



BRANCH CLOSURE STRATEGY
STRATEGY TO SELECT THE
CANDIDATES FOR CLOSURE

U.S. banks have begun taking advantage of their customers increasingly using digital channels. As a result of this shift, banks are consolidating their branches and shifting services online. Banks save money through lower maintenance costs and are able to focus more on providing better offers and services, resulting in improved customer acquisition and retention rates.

EXL's client was looking to optimize their network channels by consolidating branches that were not playing a key role in the growth of the bank.

Using a combination of financial market expertise and deep analytics experience, EXL helped the bank to decide which branch to close during the branch consolidation process by evaluating each branch in the network of a bank

Context

EXL's domain expertise provided insight into the key metrics impacting household attrition and sales losses that can stem from closing a branch.

To start with, there is a need to identify the number of households associated with the each branch, as well as those domiciled to branch or transacting in the branch.

Key metrics were then identified to help in evaluating the value of the branch. These metrics included:

Branch deposit balances: Household's money held in deposit accounts, including checking, savings, money market securities, term deposit, and retirement accounts

Branch lending balances: The money households borrowed from the bank through credit cards, personal loans, HELOC, and mortgage accounts

Net contribution: The net profit generated for the bank by this branch

Number of transactions: The amount of transactions households perform at a specific branch as a percentage of the total number of household transaction performed across other channels including different branches, ATMs, mobile, web, and over the phone.

Household and deposit growth rate: The growth rate of the households associated with the branch and branch deposits compared to the previous year

Product sales: How many products were sold in the past three months, providing a look into the natural openings and cross-selling capabilities of the branch

Distance to the closest branch: If distance to the next branch is higher, then the value of the branch is more. In branch closure, attrition increases with increase in closed branch distance to nearest branch

In final step, the above metrics were combined with different weights based on their importance to create a score for each branch. Branches were then compared and ranked based on their score within each region.

Orchestration

EXL developed a dashboard with branch and region filters that displayed key ranks and metrics for specific branches.

Using this dashboard, the bank could select the right candidate for closure based on these metrics. Additional things the bank could considered were variables related competition information, lease expiration dates, the availability of space, and government rules and regulations.

Outcomes

With the help of this strategic guidance, EXL's client could save money by closing the low performing branches and reallocating the resources to places where they would achieve the maximum return. Estimated incremental savings on top of savings from the current strategy is 10-20%, which could translate to a potential for \$270M - \$540M incremental savings per year.

SOLUTION SUMMARY

Context

- EXL's domain expertise helped us to understand the key metrics which impacts household attrition and loss in sales because of branch closure
- EXL developed a score which defined the value of the branch

Branches were ranked based on these scores to determine the best in each network

Orchestration

- EXL developed a dashboard with all the metrics for ease of use and better visualization
- The client could use a tool to select the candidates for closure based on branch rank and other metrics

Outcomes

- Estimated incremental savings on top of savings from current strategy is 10-20%
- \$270M – \$540M in annualized savings

To find out more about how EXL uses Digital Intelligence to help banks and finance organizations transform, visit [this link](#).



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