesn’t allow for remodeling, then you may want to consider a hybrid branch. Would a more modest upgrade for a hybrid model work for your institution and your customers? This branch optimization combines the traditional brick-and-mortar business with digital banking. This could meet the

broad needs of your customers, with easy, self-service digital transactions along with face-to-face engagement as needed.

Even though bank customers are more comfortable with digital services, [66% still want a branch within 15 minutes](#). This October 2020 Novantas survey seems to debunk the theory that people don't find branches important anymore. Only 30% of those surveyed agreed that *"having a branch nearby is not important."* The key will be in finding what services your specific customers want in-branch. Having those discussions with your customers will provide you with the feedback you need to determine that.

What if you need to close a branch?

Whatever the reason, sometimes CFIs need to make the tough decision to close a branch. However, shuttering a branch shouldn't involve shutting out customers. Hopefully, you have a customer retention strategy that addresses important questions. Are there other nearby branches that can accommodate your customers? Or can you satisfy the needs of your customers with technology? Defining the needs of the customers in the branch specifically will better equip you to retain them as customers. For those that are digitally familiar, having video-conferencing options and video-enabled ATMs allows them to carry on their business. Now may also be the time to get some customers more familiar with your digital services. Also, lenders and personal bankers should have the right tools to do their job on the go.

The current market situation makes it essential for CFIs to have a branch strategy. Be prepared for any scenario to crop up. This will help you retain your valuable customers and keep your business moving as smoothly as possible.

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ECONOMY & RATES

Rates As Of: 08/19/2021 05:39AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.07	0.01	-0.02
6M	0.05	0.00	-0.04
1Y	0.07	0.00	-0.04
2Y	0.22	0.03	0.09
5Y	0.75	0.06	0.39
10Y	1.24	0.00	0.32
30Y	1.88	-0.02	0.23
FF Market	FF Disc	IOER	
0.10	0.25	0.15	
SOFR	Prime	ORER	
0.05	3.25	0.08	

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