

Case Study

Alternate Delivery Systems

Community Bank Multi-Channel Delivery System

The Challenge

The Executive Management of a large family-owned, privately held community bank discovered that their bank had an extremely low loan to deposit ratio.

This condition was brought on by the fact that the bank had up to 90% deposit market share in some of its markets, yet the economic conditions of these markets did not make them good credit markets.

The bank needed to find a cost effective means to penetrate new markets where the credit quality would be much better, resulting in more loan opportunities.

Key Management Issues

- How can we effectively and efficiently enter new markets to leverage the desired loan opportunities?

The Action

This community bank retained the services of Align FSC, specifically a seasoned consultant with extensive experience in Electronic Banking and Alternative Delivery Systems to assist the bank in developing both a strategy to penetrate new markets in a larger metropolitan area and to find an economical solution that would be more cost effective than de novo branches.

The consultant quickly became a trusted advisor to the Executive Committee of the bank, assessed the situation and designed an approach to address the executive team's specific expansion needs.

The Result

The proposed solution for this bank was to use specially designed storefront facilities located in upscale areas of a major metropolitan area, developing a new brand in these new markets so as not to cannibalize the existing brand.

These new facilities were focused on loan production and offered investment and brokerage services through a business partner. Teller services were not offered at these locations. The facilities and the new brand were supported by ATMs and video display boards as well as a robust internet banking offering, a call center and an IVR.

In an interesting twist and turn to this engagement, the Align FSC consultant discovered that this Community Bank had a more important and more pressing organizational issue at hand than the one he was hired to solve.

The bank was struggling with management succession as the older generation of leaders ultimately gave way to their respective family members to run the bank.

Despite having a solution that met the bank's requirements, the consultant recommended that the bank postpone moving forward with this multi-channel delivery system until the executives involved in running the bank could resolve their philosophical differences and develop an effective succession plan.