Branch of the Future Roundtable

Roundtable led by Barry Lynch, Council President

Session 1.06 - Part I & II, April 12, 2016
8:00 AM - 11:00 AM

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CDI Solutions, Baton Rouge, LA
James Peck Photography, Baton Rouge, LA
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What is your definition of a branch?
A real estate location for transactions?
A real estate location for transactions
+
a billboard for what you do and who you are for everyone passing by?
Before proceeding you need to recall and define:

Where you’ve been
Where you’re headed

Today will talk about:
How to get there
Topics:

Older branches
What’s driving change
16 types of new branches
Start-up costs
People costs
Technology costs
How long it takes to implement
Why branding is important
What’s different about new Branches
Legacy (Older) Branches:

Located:
1. Where people work
2. Where people live
3. Convenient Locations

Average : 4,500 sq. ft.

Size Driven by Number of Tellers and Offices

Very few legacy branches were in the 4,500 sq. ft. range. Most were either large (6,000 sq. ft. & up) or small (3,500 sq. ft. +/-). See following slides for examples.

Note: the large number of teller stations and large lobbies, which provide queue space for lines on payday, are typical in Legacy Branches. A lesson learned: spacious lobbies are still required today.
MAIN LOBBY, HIBERNIA BANK & TRUST COMPANY, NEW ORLEANS, U.S.A.
But today...

Declining Branch transactions, increasing operating costs, technology exploding!

What’s the answer???
Apple Store as a model to build upon???
Apple Genius Bar as a consultation model???
The Branch of the Future...

Two Drivers:

Branch Type
Transaction Platform
# There are only 16 Possibilities

<table>
<thead>
<tr>
<th>Branch Type</th>
<th>Transaction Platform</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Conventional Teller Line</td>
</tr>
<tr>
<td>Small Freestanding Branch</td>
<td>1</td>
</tr>
<tr>
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<td>5</td>
</tr>
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<td>In Line (Retail)</td>
<td>9</td>
</tr>
<tr>
<td>Niche</td>
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</table>
TRADITIONAL BRANCH

TELLER

PRINTED MARKETING MATERIAL

CHECK WRITING STAND

STAFF: ONE PERSON
ONE JOB

ENTER

TELLER QUEUE

GATEKEEPER

AMBIANCE:
RESERVED, FORMAL, ALOOF, TRADITIONAL

ADDITIONAL SERVICES
STAFF: CROSS-TRAINED

ENTER

DIGITAL CROSS-SELL PLATFORM

SELF-SERVICE ATM

RESEARCH

CONSULTATION

CASH ISLAND WITH TELLER

GREETER

AMBIANCE: FRIENDLY, INFORMAL & TRENDY

DIGITAL CROSS-SELL PLATFORM

RESEARCH

CONSULTATION

DIGITAL CROSS-SELL PLATFORM

BRANCH OF THE FUTURE
<table>
<thead>
<tr>
<th>Branch Type</th>
<th>Conventional Teller Line</th>
<th>Smart ATM</th>
<th>Remote Teller</th>
<th>Island with Cash Recycler</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Freestanding Branch</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
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<td>6</td>
<td>7</td>
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<td>14</td>
<td>15</td>
<td>16</td>
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BUILDING TYPES

SMALL FREESTANDING

IN-LINE (RETAIL)

REPURPOSED - BEFORE

REPURPOSED - AFTER

NICHE - HOSPITAL
Freestanding Branch

The biggest challenge is “how do you make a small building look ‘substantial’?” In this example, the Drive-Thru was placed next to the building.
Repurposed Building
(Formerly a Starbucks)
Niche
(in a Hospital)
ATM’s only Location

This is a prime retail site in Houston that was too small for a conventional Branch. The Developer leases space to multiple financial institutions.
Transaction platforms
Teller Line
Teller Line
Teller Line
Teller Line

Photo: CDI Solutions
Teller Line
Smart ATM
Smart ATM
Smart ATM
Councilmember: Rob Nading
New Orleans, LA
Remote Teller
Remote Teller
Remote Teller
Island with Cash Recycler

Photo: James Peck Photography
Island with Cash Recycler

Note: The branding wall behind each “island” provides a screen for a teller work area. The work area includes a work surface, storage and a seat for the tellers (who can be on their feet most of the day). The teller work areas are designed to “recede into the background” and are not very visible in photographs.
**Review: There are only 16 Possibilities**

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Branches are being redefined by 3 cost trends:

People Cost
Facility Operating Cost
Technology Cost
Remember:

Branches will last 40 years or more!

Drive Thru queue will increase

More people will use lobby
Presented Costs are representative of costs for projects shown in this presentation in the state of Louisiana. Labarre Architect's opinion of probable Construction Costs are made on the basis of Labarre's experience and qualifications and represent Labarre's best judgment as an experienced and qualified professional generally familiar with the construction industry. However, because Labarre has no control over the cost of labor, materials, equipment, or services furnished by others, or over Contractor’s methods of determining prices, or over competitive bidding or market conditions, Labarre cannot and does not guarantee that proposals, bids, or actual Construction Costs will not vary from opinions of probable Construction costs prepared by Labarre. If the Owner requires greater assurance as to probable Construction Cost, Owner must employ an independent cost estimator.
**Total Branch Start Up Cost**

<table>
<thead>
<tr>
<th>Size</th>
<th>Cost (in $)</th>
</tr>
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<tbody>
<tr>
<td>4,500 SF Traditional</td>
<td>$450,000</td>
</tr>
<tr>
<td>2,500 SF Freestanding</td>
<td>$225,000</td>
</tr>
<tr>
<td>2,500 SF Repurposed</td>
<td>$225,000</td>
</tr>
<tr>
<td>2,500 SF Retail</td>
<td>$202,500</td>
</tr>
</tbody>
</table>

**Branch Staffing (Operating Cost)**

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<th>Cost (in $)</th>
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<td>$225,000</td>
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<td>$225,000</td>
</tr>
<tr>
<td>2,500 SF Retail</td>
<td>$202,500</td>
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**Branch Facility Operating Cost**

<table>
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<th>Size</th>
<th>Cost (in $)</th>
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<tr>
<td>4,500 SF Traditional</td>
<td>$45,000</td>
</tr>
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<td>2,500 SF Freestanding</td>
<td>$25,000</td>
</tr>
<tr>
<td>2,500 SF Repurposed</td>
<td>$25,000</td>
</tr>
<tr>
<td>2,500 SF Retail</td>
<td>$50,000</td>
</tr>
</tbody>
</table>

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**Cost Per Sq. Ft. to Operate a Leased Branch**

- $20.00+

**Cost Per Sq. Ft. to Operate an Owned Branch**

- $10

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**Other Used in Graph:**

- $100k Cost for bank equipment all options (Teller line, vault, SDBs, Drive-Thru)
- $500+ Cost for bank of the future equipment (Smart ATM's, cash recyclers, etc.) not shown
- $250k Approx. cost for "other" - all options (signage, furniture, security, etc.)
Total Branch start-up cost

Regretted Investment is a term used in the refinery business to describe alterations to a plant that do not work out, which must be removed and which cannot be recovered.

In this example, a Retail Branch’s regretted investment is the capital investment involved in tenant upfit. The bank equipment, furniture, security equipment etc. can be reused. As can be seen in the graph, the potential regretted investment involved in a retail branch is about 10% of that for a 4,500 sq. ft. Traditional Branch.

<table>
<thead>
<tr>
<th>Branch Type</th>
<th>Potential Regretted Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,500 SF TRADITIONAL</td>
<td></td>
</tr>
<tr>
<td>2,500 SF FREESTANDING</td>
<td></td>
</tr>
<tr>
<td>2,500 SF REPURPOSED</td>
<td></td>
</tr>
<tr>
<td>2,500 SF RETAIL</td>
<td></td>
</tr>
</tbody>
</table>
Schedule
Branch Implementation

All implementation schedules reflect a Design/Bid/Build approach to construction. Schedules can be accelerated using a negotiated contract or other, similar project delivery method. Schedules reflect the Louisiana requirement for a State Fire Marshal review in addition to local review prior to issuing permit.
<table>
<thead>
<tr>
<th>Stage</th>
<th>Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision to Build - Board Approval</td>
<td>1</td>
</tr>
<tr>
<td>Site Search</td>
<td>2</td>
</tr>
<tr>
<td>Site Selection &amp; Due Diligence</td>
<td>3</td>
</tr>
<tr>
<td>Purchase Offer</td>
<td>4</td>
</tr>
<tr>
<td>Board Approval</td>
<td>5</td>
</tr>
<tr>
<td>Closing</td>
<td>6</td>
</tr>
<tr>
<td>Planning Commission Review (Varies)</td>
<td>7-10</td>
</tr>
<tr>
<td>Design/ Engineering (Varies)</td>
<td>11-12</td>
</tr>
<tr>
<td>Fire Marshall Review</td>
<td>13</td>
</tr>
<tr>
<td>Bidding/ Negotiating</td>
<td>14</td>
</tr>
<tr>
<td>Permitting</td>
<td>15</td>
</tr>
<tr>
<td>Construction (Including Site Work)</td>
<td>16-20</td>
</tr>
<tr>
<td>Certificate of Occupancy</td>
<td>21</td>
</tr>
<tr>
<td>Install Furniture, Server Racks, Data lines, Phones, Bank Equipment, Merchandising Material, Stock Supplies</td>
<td>22-24</td>
</tr>
</tbody>
</table>

Rain can delay by a month or more

This Schedule was developed by Labarre Associates and represents benchmark results for recent projects. Actual economic conditions, seller responsiveness, construction method selected and other factors can and will have an impact on the schedule.
Operations:
Highlights for the Branch of the Future

Highlights prepared by Labarre Associates, Inc.

- There are Four Possible types of Transaction Platforms:
  - Conventional Teller Lines
  - Smart ATM’s
  - Remote Tellers
  - Island with a Cash Recycler.
- There are now “Greeters” - not gatekeepers.
- Staff is Cross-Trained. Current Teller staff may require extensive training or not be suitable for the new Branch Experience.
- The Entire Branch is an integral part of the Brand Experience.
- There is Abundant Digital Media.
- Safe Deposit Boxes are De-emphasized.
- Collaboration Space is a must.
- Research Space should be carefully placed.
- Drive Thru’s are still needed.
Design:
Highlights for the Branch of the Future

Highlights prepared by Labarre Associates, Inc.

- The Branch Experience Starts when you pull into the Parking Lot.
- Branches are generally Smaller.
- Existing Branches can be Renovated.
- Traditional Design Aesthetic is Out.
- Lobby Sizes should be Appropriate.
- The Ambiance is Friendly, Collaborative, Informal & Trendy.
- Employee Amenities are Enhanced.
- Branding is integrated with the Architecture
- “Retail is Detail”
- Planning should acknowledge Branches will last 40 years or More.
- Plan for flexibility and changes.
- EVERYBODY ENDS UP “TWEAKING” THEIR BRANCH OF THE FUTURE. PLAN TO ACCOMMODATE CHANGE.
Remember:

Branches will last 40 years or more!

the FUTURE
Special Thanks!

To BICUC members who worked with the Labarre Associates Staff in making this Roundtable possible.

Bert Callender, Vice President, Facility Planning and Control
La Capitol Federal Credit Union
Baton Rouge, Louisiana

James E Ford II, Vice President and Facilities Director
Crescent Bank
Harahan, Louisiana

Robert Nading, FMP, AVP-Purchasing & Facilities
Campus Federal Credit Union
Baton Rouge, Louisiana