THE ZERO-COST APPROACH TO OPTIMIZING YOUR NETWORK

NEWGROUND

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IS IT POSSIBLE TO GET THE BEST OF BOTH WORLDS, GROWING BUSINESS AND LOWERING COST?

As financial institutions struggle to maintain growing networks and optimize every service location, network transformations are an appealing prospect. Who wouldn't love the idea of a refurbished branch with updated brand standards, colors, furniture, and feel? But the truth is that branch refreshes cost money, and the idea of a complete network transformation has many financial institutions reeling at the idea of spending such a substantial amount. But what if you could reap all of the benefits of a complete network transformation without going into the red? What if the overall cost to you zeroed out and you were still left with beautiful, updated branches?

That's the foundation of our zero cost approach to optimizing your network – it's a strategy that pays for itself. By closing or realigning branches across your network, you're saving operational dollars and affording yourself the opportunity to further develop successful branches. This evens out to a zero-cost for you while overall creating a positive impact for growth in your business. Here is how our strategy makes this possible.

Who wouldn't love the idea of a refurbished branch with updated branding, colors, furniture, and feel?

THE QUESTION IS, WHY?

What is the value in changing something that has been consistent for so long? Why do financial institutions change names and brands? What's the benefit to forming new identities, even at the risk of ostracizing or confusing long-term consumers? Is the reward of a shiny new image worth the risk? And is a brand just a name, or something more? In short, what's in a brand name?

A COUNTDOWN TO ZERO

4 ***CRITICAL MARKET INPUTS***

3 ***PERFORMANCE METRICS***

2 ***OPTIONS LEFT FOR THE BRANCH***

1 ***FUNDAMENTAL STRATEGY***

0 ***ZERO COST TO YOU***

4 *CRITICAL MARKET INPUTS*

The trade area characteristics of a branch directly impacts its success. While the branch and the market may have thrived, markets can change over time. What used to be a perfect fit can now be an awkward match – leading to an overall loss in terms of accounts and profitability. But utilizing strategic research to analyze the four critical market inputs, market potential can be identified.

THESE MARKET INPUTS ARE:

+ Demographic Information
+ Account Base
+ Competition
+ Consumer Traffic

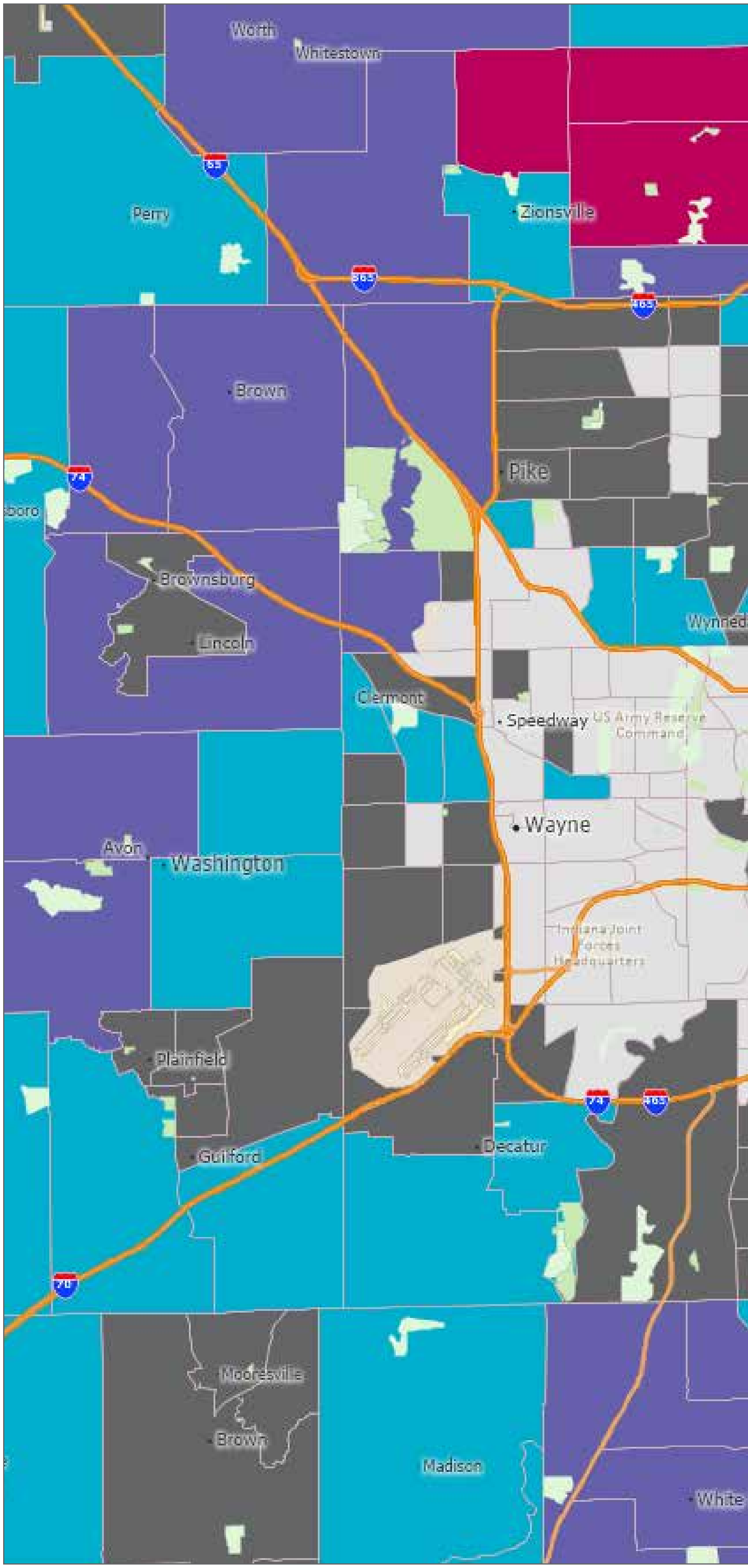
DEMOGRAPHIC INFORMATION: Demographic information is a key market input for evaluating the potential of a branch. This demographic information includes population of the area, home value, number of households, ages, household income, and businesses within the area – all factors that can identify business opportunities.

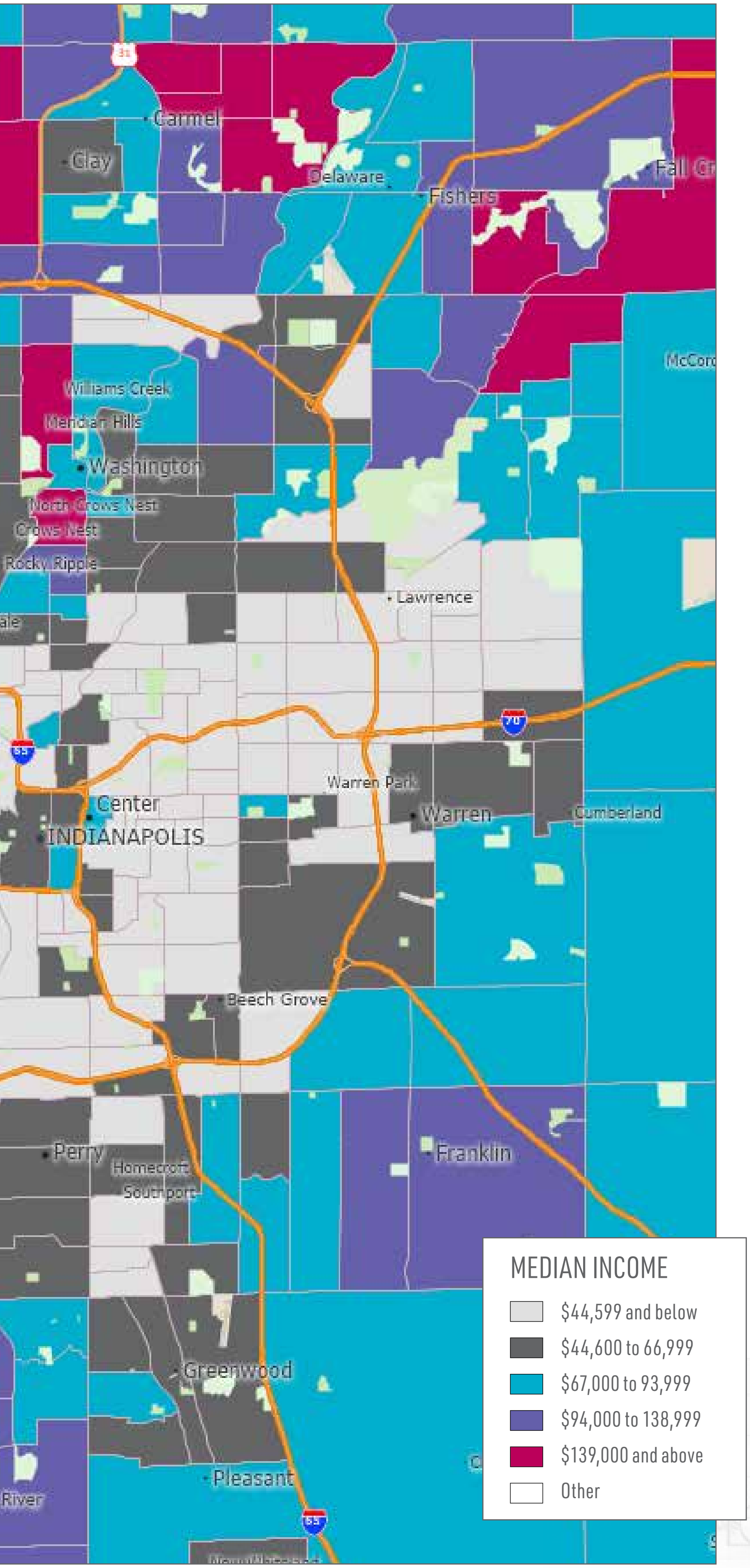
ACCOUNT BASE: This is a reference to the current density of existing accounts near or inside a geographic trade area. In an established branch market, the account base could represent an opportunity to grow among present business, thus improving the services-per-account ratio. In new markets, a current account base provides a head start.

COMPETITION: How many other financial institutions operate in the area and where they are positioned? This market input evaluates just how stiff the competition is and how successful those competitors are. If the target demographic is deeply committed to a competitor, or conversely, if a competitor has recently left the area, a new branch can most definitely be impacted.

CONSUMER TRAFFIC: Daily traffic speaks to vibrancy and encompasses the normal routes and commuting patterns of consumers, identifying the key roads and visibility points for potential new accounts. It also evaluates the population density throughout the day and how this can impact branch performance.

Market inputs can also include elements such as, average household budget indexing, race and ethnicity, income and net worth, and earnings by occupation to give a truly in-depth look at the surrounding market. And as the market will directly impact the success of each individual branch, these evaluations are critically important.





3 *PERFORMANCE METRICS*

While market inputs are an evaluation of factors outside of the branch, performance metrics are factors directly related to the branch itself. This information is important because it can help determine the overall functionality and effectiveness of a branch and ultimately signal whether a branch should be improved, maintained or shuttered altogether.

THREE CRITICAL PERFORMANCE METRICS OF A BRANCH ARE:

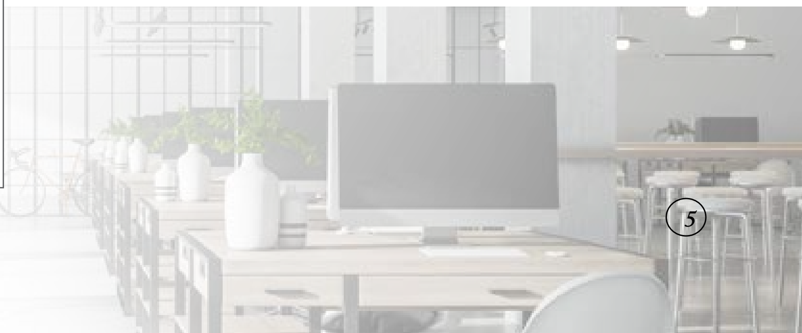
+ Market Share
+ Account Growth
+ Opportunity Index

MARKET SHARE: Is a branch capturing enough of the market? Are there areas for expansion or new site locations? How does this branch perform compared to others around it? Competition will almost always exist regardless of the location, but how the branch stacks up to the competition is just as important.

ACCOUNT GROWTH: Are consumers still opening new accounts? Often, branches can have a steady and loyal consumer base, but that consumer base may be too stable with no room for growth.

OPPORTUNITY INDEX: The opportunity index is a valuation that isolates the strongest geographies based on target inputs. These include family households, income ranges, population growth, and attractive banking ratios. The combination signifies opportunities for growth and provides context for the multiple inputs and considerations for a physical presence – be they good or bad.

By evaluating the three key performance metrics, a financial institution can ultimately decide whether or not they deem the branch to be successful as a whole. And that decision will lead to only two options left for the branch.



2 *OPTIONS LEFT FOR THE BRANCH*

After evaluating the three metrics and the four critical market inputs, executives have two options for their branch: invest in it because it has potential, or close it because it's not performing or up to a standard and there's no sign of future growth. This isn't a light decision, but it is an important one to consider. At the fundamental level, the concept of net zero revolves around analyzing the branches that are doing well and have good potential for growth and giving them the support they need. However, to fund that support at a net zero cost, the under-performing branches must be shuttered. Branches can undergo several different layers of improvement depending on their needs, and closing branches provides an opportunity to cut costs across the organization. It could even open up opportunities for the financial institution to build brand new locations at higher performing sites.

Different branches need different levels of transformation. Some may only need a light refresh, while others could benefit from a major renovation. Ultimately, all of these options can be assessed and prioritized to create one fundamental strategy.

1 *FUNDAMENTAL STRATEGY*

After evaluating all of the aspects of individual branches, the end result is _one_ fundamental strategy crafted from analyses and careful planning. This strategy is never a one size fits all, as no two financial institutions are exactly the same. Some strategies result in a plan to expand the footprint; others to decrease it. Ultimately a plan is formulated that provides a comprehensive analysis of what needs to be accomplished in the market to meet client goals. And the best part? A fundamentally sound strategy, done right, will result in higher profit margins for the organization.

BRAND APPLICATION

COSMETIC SURFACES

BRANDED MAKEOVER

BRAND APPLICATION

SIGNATURE ELEMENTS

SURFACES REPLACEMENT

FURNITURE

LIGHT REFRESH

ZERO COST TO YOU

Optimal is one of the most important words in business. Serving the market in the most cost effective and efficient way possible is critical for maximizing return on investment. Ideally, network growth should be justified with new business. This is the foundation of the zero cost strategy approach – reallocating operational dollars in order to build business throughout the service network. It's an expansion strategy that pays for itself by finding the weak points in the network and replacing them with strong ones.

In the end, you can accomplish more with less. We're quickly entering an age, if we aren't there already, where consumers overwhelmingly prefer a digital relationship with their financial institution. Physical branches are still critically important to an organization's overall success, but those branches must be strong and successful. By strengthening the high performing locations and consolidating focus, a financial institution can create an optimal system that thrives.

ARCHITECTURAL ENHANCEMENTS
BRAND APPLICATION
SIGNATURE ELEMENTS
SURFACES REPLACEMENT
FURNITURE

MINOR RENOVATION

MECHANICAL UPGRADES
ARCHITECTURAL ENHANCEMENTS
BRAND APPLICATION
SIGNATURE ELEMENTS
SURFACES REPLACEMENT
FURNITURE

MAJOR RENOVATION

INVESTMENT

ROI

ABOUT NEWGROUND

NewGround is the industry leader in branded spaces for financial institutions, organizations, and retailers. With over 100 years of experience, we deliver dynamic, customized solutions for clients across North America, with a regional presence from coast to coast.

For more information about NewGround, please visit us at **newground.com**.

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