THE BLUE PAPER

February 2013

WHAT DO WE DO WITH OUR BRANCHES NOW? CREATIVE CUs HAVE NEW IDEAS

As Technology Develops, The Need For Multiple Locations Is Dwindling — So Branches Are Evolving and Changing

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PUBLISHED AS A PUBLIC SERVICE BY THE CREDIT UNION CENTER OF AMERICAN INCOME LIFE INSURANCE COMPANY, P.O. BOX 2608, WACO, TX 76797.
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As electronic offerings continue to grow, many CUs across the country are noticing the decline in branch traffic.

The stories appear in the publications every week. Credit Unions (as well as banks) are closing branches as their electronic banking efforts increase.

According to the *Huffington Post*, "Several large banks are now scaling down the number of branches they operate and adding sophisticated ATMs that can replace tellers."

David Noble, CU Marketing Consultant, explained that "the many new ways for Members to interact with financial institutions have resulted in the overall impact on branch closures. Members are adapting."

Rivermark Community Credit Union of Beaverton, Oregon, recently shuttered three statewide branches in Salem, Clackamus, and Newberg. Their reason: declining branch traffic figures.

And as electronic offerings continue to grow, many CUs across the country are noticing the same decline.

Pennsylvania State Employees CU, with 400,000 Members, refers to itself as branchless. Though it does have two facilities, the $4 billion CU figures that 90% of their Members have never set foot in one of their facilities. And they expect technology to whittle that figure down ever further. According to Greg Smith, the CEO, "Many employees are wasted in the branch model, and we serve many more Members per employee than our peer average."

When Rivermark announced plans to close three of their branches in 2012, it quickly ramped up its electronic banking efforts.

Six months later, it found that mobile banking usage was up 63%, online banking up 22%, and online new accounts and funding up 50%.

The total number of Credit Unions to serve membership has been declining.

NUMBER OF MEMBERS COMPARED TO LOCATIONS & TOTAL CUs

Although total Credit Union membership has been growing in the past 10 years (from 83 million Members to 96 million), the total number of Credit Unions to serve them has been declining. (Every year the number drops by about 250.)

So two major questions arise:

1 – What do we do with excess brick and mortar?

2 – How do we serve the additional Members with fewer and fewer locations?

The answers lie in three areas:

1 – Modern technology and equipment for Credit Unions

2 – Modern technology and devices for Members

3 – Members who embrace these changes

Apps have been surging, and smartphone growth has been impacting delivery channels. Mobile banking is now where online banking was a decade ago and growing every day.

Younger Members, who have grown up with the new technology, now expect to be able to bank the same way they do everything else — by phone, tablet, or computer.

The term "convenience," as Credit Unions have been defining it for years — almost synonymous with locations — is quickly gaining an entirely different meaning.

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SO WHAT DO WE DO WITH THE BRICK AND MORTAR?

Many Credit Unions have already faced the issue of eliminating branches.

Community First CU of Santa Rosa, California, has now reduced the size of their newer branches. Their "smart offices" in Sebastopol, Guerneville, and Healdburg are 1,000 square feet or less — about one-fourth of the size of their full-service branches.

The Credit Union has a loan officer at each of their smaller "smart offices." David Williams, in charge of corporate communications for the CU, stated that "Members are buying into the smart office concept. We are blessed to be in a country that has consumers who are comfortable using technology."

Another Credit Union is pioneering the "no-bricks-and-mortar" concept with an online-only strategy. Realtors FCU, of Rockland, Maryland, has no branches, although they do belong to a shared branch network. The CU relies on a contact center (via PSCU Financial Services) and ATMs. The Credit Union, which has 1.1 million Members, serves the National Association of Realtors.

Other Credit Unions are now relying on sharing their branches with other CUs.

Two Philadelphia area CUs have found the benefits of a jointly owned branch in the Rhawnhurst section of Northeast Philadelphia. Eagle One Credit Union and SERVCO FCU now share a facility in an area not previously served by either institution.

AND HOW DO WE CONTINUE TO SERVE WITH FEWER FACILITIES?

New technology is, of course, the first option for serving with fewer branches.

Personal teller machines, such as the uGenius, offer an opportunity for Members to engage a call-center-based teller via video. The added advantage of the service is that it can be deployed 24 hours a day, seven days a week, if so desired.

Personal teller machines offer an opportunity for Members to engage a call-center-based teller via video.

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This certainly expands service by a large margin.

Gesa Credit Union of Richland, Washington, has recently announced that it will add five of these PTMs this year, according to Christina Lethlean, President of the $1.2 billion CU.

The uGenius machines have also recently introduced Online Video Banking, an interface that enables Credit Unions to engage with Members remotely at any time and from anywhere using a video-capable computer.

According to Heather Anderson of Credit Union Times, video teller machines are poised to take root on a wide scale over the next two to three years.

According to Heather Anderson of *Credit Union Times*, video teller machines are poised to take root on a wide scale over the next two to three years. “Over time, this will become the standard that people expect,” she says.

Lake Trust Credit Union of Auburn Hills, Michigan, has recently designed a new branch concept similar to a retail establishment. The pilot project will have only 1,200 square feet and will be located in the Auburn Square Shopping Center, directly across from the local university. It will focus primarily on specialized areas of service.

West Virginia United FCU (recently renamed Element FCU) of Charleston, West Virginia, has replaced all its teller stations with iPad locations, where a Member can plug in his or her tablet or other Internet-ready device. The transaction is then conducted without filling out forms and utilizing a teller.

Of course, the most established option for “greater service with fewer locations” is a national shared branching network. Presently more than 16% of all CUs nationwide are members of shared branching networks. Some states, like California, have almost 100 Credit Unions sharing more than 500 branches.

CONCLUSION

Last year Aite Group surveyed 1,115 consumers. Their report showed that mobile banking users and users of Internet devices will triple by the year 2016.

Is the branch dead? It clearly is not. But there will be a shift in the way branches operate.

Is the branch dead? “It clearly is not,” according to Mark Weber, of Weber Marketing Group. But, he feels, there certainly is a huge shift coming in many aspects of the way branches operate.

Consequently, many Credit Unions are already studying their branch strategy, updating it to a greater on-line structure. ◆