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Mission and Market Key to Branch Placement

Before building new branches, banks need to first consider what their underlying goals are and understand exactly what market they are trying to reach.

"It all needs to start with a rigorous definition of the mission," said Shaun Pond, senior vice president for sales in the western region for Norcross, Ga.-based [IBT Enterprises LLC](#). "Why do we propose to spend the money on this branch?"



*Branch placement is
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possible.*

Possible answers to that question include growing the customer base, protecting market share and gaining a greater share of customers' wallets, Pond added. He spoke November 15 during an IBT-hosted Webinar entitled "The Art and Science of Branch Placement."

After agreeing on the purpose of the new branch, Pond said, the next step is to scope out the specific market area being targeted. Branch planners should look to publicly available demographic and trend data about the consumers who live and work there and businesses that are based in the trade area, he said.

Much of this information, Pond pointed out, is freely available from the [U.S. Census Bureau](#). Banks should also do competitive research on other financial institutions located in the same area, he said.

"Branch placement is the art of the possible," Pond said. "Unless you have something to compare against, you won't know how well you're doing."

Only after considering the mission and the market should branch planners examine potential locations and potential branch styles, according to Pond. Important issues include the proximity of major roads, competitor locations, what other businesses are located in the vicinity, how accessible the site is from the road and available parking spaces, he said.

For example, a branch site next to a popular cafe or copy shop might benefit from the pedestrian traffic those other businesses would attract, Pond said. Likewise, if the prospective spot were to share a small parking lot with companies whose employees routinely filled the lot, or the site was set back in a place that offers low pass-by visibility or difficult access from major roads, an otherwise good-looking storefront might make for a poor branch location, he added.

Pond suggested that banks consider the pluses and minuses of all kinds of branches, including traditional storefronts, in-store branches and workplace locations. Traditional branches, for example, offer a bank more space, control and design freedom, but typically require more capital investment to build and time to develop, he said.

Storefronts, on the other hand, offer built-in consumer traffic and can be less expensive and time-consuming to get started, but make for a smaller space, possess less parking for customers and tie the branch's success to the adjacent retailer. Workplace locations also offer low overhead and limited on-site competition, along with a more limited base of potential customers, Pond added.

Pond cautioned banks to avoid the "me-too" strategy of copying what may have worked for other banks in an area and consider going with a smaller space, since many banks may find that they can achieve their goals with a less expensive space. He added that banks need to be careful not to "fall into the trap of thinking the right size [of branch] will compensate for something with an access or visibility or parking problem."

"If any of those factors is not right, you're going to have to work very hard to make it happen," Pond said.

(For more on branch placement and design, see "[The Laws of Customer Attraction](#)" in the March/April 2006 issue of *BAI's Banking Strategies*. Also see "[Branch Design: Learning from Retailers](#)" in the November 13, 2007 issue of *BAI's Banking Strategies Retail Delivery Insights*.)

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