



Cut Your Branch Network by 75% in Five Years

“Community banks must redefine the role of the branch ... and time to do so is getting short.”

If the adoption of mobile channels continues at its current pace, community banks could service 85% of their current customer base with only 23% of their current branches.

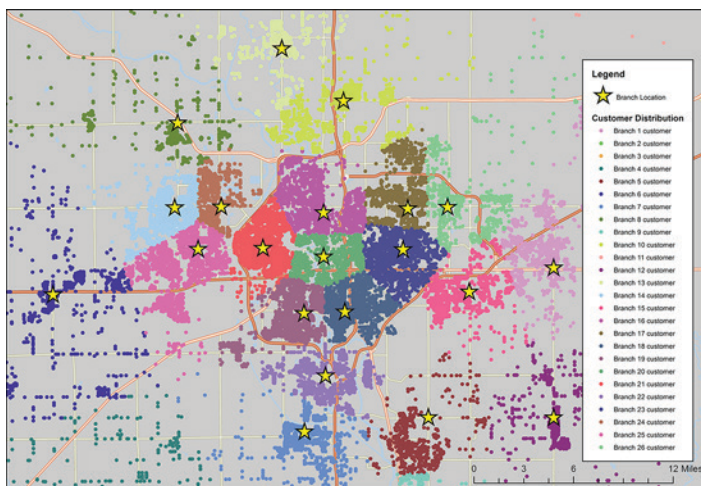
That’s the major finding from analytical models developed by Galapagos and presented at a recent Community Bank Strategy Forum facilitated by the marketing consulting firm.

Omni-channel planning was front and center for community bank executives from across

the country as they discussed options for continuing to meet customer demands for access, convenience, and service as the adoption of digital channels increases.

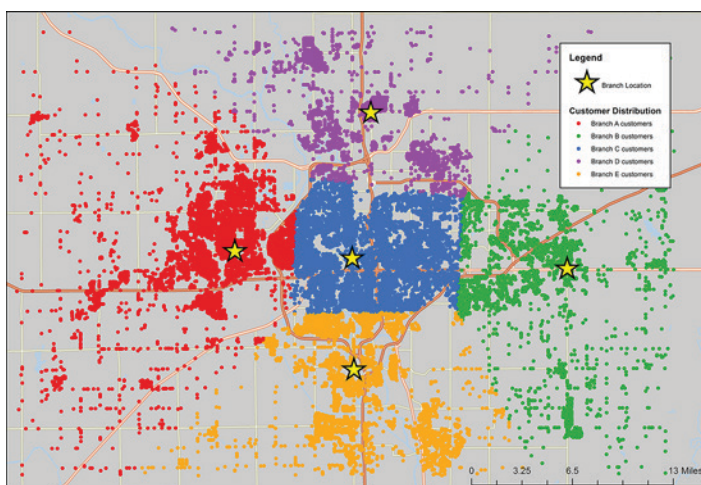
Using data from its Community Bank Peer Database and findings from a national study of customer channel use and preference that it conducted in October, 2014, Galapagos is able to predict the likely impact of mobile channel adoption on the servicing of customers through the traditional branch network.

The Potential Impact of Branch Closings



Branch and Customer Distribution - 2014

22 Branches – 34,311 Customer Households



Branch and Customer Distribution - 2019

5 Branches – 29,140 Customer Households

The example at left, conducted for a midwest community bank, shows the current customer dependency on the branch for transactions. In this scenario, a community bank with 22 branches services 34,000+ customers. If the bank were to close a branch today, it would see between 28% and 44% of the customers served by that branch attrite, depending on that branch’s specific location. By 2018, assuming current migration rates for transactions conducted via digital channels and the demographic changes in the bank’s customer base, the projected customer attrition rate for a branch closing drops to 9%. Under this scenario, the bank could now service 85%, or 29,000, of its current customers with only five branches.

One side of the equation

Of course, these numbers over simplify the issue. They overlook the critically important role the branch plays in sales and the delivery of those aspects of consultative service which community bank customers choose to perform at the branch. (More on this in our next Spotlight.)

However, what the data show, with increasing clarity, is that community banks must redefine the role of the branch and increase investment in the creation of a quality online and mobile banking experience for customers – and time to do so is getting short.

For more information on the Galapagos Channel Usage Research Study, contact us at 616-608-7359 or visit www.galapagosmarketing.com.