The Branch Is Alive … or Is It?

Five Ways to Positioning Branches That'll Drive Growth

The demise of the branch has been prophesied for many years. In the early 2000s, it was the vast ATM network that was going to doom it. Then came online banking and soon after mobile banking was going to render the branch obsolete. Communities across this great country were going to become littered with decayed, abandoned bank and credit union branches.

But wait – what do we see today? Bank of America has announced they're opening 150 new branches across 60 markets by end of 2027. Fifth Third is opening 200+ branches over the next three years. And Citizens is moving out of 120 in-store branches and into new standalone branches. The branch-building business is booming.

What could possibly be going on here? Are credit unions – who largely bucked the "branch is dead" approach – once again that much smarter than those big, ugly banks? Afterall, they don't need to build (or re-build) nearly as many branches because they never closed them in the first place. Well, not so fast. It's important to look closer at exactly what Bank of America is doing:

- The average price for these new locations is $5 million, which means they're going to be beautiful and thoughtfully designed for today's consumer.
- They're only going into 60 markets, which means they're being very precise and selective about where their desired new customer is located.
- They're calling them "financial centers" which is more than just semantics; it's capturing the function of the facility and setting the expectation with that new customer.

Further, if you listen closely to what they're saying, they're not replacing the branches they closed ten years ago; rather, they're augmenting and buttressing the digital-first ecosystem today's banking consumers demand. Further, they're not going after the same consumer they were ten years ago; they're going after a new, younger consumer who thinks much differently about their banking relationship.

Should your credit union go out and spend a fortune on new branches right now? Not necessarily, but what the banks are doing should challenge you to spend the next 6-9 months deeply analyzing your current physical presence and determining if it really supports your desired growth goals over the next 5-10 years. For many credit unions – including those who have already invested handsomely in technology – their future growth initiatives remain largely dependent on the placement and functionality of their physical branch network.

For instance, if your ultimate goal is Net Membership Growth and you're targeting 30-year olds with 2 kids, or 45-year old white collars, or small business owners and their employees, the ultimate question becomes, "Do our physical locations position us to fully deliver for those targets or do they only appeal to our existing member demographics?" Look at the location and accessibility of your branches; look at the appearance, design, and condition of them; and look at the qualities of the staff members working in them.

Following are five critical components to assessing whether or not your branches will allow your credit union to realistically attract and serve those new members you desire and position you for success with your growth goals and vision:

1. **Define the target member with the greatest potential for growth**

   The operative phrase here is "potential for growth" and that requires having solid market data. Define the profile of your ideal future member and work backwards from there. Don't design it based on your current members; look at the people in each market who present the greatest potential for a deeper relationship over the next 5-10 years, at least. Each of those big banks is being very intentional about the markets they're growing based squarely on the potential consumer they have targeted.

2. **Pinpoint the micro markets where that growth is most likely to occur**

   Now that you know the type of member you're targeting, identify the specific areas where that new member wants you to serve them. Not just the town or even what side of town, but what intersection you want to be on. And which corner of that intersection will be best? Will your new member be seeing you on their way home from work? If so, think about which side of the street will allow for the easiest access. (In some markets, the best micro-market is off the busiest intersection.) Being close to your competition may or may not be the best place to be, depending on your target. So, don't just go where they are; sometimes it makes better sense to standout by being where they're not.

3. **Design a physical presence that aligns with how that new member does their banking**

   It's amazing to think about how branch design has changed over the past 30 years but, more significantly, to realize how differently members today use those branches from just 5 years ago. Less transactions, more conversations – that's the biggest change. So do your physical locations support that? I walk into many branches that still have massive teller lines (built for heavy transaction volume) and only a couple of private places for conversations. Today, that design should be the complete opposite. It's not cheap to re-format existing branches or build new ones (BofA is spending $5 million per!) but I'd argue you'll spend more money trying to acquire a market full of 30-year olds with 2 kids only to realize minimal success due to your old, out-modeled branches.

4. **Staff that location with the precise skills and processes to execute that strategy**

   If some or all of your physical locations were designed to handle large numbers of transactions, then it's safe to say your staff was hired, trained, and developed to deliver a high number of transactions. If your desired new environment is focused on having deep conversations with fewer members, it's also safe to say your staff in those locations likely has the wrong skill sets, attitudes, and motivations. What made your staff effective at processing transactions quickly and accurately rarely translates to making them equally effective at making personal connections with "strangers" and having deep conversations about their financial life and goals. It's not realistic to expect them to make that transition when their personalities and preferences don't match your new expectations. Training and coaching needs to be extensive in most cases and that will take a long time to have the desired impact.

5. **Identify metrics that are perfectly supportive of your growth strategy**

   While your ultimate definition of success may be consistent across all locations – "increase Net Membership by xx%" – the measurement of that definition needs to be nuanced for each market. And the primary variable to that nuance needs to be point #1 above (the target market for that branch). How many targeted new members are you bringing onboard? And how are you deepening their relationship over time? If you're not attracting the type of members you identified when you went into that new market or amplified your presence in an existing market, then you can't say your investment in that new or remodeled branch has been successful. Further, recognize that it may take some time to realize actual growth as a result of your efforts in those markets so your first-year goals may be more heavily weighted on activities than results.

Your investment in a new branch and/or new market is one of the most expensive your credit union will ever make – in terms of time, resources, and money. But it can also be the one with the greatest payoff. The strategic, 5-step approach laid out above will position you far better for success. Besides, what choice do you have? Attracting new members and deepening relationships with them is critical to your survival. There's a right way and wrong way to approach that and the "right" way involves being very strategic and aligned in your approach.

The ultimate keys to designing a new market strategy require research and time. Don't go into a market – new or existing – without addressing these matters. Don't just buy a piece of land because it's a great deal. Don't buy an existing branch that a bank abandoned and has been sitting vacant for six months. And don't go into a market just because it's the hip, new place to be. Know your target, know how they will demand you serve them, and equip your branch and team in the ways that'll position them for success.

The model has changed – if your market hasn't changed yet, it will. So, look differently to your members, especially the potential new and younger ones, and think differently about how you serve them and deliver for them. What got you here won't get you to where you need to go. That means a new physical presence, new strategies, new staff to execute those strategies, and new ways to define success. He big banks are going after your members and prospective new members and they're doing it in a very calculated and regimented way. You need to do the same if you're going to retain, attract, and grow net membership.

Our consultants have been partnering with credit unions for 15+ years to create the desired physical environments you need to grow and thrive. If you're ready to work through the process laid out above and make a move into a new physical environment, let's talk. Reach us at www.fi-strategies.com/contact or 636-578-3280.