



Lighting The Way To Optimize Branch Hours

by [Steve Brown](#) Topics: [business customers](#), [performance](#), [profitability](#)

Summary: In an era of rising costs, it can be tempting to look at an underused branch and consider reducing hours. However, you may want to consider these things before you do.

A study by the University of Cambridge in the UK has found a way to split water into oxygen and hydrogen by mimicking photosynthesis in nature. The approach is scalable, so it is great for usage worldwide, as it both collects and stores energy in a much bigger way. This one looks like an interesting advance.

In banking, technology and customer behavioral changes are driving changes to branches. Today though, most community bank branches have regular hours, but customers not so much. So, while one branch might have a steady daily stream of customers lining up for tellers, another might have lonely stretches with nary a client in sight. But, regardless of how much business a branch conducts, fixed costs can be similar.

In an era of rising costs, it can be tempting to look at an underused branch and consider reducing hours as a cost-saving measure. Before you do, think about whether the money you save might be offset by lost sales and inconvenienced customers.

That's not to say that an underused branch can't have its hours of operation trimmed, of course. But, such changes must be done carefully, preferably with the help of some predictive analytics. By systematically analyzing branch usage patterns, your bank can get a more complete picture. This is true not just of periods when very few customers visit, but also of the impact that reducing hours might have on sales and customer satisfaction.

The trick is to avoid potential pitfalls when a branch reduces its hours. A few of the more significant traps to watch for: focusing on teller transactions while ignoring other measures of sales; potentially downplaying the needs of your small business owners; and even failing to take into account operating hours of nearby competitors, who might siphon off customers if your branch reduces hours.

Demographics will likely play an important role in your analysis as well. Some neighborhoods may be more active on weekends, others on weekdays. One day may be high-traffic, but produce few sales; another day might have less traffic but produce more sales. Once you discover patterns, delve further to find explanations for them to better tailor branch hours and keep your customers happy.

One key consideration when analyzing operating hours is branch sales. If you have good data on sales by day and hour, this can help determine how much of an impact reducing hours might have on sales. Ultimately, you will need to calculate whether any operational savings from fewer hours will offset potential lost sales.

The last part of the process is easy: repeat. One analysis gives you a snapshot in time, but keep in mind that times continually change. It is critical to regularly revisit the question of branch hours and to collect detailed data over time. Then, you can adapt as customer habits and demographics change.

We hope we have given you some things to think about when considering reducing hours in a branch. Optimizing branch hours is an effective cost-saving exercise. It is easier said than done, of course, but practice makes perfect, so keep trying. Refining your branch hours and locations can definitely be worth it.

ECONOMY & RATES

Rates As Of: 09/13/2018 11:48AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.14	0.04	0.76
6M	2.32	0.06	0.79
1Y	2.55	0.10	0.82
2Y	2.75	0.13	0.87
5Y	2.86	0.13	0.66
10Y	2.96	0.10	0.56
30Y	3.10	0.08	0.36
FF Market	FF Target	Fed Disc	
1.92	2.00	2.50	
SOFR	Prime	Unemp	
1.94	5.00	3.90	

[More Market Rates](#)

BANK NEWS

Not Regulation

[The Fed, FDIC, OCC, CFPB and NCUA](#) jointly issued a statement clarifying supervisory guidance does not have the force and effect of law and is not regulation. They said they will not issue enforcement actions based on guidance letters and will try to limit the use of numerical thresholds in future supervisory guidance. Community bankers wonder what this means for the guidance around CRE concentrations of 300% that came out back in 2006, because of course, safe and sound banking practices still apply on an overarching basis.

Cyber Risk

[ZDNET reports](#) that for a mere \$7,000 on the Dark Web, cyber thieves can purchase malware that exploits Office to gain access to bank accounts. This latest malware, a variant of Kronos, is called the Father of Zeus and is also known as Osiris.

M&A Activity

1) Cornerstone Bank (\$1.6B, NE) will acquire Franklin State Bank (\$46mm, NE) for an undisclosed sum. 2) Pacific Western Bank (\$25.0B, CA) will acquire El Dorado Savings Bank (\$2.2B, CA) for \$466.7mm in cash (13%) and stock (87%) or 2.05x tangible book.

Blockchain Update

[The Chinese Central Bank announced](#) it has officially launched testing of a blockchain trade finance platform designed to conduct trade and financing activities.

UPCOMING WEBINARS

WEBINAR REGISTRATION

How to Achieve Sustainable Loan Growth September 19 | 10:00AM PT

Navigating the Global Needs of Your Customers September 20 | 10:00AM PT

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