Welcome
to the

NACUSO Annual Conference

05 May 2009
The Numbers Game

Strategies to improve the performance of your branch network by over 100%
The Numbers Game

Agenda:

1. Distribution & Branch Planning
2. Site & Building Assessment
3. Programming & Feasibility Study
4. Efficiency & Profitability

A. Increase Sales, and/or Decrease Costs
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

*Increase the efficiency of distribution network!*
Tom Davis, Davis & Co., believes the future of credit unions depends on the creation and maintenance of the desired member experience.
Strategic Market Positioning

Credibility

Desired Member Experience

Advocacy

Service

Convenience

Winter & Associates

NACUSO Annual Conference May 2009
What is *the* major factor in these goals?

Location, location, location...

Convenience, convenience, convenience...
How critical is branch location?

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

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

Relative Service Efficiency vs. Relative Sales Productivity
Traditionalists Still Dominate Profits

- Only use self-service: 10% accounts, 20% profit
- Mixed transactions user: 50% accounts, 20% profit
- Only use branch labor: 40% accounts, 60% profit
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

E. Improve the performance of our existing branch network
Developing the Master Distribution Plan

assumes 2 or more branches

1-6 months - study our existing branch network 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

This becomes your 5 year plan
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: Spire Financial

Spire Financial
Existing Branching Network Analysis
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
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

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

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

Overbanking Test at 3 Miles
Case Study #1

St. Cloud Federal CU

Branching Site Analysis

Prepared by
William D. Winter

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.
Case Study #2

Mayo Employees CU
Branching Site Analysis

PREPARED BY
WILLIAM D. WINTER
Case Study #3

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 possible site(s)...
2. It is available...
3. It is affordable (kind of)...

...now what?
The EVOBANK® Process

1st – Distribution & Branch Planning

2nd – Site & Building Assessment

3rd – Programming & Feasibility Study

*Focus on Efficiency & Profitability
Existing Building Assessment

What condition are your buildings in?

1. Age of building and building systems

2. Operation & Maintenance costs

3. Inefficient space – requires extra FTE’s

4. Proximity to your other branches

5. Deposit - Profitability at $15-$18 million
Site Assessment

‘Primary 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:

<table>
<thead>
<tr>
<th>Location</th>
<th>Accessibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access/Egress</td>
<td>Vehicular Circulation</td>
</tr>
<tr>
<td>Visibility</td>
<td>Signage Capabilities</td>
</tr>
<tr>
<td>Size/Growth</td>
<td>Solar Orientation</td>
</tr>
<tr>
<td>Cost</td>
<td>Competition/Retail</td>
</tr>
</tbody>
</table>
Site Assessment ‘quick’

Drive-up on east side

Drive-up on south side

Building position can Increase Sales

Drive-up on north side
Site Assessment

How do I really know if a site/building is the right size for my Credit Union?

Programming

and

Feasibility Study
What is PROGRAMMING?

- Trends / Technologies
- Brand / Culture
- Growth expectations
- Establish your ‘CUSO Partners’
- Written document of the space needs
  
  Establishes the Building Size
Sample Program

PROGRAM - Preliminary:

This is the preliminary program containing the information that will be used during the feasibility study and design phases. The programming items are the foundation for the design. Please take the time to edit this draft as you see necessary and forward the changes to HTG Architects. At that time, HTG will start the feasibility study phase. Changes to the program during the feasibility study and design phases could require additional re-design time.

MAIN LEVEL:
BUILDING VESTIBULE

- The assumption has been made that the building vestibule can be used for after hour access
- Elevator (access to upper level)
  - An elevator is needed if there are tenants, or Credit Union functions, on the Upper Levels
  - Access to the Community Room
- Stairway (access to upper level)
- Merchandising display
  - Maybe wall mounted, back-lit or free standing campaigns
  - Brochure slots
  - Cone of Vision (COV), ‘where is the member looking’
- Community Information Exchange (Bulletin Board)

GREETER / CLERICAL

- (1)-person station
  - To handle greeting, switchboards and some clerical functions
- Merchandising Cone of Vision (COV)
  - What is the member looking at?
  - Back wall, display behind the greeter station, maybe back-lit,
Programming / Profitability Options

How do you increase sales?

1. Cone of Vision
   Video Merchandising
   Merchandising Murals

2. Concierge Stations, 4+4=6
Program / Cone of Vision

Retail Side

Commercial Side

Building Vestibule

Increase Sales

Signage

Commercial Offices / CUSO Offices

Greeter
Program / Cone of Vision

Greeter

Video Merchandising
Program / Cone of Vision

Video
Merchandising

Horizontal

Vertical
Program / Cone of Vision

Merchandising Mural / Cross Sell
Program / Cone of Vision

Merchandising Mural / Cross Sell
Program / Cone of Vision

Back Lit Merchandising Cross Sell
Program / Cone of Vision

Touch Screen
Menu Board
Video
Merchandising
Starbucks

...is NOT in the coffee business

they are in

the people business, serving an experience,

(and oh yeah, you get coffee too...)
Relationships are the key to the future, the ‘relationship experience’ is your ultimate delivery channel.
Program / Efficiency

4 MSR’s + 4 Tellers = 6 Universal Associates

‘relationship experience’

‘ultimate delivery channel’
Program / Concierge Stations

Meet and greet...

TCR Technology
Program / Concierge Stations

Spend time selling, not counting - TCR
Program / Profitability Options

Concierge Stations: Advantages

Cross Selling (must have top sellers)

Universal Associate (teller + MSR + NA + lending)

Less FTE’s with TCR (teller cash recycler)

Create Relationships

Seniors & Gen-Y like it
“In addition to creating a relationship experience, credit unions need to touch on their members’ ‘FEELINGS’ in their marketing message.”

-Tom Davis, Davis & Co.
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**
Feasibility Study

Profitability Options:

1. Member Operated ‘stuff’
2. Remote Teller Stations - RTS
3. Digital Messaging
4. Sustainable Design
Feasibility Study / Profitability

Member Operated Coin Counters
Feasibility Study / Profitability

Safe Deposit Vault
Biometric Hand Reader
Feasibility Study / Profitability

Safe Deposit Room vs. Traditional SD Vault

TL15 Safes

SD Boxes

Winter & Associates

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Feasibility Study / Profitability

Remote Teller Stations - RTS
Feasibility Study / Digital Signage

Cross selling made easy
Feasibility Study / Green Design

Green Is in.

Sustainability
*LEED
*Energy Star
Feasibility Study / Green Design

What do your members see?

Remodeling is green
Feasibility Study / Green Design

Which one is your office?

Remodeling is green
Feasibility Study / Green Design

Remodeling is green

Wendy’s

Good locations
Feasibility Study / Green Design

Remodeling is Green

Krispy Kreme

Good locations
Feasibility Study / Green Design

A facelift is green
Feasibility Study / Shared Space

GREETER

SHARED LOBBY

SHARED BUILDING

VESTIBULE

Increase Sales

TRANSACTIONS

TENANT SPACE / CUSO’S:
RE MORTGAGE, INVESTMENTS, INSURANCE, ETC.
Feasibility Study / Shared Branching

Recent study by Raddon Financial Group and CO-OP Shared Branching:

1. SB is a boost to profitability
2. SB users represent 23% of CU’s profitability
3. SB vs. non-SB households: avg. profit of $119 vs. $28

*The location of the SB is the key to it’s success!
Feasibility Study / Trends

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; therefore the reason why banks are aggressive in expanding their branch networks.
Feasibility Study

Mergers and Acquisitions:

- Assess your existing branch distribution
- Assess the merger combined branch distribution
- Existing facility assessment
- Which branch should stay open / be closed / relocated?
- Logic vs. emotions
Summary

1. Distribution analysis is critical to a CU’s success today.

2. Site Assessment is necessary.

3. Programming & Feasibility Study will provide answers and guide you to save $$$.

4. Efficiency & Profitability

How will you succeed today?

By increasing sales and/or decreasing costs?
Questions / Comments?

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Thank you!

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