Welcome to the NACUSO Annual Conference

29 April 2008

The Numbers Game
The Numbers Game

Keys to Sales Success:
Location and Branch Presentation

NACUSO Annual Conference – 29 April 2008
Strategic Issues / Goals for Service Companies

Increase prospective members

Increase number of members

Increase sale of services – Share of Wallet

Provide better service and more convenience

The Numbers Game
The Numbers Game

Strategic Market Positioning

Tom Davis, Davis & Co., believes the future of credit unions depends on the creation and maintenance of the desired member experience.
What is *the* Major Factor in These Goals?

Location, location, location...
How Critical is Branch Location?

Possible spread of $100 million in deposits in 5 – 10 years...
The Distribution Range of Relative Channel Functions

- High Relative Service Efficiency
- Low Relative Sales Productivity

- Dedicated Sales Force
- Outbound Call Center
- Direct Mail
- In-Store Branch
- Hub Branch
- Virtual Branch
- Inbound Call Center
- Drive-Up Tellers
- Conventional ATM
- PC Banking
- Automated Phone System
- Traditional Branch
- Direct Bank
- In-Store Branch
- Drive-Up Tellers
- Conventional ATM
- PC Banking
- Automated Phone System

The Numbers Game
Projection of Branch Growth

2008 - 150,000 Branches
2005 - 120,000 Branches
2000 - 94,000 Branches
1997 - 90,000 Branches
1994 - 82,750 Branches

Source: Raddon Group
Traditionalists Still Dominate Profits

- Only use self-service: 10%
- Mixed transactions user: 50%
- Only use branch labor: 40%

Profit Distribution:
- 20%
- 20%
- 60%
The Importance of a Distribution Plan

A. Examination of who, what and where we are
B. Where are we going?
C. What are we trying to be?
D. What are our resources, etc.?

....the “chips” game
Developing the Master Distribution Plan

assumes 2-3 branches

6-9 months - study the market and write the plan

1 year – purchase land, start building the 1st branch

3 years – purchase land, start building the 2nd branch

5 years – create a ‘watch list’ for possible sites

5 year plan

The Numbers Game
Professor William Rudelius
Carlson School of Management
University of Minnesota
Best Selling Author - Marketing

“Hope is not a plan.”
The Predictive Model

1. How it works

2. What it predicts – the value of the site
Example: TCF National Bank

uses “site footprint”

The Numbers Game

every eight miles
No Plan

your competition’s ‘plan’
Branch Sourcing

Modeling Using Scoring Methodology

Part Art (experience)

Part Science (model)
Methodology

A. Observation

B. Catalogue the experience based on nine factors that drive the model

C. Map and analyze the demographics

D. Interview key “influences” (i.e. City Planner)

E. Score the sites

F. Develop a plan that reflects the culture of the credit union with site potential
A Glutted Market Is Leaving Food Chains Hungry for Sites
Finding Spots for New Outlets Takes Heaps of Research, an Eye for Details

By SHIRLEY LEUNG
Staff Reporter of THE WALL STREET JOURNAL
October 1, 2003

THOUSAND OAKS, Calif. -- Pulling off the freeway just north of Los Angeles, Barbara Vinson spotted some promising signs. A Home Depot. A Target. An upscale mall called The Oaks. As she scanned the mall parking lot, she said, "I get really excited if I see a lot of Beemers ... or anything that is more than an $18,000 car."

Ms. Vinson, the top scout for Arby's Inc., does a job critical to the growth of the fast-food business: finding new places to sell sandwiches. In the past, many restaurants simply followed the growing highway system, or plowed themselves next to a McDonald's to piggyback on the No. 1 burger chain's market research.

But now the U.S. has 277,208 fast-food outlets from coast to coast -- one for every 1,000 people in the country, according to Technomic Inc., a food-consulting firm. That's up from one for every 1,400 people in 1990, and every 2,000 people in 1980.

The claustrophobic conditions have cut the industry's sales-growth rate in half over the past decade and left chains struggling to find spots for new stores that won't cannibalize nearby locations. So chains employ scouts such as Ms. Vinson to sniff out promising real estate. They comb through maps pinpointing existing fast-food outlets, and then reconnoiter the sites in person, armed with mapping data, demographic analyses and an eye for spotting details that don't show up in the numbers. One trick of the trade: Look for a spot next to a Wal-Mart.

In Arby's case, Ms. Vinson scouts potential markets for the trappings of an upscale neighborhood. The company thinks it can keep growing in this crowded market by pitching its food as healthier and tonier than its competitors. Indeed, the fastest-growing food chains today sell themselves as upscale or nutritious. Subway Restaurants, a unit of Doctor's Associates Inc., opens a new store in the U.S. every three hours on average. Starbucks Corp. serves up a new store every 11 hours, and Quiznos Sub every 16 hours.
The Greatest Problems Today

A. Overbanking

B. Number of sites is shrinking (everyone is going after the same property)

C. Regionalization of retail - smaller towns are dying

D. Credit Unions must be proactive vs. reactive

HAVE A PLAN

E. Lack of skilled negotiators in real estate
**The Greatest Problems Today**

**Overbanking Test at 3 Miles**

<table>
<thead>
<tr>
<th>HOUSEHOLDS</th>
<th>BANKS</th>
<th>HOUSE/BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>X Street &amp; Y Street 31,000</td>
<td>30</td>
<td>1,033</td>
</tr>
<tr>
<td>Community “C” 20,000</td>
<td>35</td>
<td>571</td>
</tr>
<tr>
<td>“Town A” Adjusted 17,000</td>
<td>34</td>
<td>500</td>
</tr>
<tr>
<td>“Town B” 10,000</td>
<td>20</td>
<td>500</td>
</tr>
</tbody>
</table>

**SCORING:**
- 200  - Poor
- 500  - LOW
- 1,000 - GOOD
- +2,000 - Excellent
Case Study #1
St. Cloud Federal Credit Union

St. Cloud Federal CU
Branching Site Analysis

Prepared by
William D. Winter

The Numbers Game
Case Study #1
St. Cloud Federal Credit Union

The Numbers Game
Case Study #2
Mayo Employees Credit Union

Mayo Employees CU
Branching Site Analysis

PREPARED BY
WILLIAM D. WINTER
Case Study #3
TopLine Federal Credit Union

TopLine Federal CU
Branching Site Analysis

PREPARED BY
WILLIAM D. WINTER
Case Study #4
Linn Area Credit Union
Branching Site Analysis

PREPARED BY
WD WINTER & ASSOCIATES
Success is based on:

1. Site Analysis
2. Purchasing Expertise
3. Architectural Expertise
4. Doing Everything just a little Better
Purchasing Expertise

Criteria:

- RE Broker works for the credit union, not the seller
- Experienced RE Broker - knows the market
- Integrity and honesty
- Follows analysis
Architectural Expertise

Criteria:

- Experienced - knows the credit union business
- Integrity
- A ‘partner’ mentality - the sooner on the team, the better
- Dedication to excellence (value vs. price)
Ok...

1. We found a site...
2. It was available...
3. It was affordable (kind of)...

...now what?

The Numbers Game
“Successful Credit Unions do everything just a little better…”

- Location
- Products
- Service
- Building/Environment
- Experience
- Relationships
- and, Efficiency…
“Efficient” Credit Unions

The Numbers Game

Employee Efficiencies
The EVOBANK® Process

1st – Distribution & Branch Planning Study

2nd – Site Assessments

3rd – Programming

4th – Feasibility Study

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Site Assessment

‘Major issues’ to consider when determining if a site will function for your credit union:

1. Zoning ordinance
2. Building size vs. parking requirements
3. Soil problems (geotechnical / contamination)
4. Road access issues (state / county / highway)
Site Assessment

Specific criteria to review when evaluating sites:

- Location
- Accessibility
- Access/Egress
- Vehicular Circulation
- Visibility
- Signage Capabilities
- Size/Growth
- Solar Orientation
- Cost
- Competition/Retail
- ???

The Numbers Game
Site Assessment ‘quick’

Drive-up on east side

Drive-up on south side

Drive-up on north side

The Numbers Game
Site Assessment
Multiple Drive-Ups

COFFEE SHOP DRIVE-UP /
POSSIBLE PARTNER

TENANT - INSURANCE

CREDIT UNION DRIVE-UP

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Site Assessment / Photo-montage

The Numbers Game

Before

After

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Architectural Programming

A PROGRAM is:

- Written Document  (day long session)
- Space Needs  (all departments)
- Wish list
- Market Demographics  (X's, Y's, Boomers...)
- Trends  (don’t design for the 1990’s)
- Growth expectations
- Technologies / FF&E, and...
- Establishes the ’CUSO Partners’

The Numbers Game
The Numbers Game

Architectural Programming

Sample page of a typical Program

The Numbers Game
The purpose of a Feasibility Study is to determine if the Programming items will fit on to the proposed site and / or into an existing building. This is to be done prior to starting the Architectural & Engineering drawings.

Is it feasible?

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Site Plan

Floor Plan

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Feasibility Study

Starbucks

...is NOT in the coffee business

they are in

the people business, serving an experience,

(and oh yeah, you get coffee too…)

The Numbers Game
Feasibility Study

Relationships are the key to the future, the ‘relationship experience’ is your ultimate delivery channel

The Numbers Game
Feasibility Study / Experience

“In addition to creating a relationship experience, credit unions need to touch on their members’ ‘FEELINGS’ in their marketing message.

-Tom Davis, Davis & Co.
The Numbers Game

Feasibility Study / CUSO’s

CU GREETER

SHARED LOBBY

SHARED BUILDING VESTIBULE

TRANSACTIONS / TELLERS

TENANT SPACE / CUSO’S:
RE MORTGAGE, INVESTMENTS, INSURANCE, ETC.

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Feasibility Study / CUSO’s

CU GREETER

SHARED LOBBY

SHARED BUILDING VESTIBULE

TRANSACTIONS / TELLERS

TENANT SPACE / CUSO’S: RE MORTGAGE, INVESTMENTS, INSURANCE, ETC.

The Numbers Game
Feasibility Study / CUSO’s

CU GREETER

SHARED BLDG VESTIBULE

TENANT SPACE / CUSO’S:
RE MORTGAGE, INVESTMENTS, INSURANCE, ETC.

COFFEE SHOP & DRIVE-UP

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Feasibility Study / Lobby Design

- Building Vestibule
- CUSO Partners in Upper Level
- Concierge Stations / Transactions
- Retail Side / Commercial Side
- Retail Offices
- Commercial Offices
- Mural
- Waiting / TV
- Internet Cafe
- Greeter

The Numbers Game
The Numbers Game

Feasibility Study / Cone of Vision

Concierge Stations/Transactions
Retail Side
Check Desk
Building Vestibule
Waiting / TV
Merchandise Mural
Increase Sales

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Greeter
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Feasibility Study / Experience

Space Components

Greeter
Internet Café
Coffee Bar
Waiting / Kids
Concierge Stations
Cone of Vision
Wi-Fi

Merchandising Mural
Video Merchandising
Display/Brochure Kiosks
Coin Counters
Biometrics
Remote Tellers Stations
and, CUSO Partners

The ‘ultimate delivery channel’
Feasibility Study / Greeter

Cone of Vision

The Numbers Game
Feasibility Study / Internet Café

The Numbers Game
Feasibility Study / Coffee Bar

The Numbers Game
Feasibility Study / Kids Waiting

The Numbers Game
Feasibility Study / Concierge Stations

The Numbers Game
Feasibility Study / Merchandise Mural

The Numbers Game
Feasibility Study / Video Merchandising
Feasibility Study / Digital Displays
Feasibility Study / Display Kiosks

The Numbers Game
Feasibility Study / Experience Items

Member Coin Counter

Biometrics

The Numbers Game
Feasibility Study / Remote Teller Stations

The Numbers Game

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Feasibility Study / Name Recognition

The Numbers Game
Feasibility Study / Green Design

The Numbers Game
Final Thoughts

Top 100 Credit Unions - Rory Rowland

- 90% are community charters
- 75% have installed a ‘service sales culture’
- 60% have had a merger in the last five years

“Convenience Drives New Accounts” - Paul Lucas

‘Banks’ understand this and therefore the reason why ‘banks’ are aggressive in expanding their branch networks.

The Numbers Game
Summary

Distribution analysis is ’critical’ to a credit union’s success today.

Areas of concern in branching – Check List:

- Branching Master Plan
- Site Analysis & Purchase
- Architectural ‘Program’
- Feasibility Study

The Numbers Game
The Numbers Game

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Questions?
Comments?
Thank you!