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Branch performance: a prelude to expansion

By Will Klein

Before any credit union seeks to expand its footprint or market, it must understand the performance of its current delivery network. What does it have now and how is it working? The answers set the stage for: 1) improving the existing system so that it is as productive and efficient as possible and 2) adding to the network in a manner that will carry that productivity and efficiency forward to serve the membership and the market in the best possible way.

Many articles have been published recently about analyzing branch performance. Unfortunately, there are probably as many ways to approach this analysis as there have been articles written. A partial list of factors that can be used to analyze the performance of a branch network appears at the end of this article, but it is by no means complete. Some will be meaningful to one institution and some to another.

The choice of which elements to use will depend on the goals and objectives the credit union has set for its delivery system. This is the key to the analysis: determining what is important to your institution when measuring the performance of your branch network. And, frankly, there can be a variety of factors used even within a single institution's network. Branches that are located near employment centers may have different objectives than those in a retail/commercial setting which, in turn, may be different than those inside a grocery store. (If you do not have goals for your branches, you may have to take a step back and set those before you proceed.)

Each of these factors can be measured. Some measurements are as easy as looking at the general ledger and determining the activity of each branch — loans, deposits, growth, number of members, etc. Others may take an outside person to help assemble — member satisfaction, sales capabilities, demographics, etc. (One client surveys its members on a regular basis to determine satisfaction on everything from teller transactions to loan closings to getting questions answered.) Still others may require separate systems to calculate and analyze data — the financial metrics, for example.

When a branch is lacking in one area or another, the first question should be: can the fortunes of that branch be changed? The last thing one wishes to tell a credit union is that they must close a branch. You must look for ways to make that branch more accommodating to the members and the marketplace such as more marketing, different hours, changes in personnel, more involvement in the local market. Maybe even a change in location within the same market will revive the branch's performance.



Ultimately, some branches will not measure up to the credit union's standards, and changes will not improve performance. The institution must close that location and reallocate resources to a new market where service to the member and market and the return to the credit union will improve.

When a reallocation of resources or an expansion program is undertaken, you can apply what has been learned from the branch performance analysis to improve the chances of a positive return. Determine the characteristics of the markets in which the credit union has done well. What are the demographics and trends of those numbers? What types of households make up the markets of successful branches? Where are there similar locations with retail businesses that will improve the draw of the market for the credit union? How are other financial institutions performing in the marketplace that may predict success for you?

These are but a few of the factors that will help you build on that which has been successful already. In conclusion, it comes down to three relatively simple steps: 1) determine how your branches are performing today, and keep up with the analysis over time; 2) make the corrections necessary to improve the performance of sub-par branches, and yes, perhaps close one occasionally and 3) use the information gathered from the top performers to set your path for expansion and further convenience for your members.

Applying these steps will put the credit union on the road to positive, measurable performance now and in the future. 🌱

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Factors of Branch Network Performance

Transaction volume	Demographics
Number of members	Competition
Loans	Market share
Deposits	Branch area environment
Growth	Product/service usage
Member satisfaction	Financial metrics
Sales capabilities	