

Welcome
to the

NACUSO Annual Conference

29 April 2008



The Numbers Game

The Numbers Game

Keys to Sales Success:
Location and Branch Presentation



The Numbers Game

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

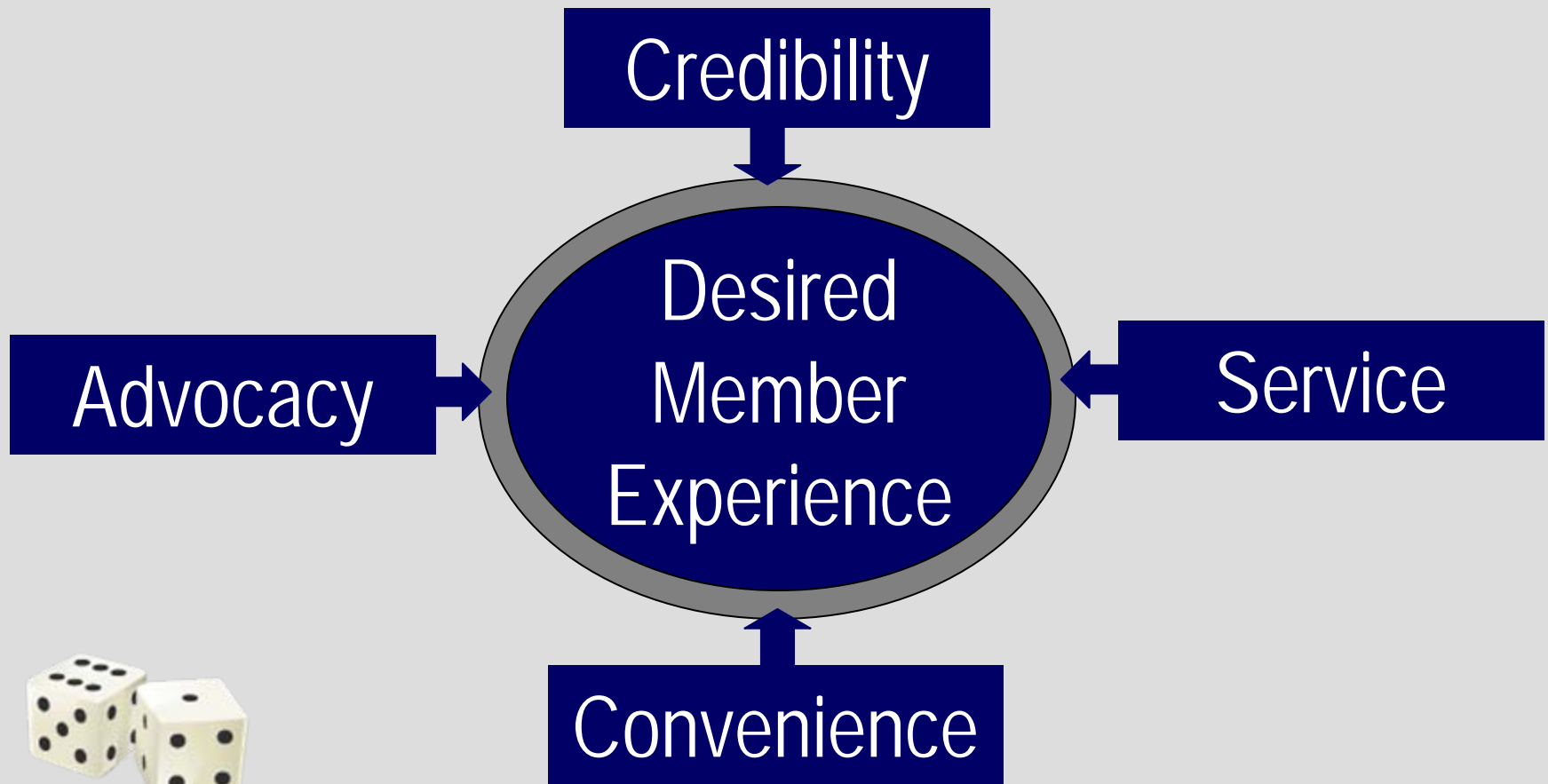
Strategic Market Positioning

Tom Davis, Davis & Co., believes the future of credit unions depends on the creation and maintenance of the *desired member experience*.



The Numbers Game

Strategic Market Positioning



The Numbers Game

Source: Davis & Co.

What is the Major Factor in These Goals?

Location, location, location...



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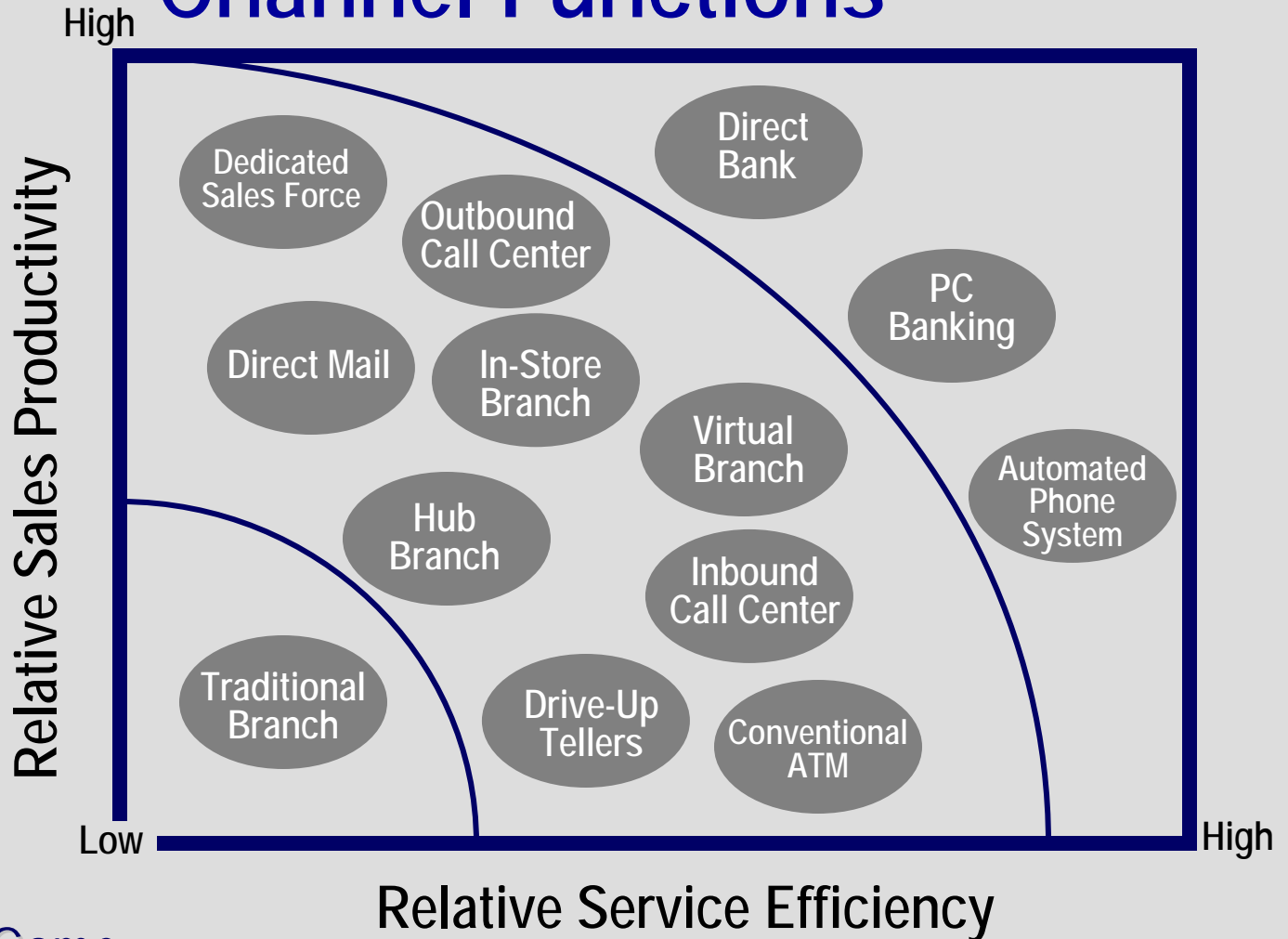
How Critical is Branch Location?

Possible spread of \$100 million in deposits in 5 – 10 years...



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The Distribution Range of Relative Channel Functions



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Projection of Branch Growth

2008 - 150,000 Branches

2005 - 120,000 Branches

2000 - 94,000 Branches

1997 - 90,000 Branches

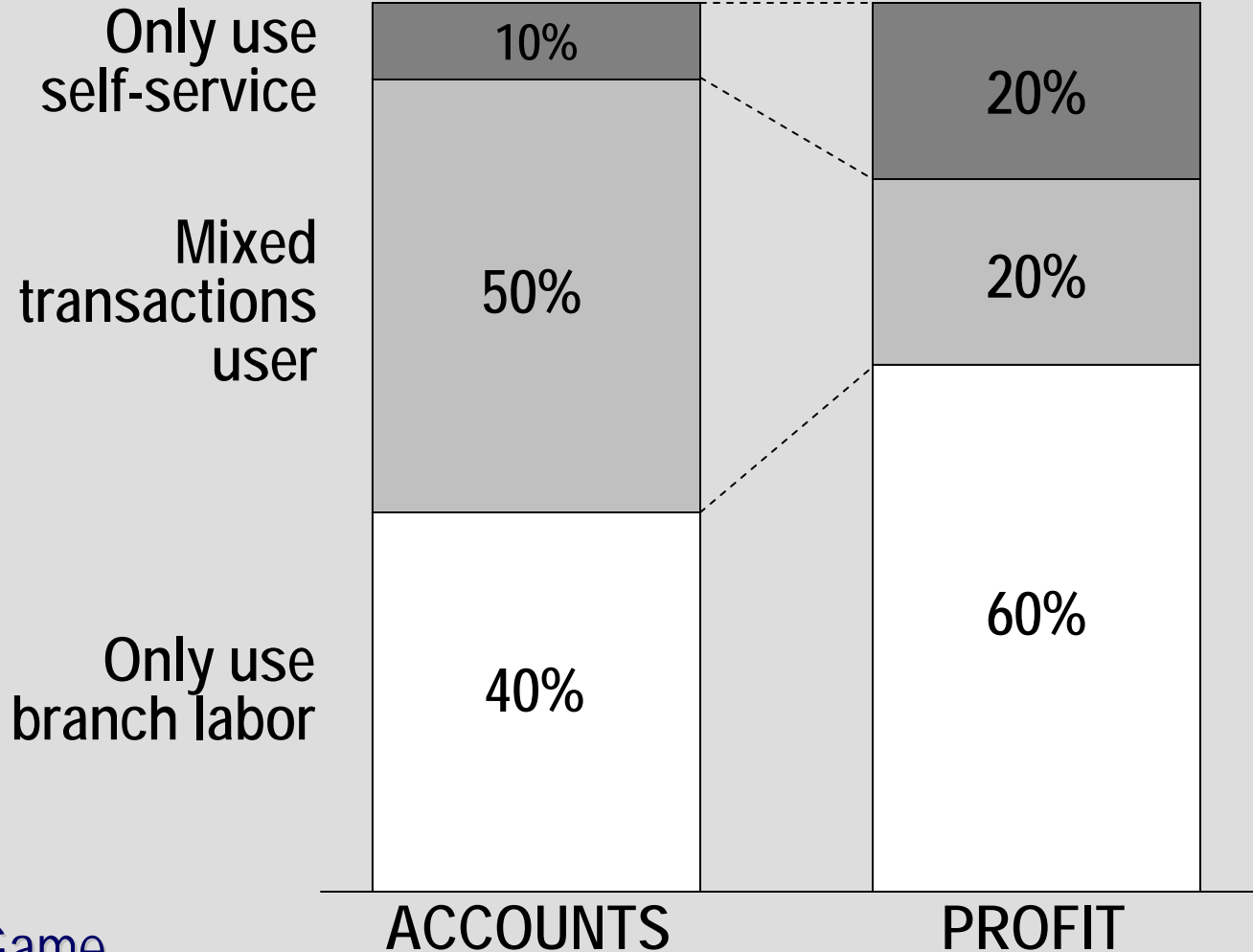
1994 - 82,750 Branches



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Source: Raddon Group

Traditionalists Still Dominate Profits



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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



The Numbers 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.”



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The Predictive Model

1. How it works
2. What it predicts – the value of the site



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Example: TCF National Bank



uses "site footprint"



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every eight miles

No Plan



your competition's 'plan'



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Branch Sourcing

Modeling Using Scoring Methodology

Part Art (experience)

Part Science (model)



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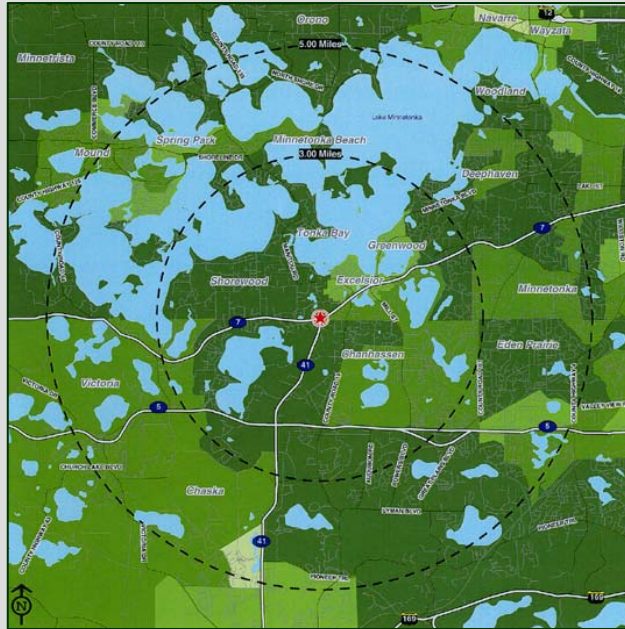
Methodology

- 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



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Mapping

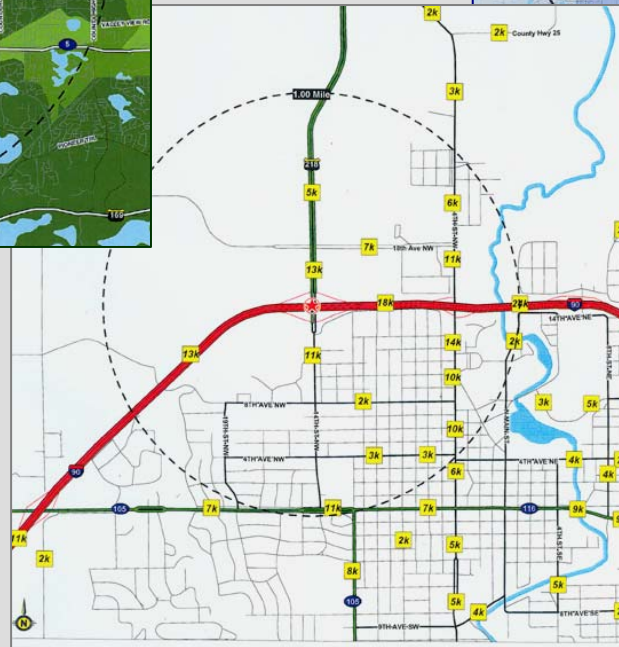
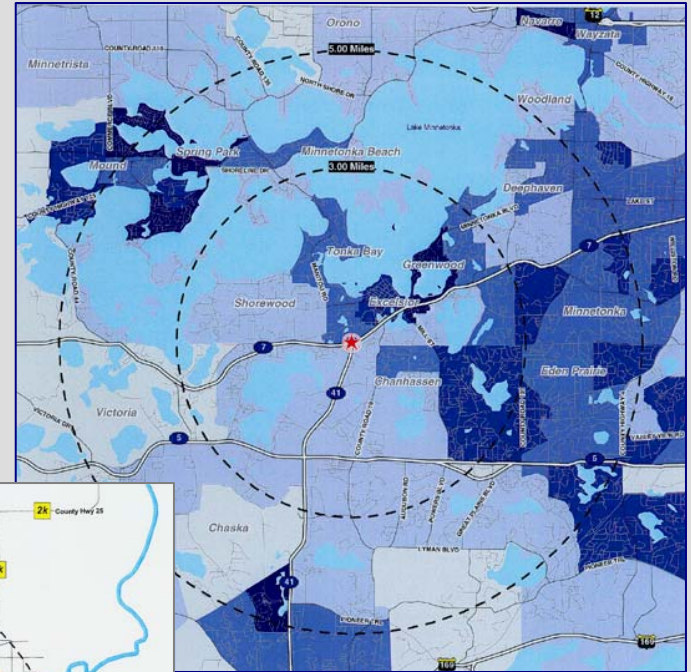


Population



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Household Income



Traffic

**Article is included
as part of your
packet**



The Numbers Game

THE WALL STREET JOURNAL

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 plopped 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 scans 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



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The Greatest Problems Today

Overbanking Test at 3 Miles

<u>HOUSEHOLDS</u>	<u>BANKS =</u>	<u>HOUSE/BANK</u>
X Street & Y Street 31,000	30 =	1,033
Community "C" 20,000	35 =	571
"Town A" Adjusted 17,000	34 =	500
"Town B" 10,000	20 =	500

SCORING:

- 200 - Poor
- 500 - LOW
- 1,000 - GOOD
- +2,000 - Excellent



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Case Study #1

St. Cloud Federal Credit Union



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St. Cloud Federal CU

Branching Site Analysis



Prepared by

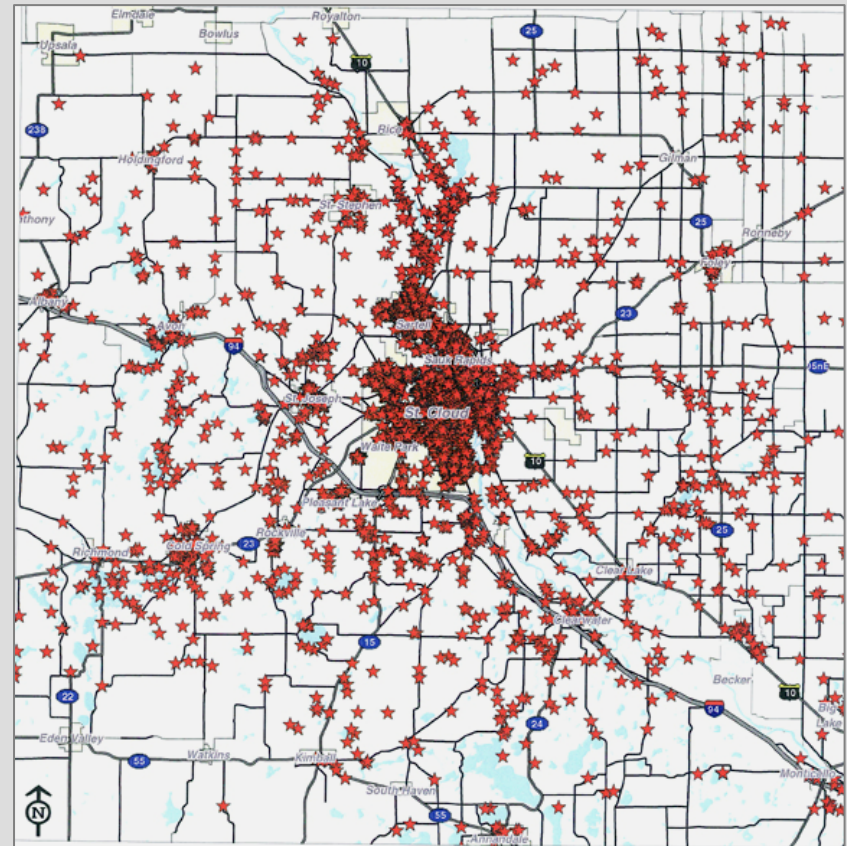
William D. Winter

Case Study #1

St. Cloud Federal Credit Union



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Member Density - St. Cloud Area

Prepared For: St. Cloud Federal Credit Union
February 2004

★ Location of Credit Union Members in Stearns, Benton, Sherburne, & Wright Counties. Multiple members at the same address are represented with one star.



UNITED PROPERTIES

Case Study #2

Mayo Employees Credit Union



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Mayo Employees CU

Branching Site Analysis



PREPARED BY

WILLIAM D. WINTER

Case Study #3

TopLine Federal Credit Union



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TopLine Federal CU

Branching Site Analysis



PREPARED BY

WILLIAM D. WINTER

Case Study #4

Linn Area Credit Union

Linn Area Credit Union Branching Site Analysis



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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



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Purchasing Expertise

Criteria:

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



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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)



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Ok...

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



...now what ?



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“Successful Credit Unions do everything just a little better...”

- Location
- Products
- Service
- Building/Environment
- Experience
- Relationships
- and, Efficiency...



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“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)



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Site Assessment

Specific criteria to review when evaluating sites:

Location

Accessibility

Access/Egress

Vehicular Circulation

Visibility

Signage Capabilities

Size/Growth

Solar Orientation

Cost

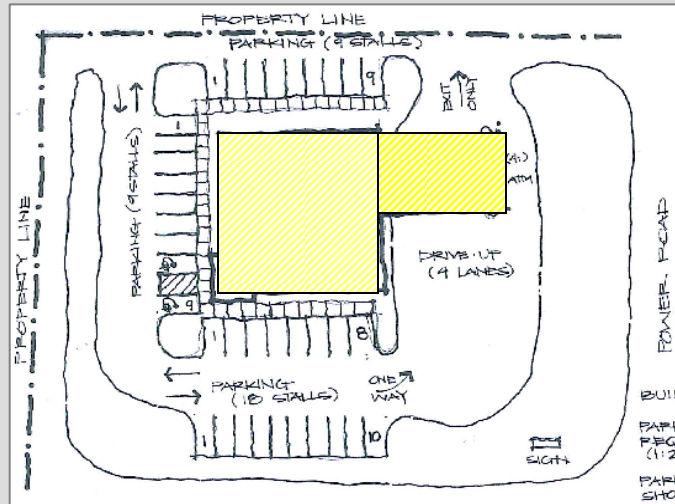
Competition/Retail

???

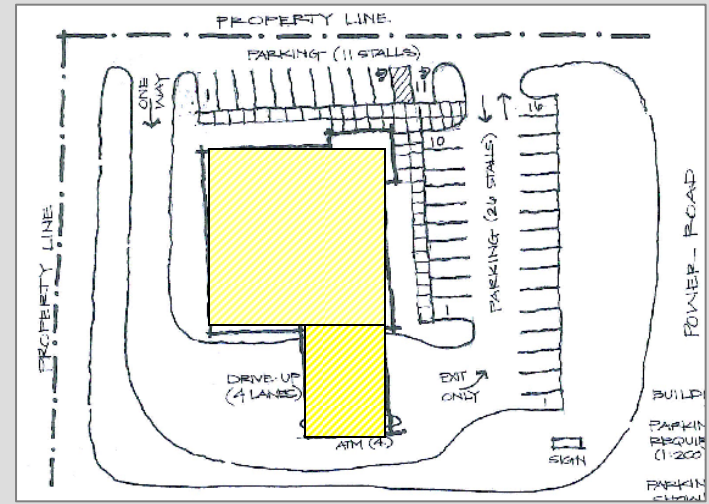


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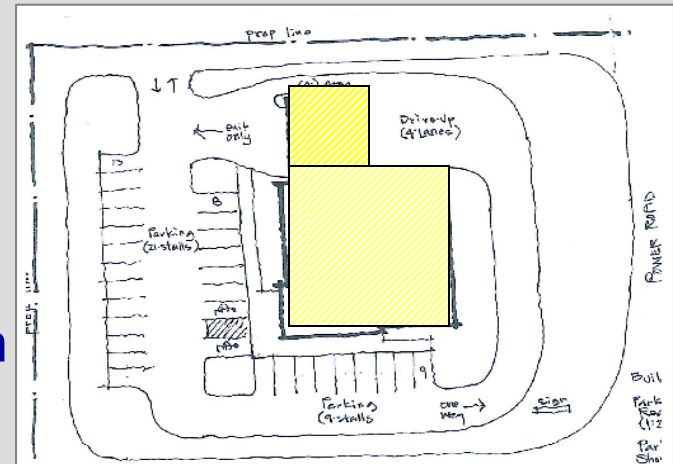
Site Assessment 'quick'



Drive-up on east side



Drive-up on south side



Drive-up on north side



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Site Assessment

Multiple Drive-Ups

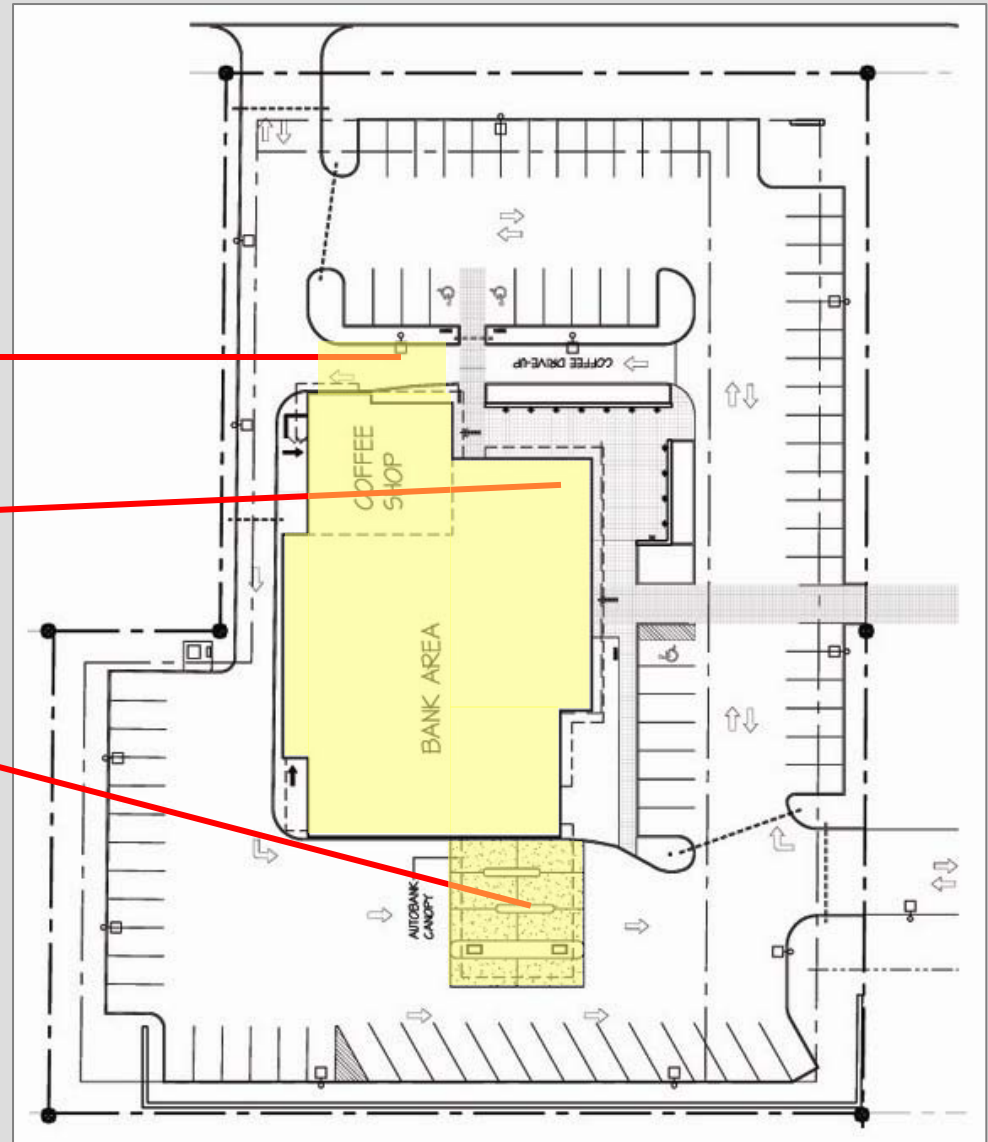
COFFEE SHOP DRIVE-UP /
POSSIBLE PARTNER

TENANT - INSURANCE

CREDIT UNION DRIVE-UP



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Site Assessment / Photo-montage



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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**'



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Architectural Programming

Sample page of a typical Program



The Numbers Game



11 March 2008
Programming Session - 06 March 2008

Re: Accentra Credit Union
Proposed New Branch Facility
Austin, Minnesota

PROGRAM - Preliminary:

MAIN LEVEL:

BUILDING VESTIBULE

- The assumption has been made that the building vestibule could be a shared vestibule with a possible tenant and the Credit Union, and used after banking hours
- Community Information Exchange (Bulletin Board)
- Provide an automatic door opener (LCN)
- Provide a recessed floor mat/grille
- Keys to lock the 'Outer' doors (paddle release locks on both doors and a dead bolt on inner doors)
The inner doors have a FOB access
- Doors to have a removable mullion to allow for an approx. 6'-0" opening, for display items
- ATM - pending
Depends on the what/who the Tenant is (maybe in the tenant space instead)
Would only be a cash dispenser (not full function)
- RTS - Remote Teller System - pending
Design a space for this - could be future
Basically this is a walk-up, drive-up with Video Merchandising
To be used before and after Lobby hours (same time the drive-up is open)
At a minimum, rough-in power/voice/data

LEASED / TENANT SPACE

- The specific type of business is pending
- The goal is to find a tenant that fits the Retail mold
- Coffee Shop, Medical, Target's Clinic, Office space for a CUSO, Frozen Udder Ice Cream, etc.
- Adjacent to main entry
- Toilets Rooms will likely be required, if the additional Leased space is built

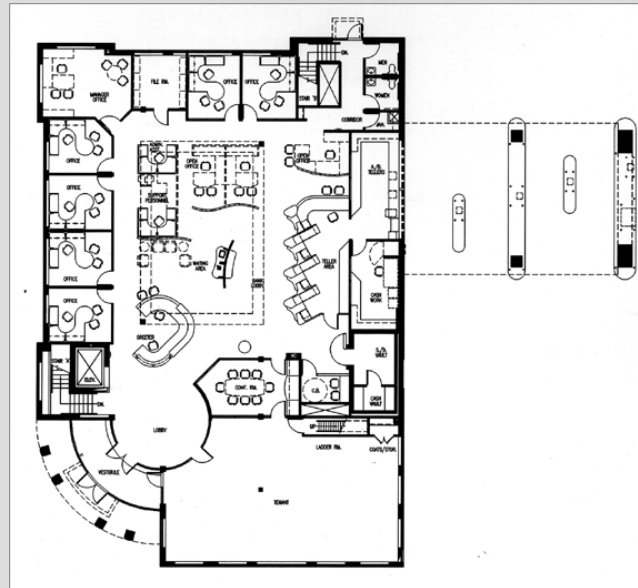
GREETER / RECEPTION

- (1)-person station
Handle phones, some clerical, and some basic member support
Provide a member sit-down with two guest chairs (to comply with ADA codes)
Provide space for an under counter steel pedestal with a cash drawer (future could be a TCR (teller cash recycler))
- Merchandising Cone of Vision (COV)
What is the member looking at?
Counter, back wall, display behind the greeter station
wall mounted, maybe back-lit, maybe free standing, brochure/slots
Poster sizes; 22x28, 24x24, non-standard
- Adjacent to vestibule (first person the members see)

Feasibility Study

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*?



Floor Plan



Site 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...)



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Feasibility Study



Relationships

are the key to the future,

the

'relationship experience'

is your

ultimate delivery channel



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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.



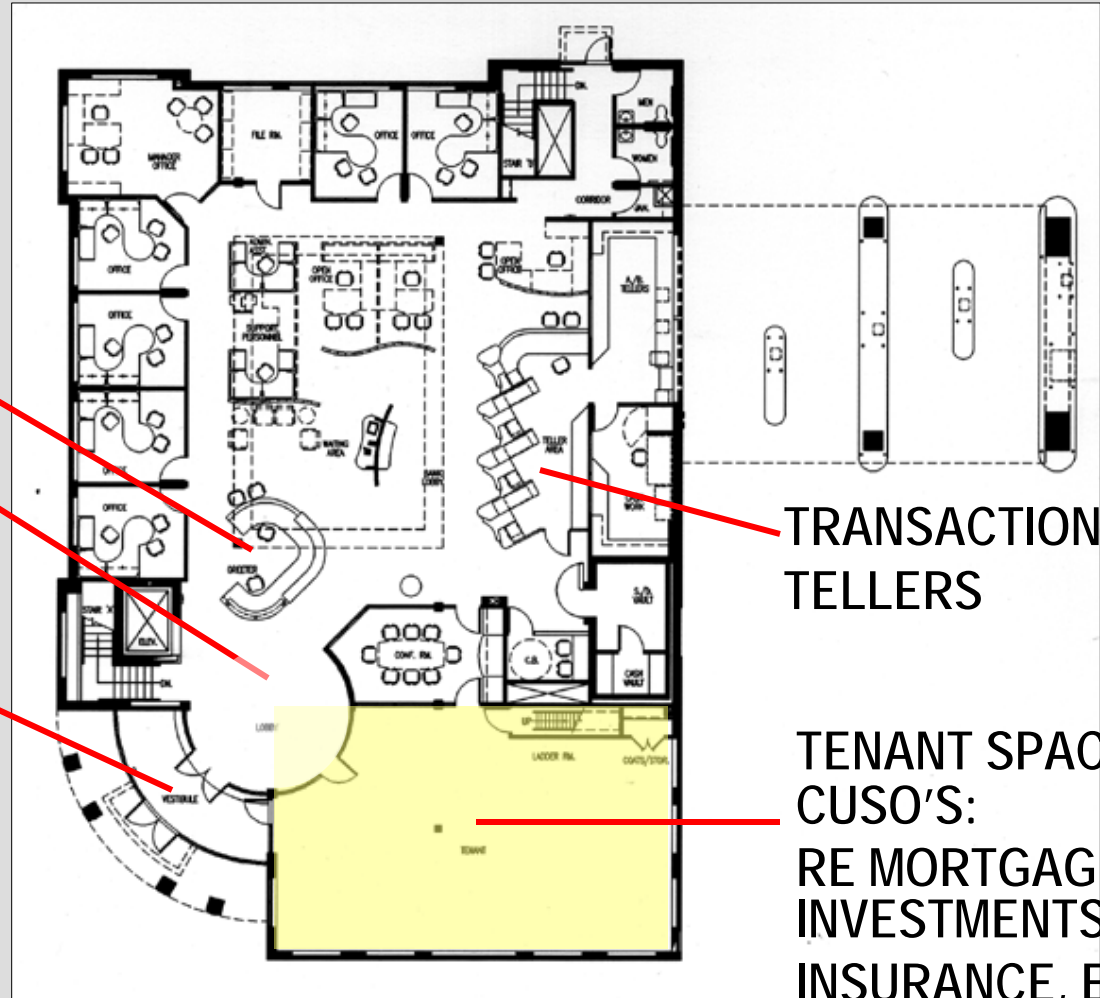
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Feasibility Study / CUSO's

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 LOBBY

SHARED BUILDING
VESTIBULE

TRANSACTIONS /
TELLERS

TENANT SPACE /
CUSO'S:
RE MORTGAGE,
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Feasibility Study / CUSO's

CU GREETER

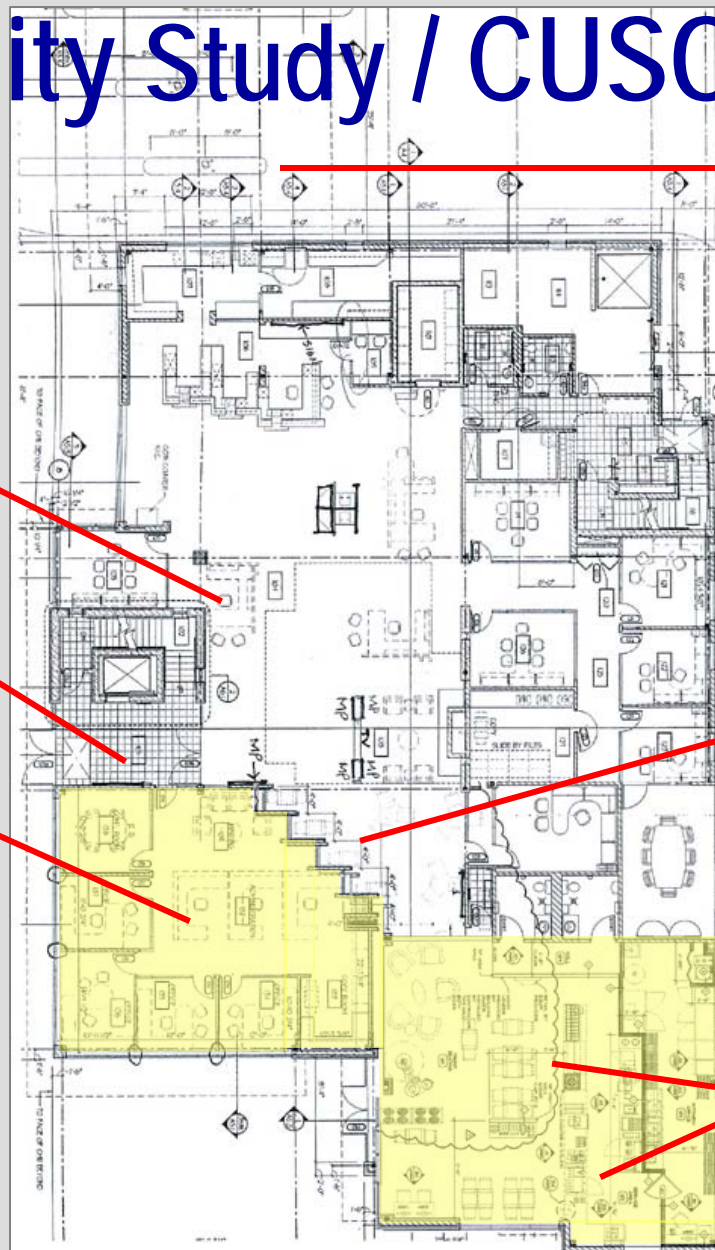
SHARED BLDG
VESTIBULE

TENANT SPACE /
CUSO'S:

RE MORTGAGE,
INVESTMENTS,
INSURANCE, ETC.



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DRIVE-UP

SHARED LOBBY

COFFEE SHOP
& DRIVE-UP

Feasibility Study / Lobby Design

Concierge Stations/
Transactions

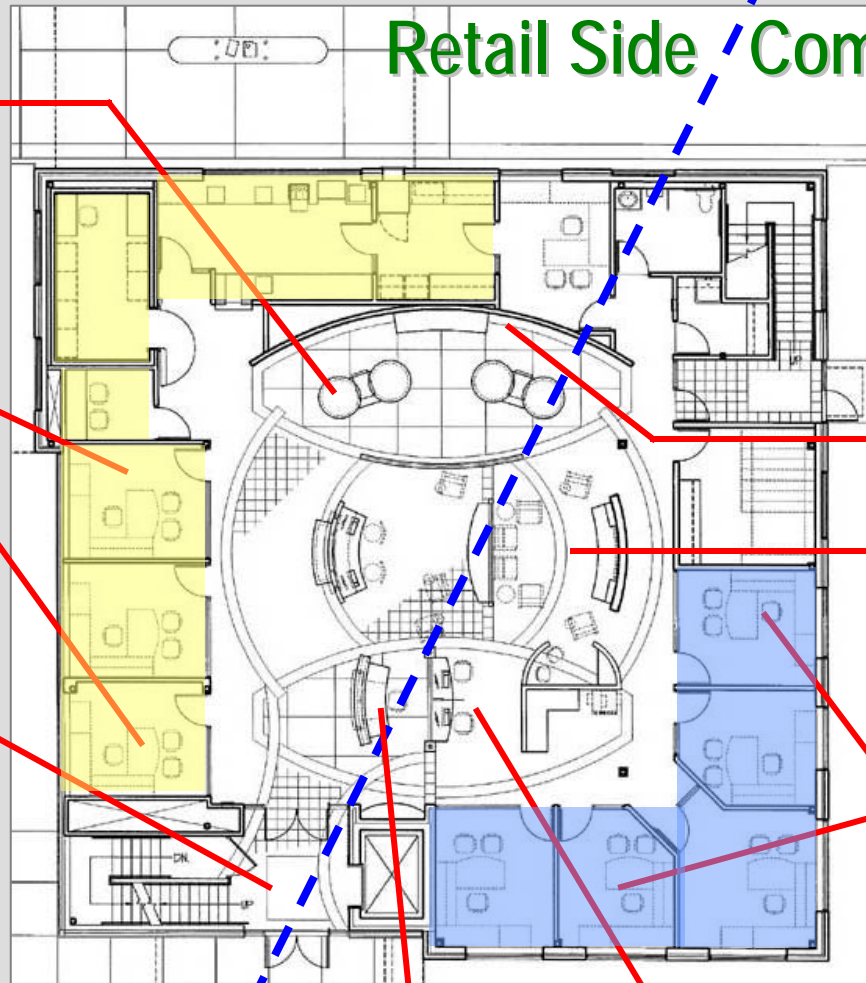
Retail Offices

Building Vestibule
CUSO Partners in
Upper Level



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Retail Side / Commercial Side



Merchandise
Mural

Waiting / TV

Commercial
Offices

Greeter

Internet Cafe

Feasibility Study / Cone of Vision

Concierge Stations/
Transactions

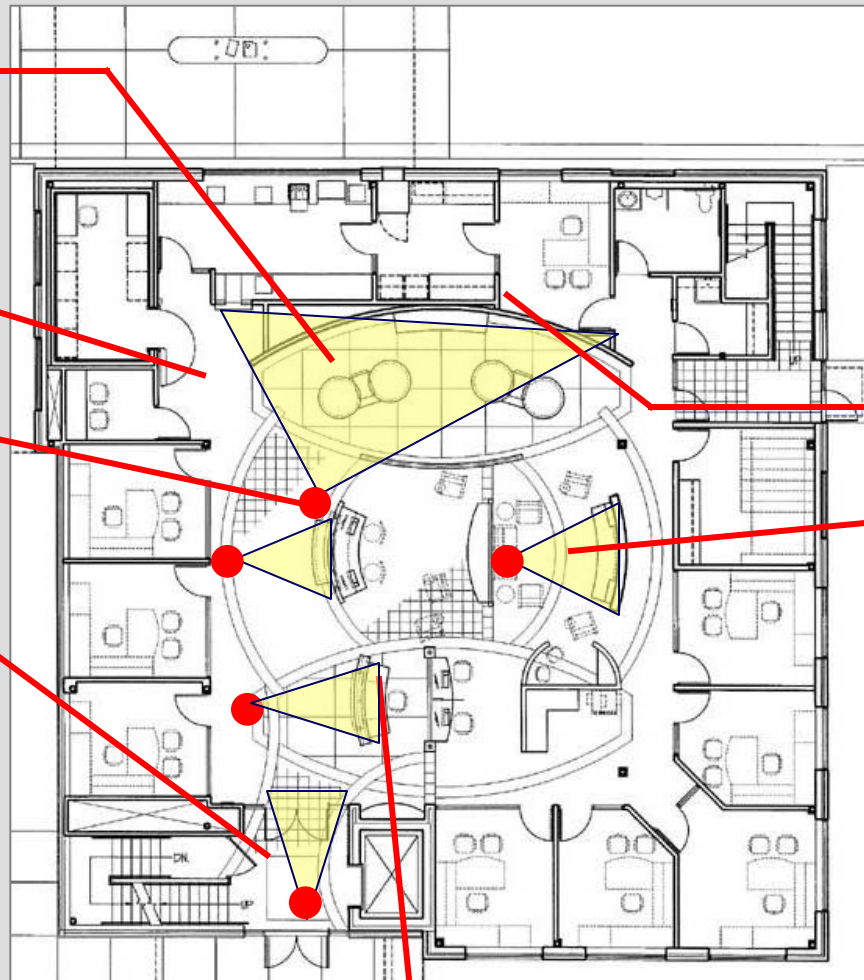
Retail Side

Check Desk

Building Vestibule



The Numbers Game



Increase
Sales

Merchandise
Mural

Waiting / TV

Greeter

Feasibility Study / Experience

Space Components

Greeter

Merchandising Mural

Internet Café

Video Merchandising

Coffee Bar

Display/Brochure Kiosks

Waiting / Kids

Coin Counters

Concierge Stations

Biometrics

Cone of Vision

Remote Tellers Stations

Wi-Fi

and, CUSO Partners



The Numbers Game

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 / Concierge Stations



The Numbers Game

Feasibility Study / Video Merchandising



The Numbers Game

Feasibility Study / Digital Displays



The Numbers Game

Feasibility Study / Digital Signage



The Numbers Game

Feasibility Study / Display Kiosks



The Numbers Game

Feasibility Study / Experience Items



Member Coin Counter



Biometrics



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Feasibility Study / Remote Teller Stations



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Feasibility Study / Name Recognition



The Numbers Game

Feasibility Study / Green Design



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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.



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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



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Questions? Comments?

Thank you!



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The Numbers Game