



## Leveraging Information & Technology to Build an Effective Distribution Network for your Institution

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## Today's Objectives



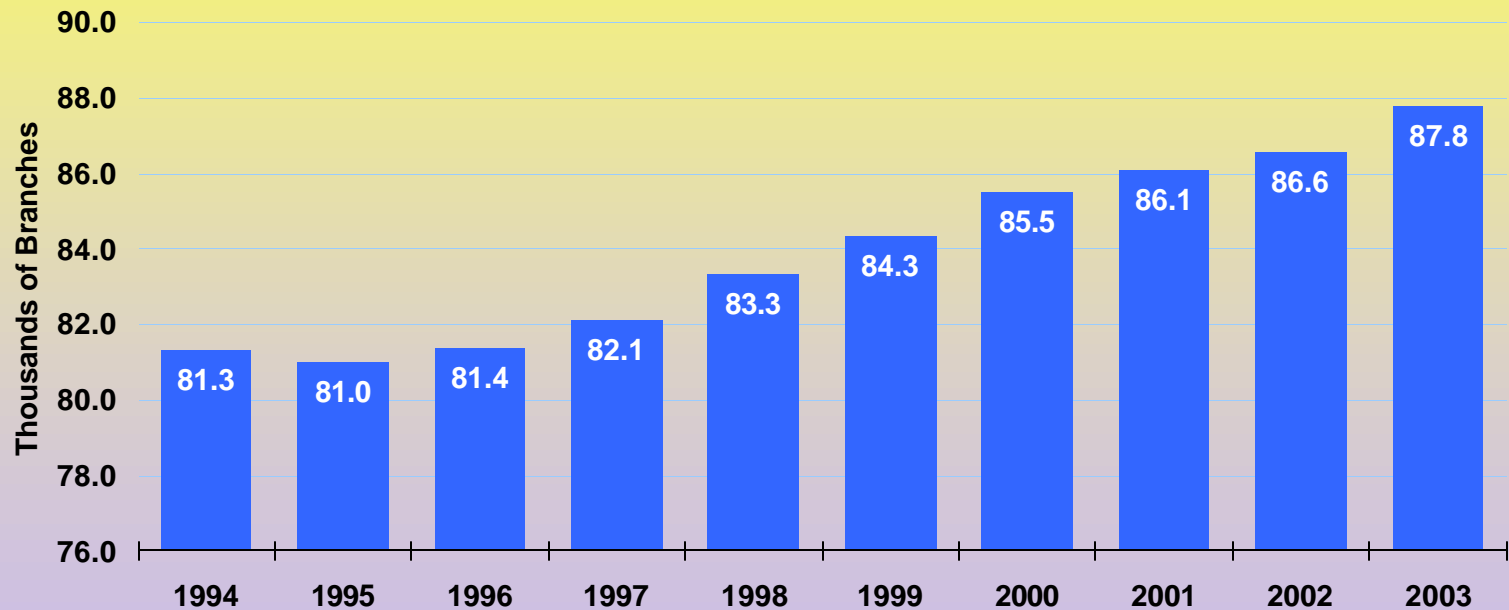
- Understanding customers' use of multiple channels
- Building a toolkit to drive distribution decisions and measure the value of your distribution
- Leveraging technology
  - Designing your branch
  - Focus on the ATM channel
  - Communicating with your store staff



## Wells Fargo Vision

*Satisfy all our customers' financial needs, help them succeed financially, and become known as one of America's great companies and the number one financial services provider in each of our markets.*

**Number of Branches  
All FDIC-Insured Institutions**



Source: FDIC

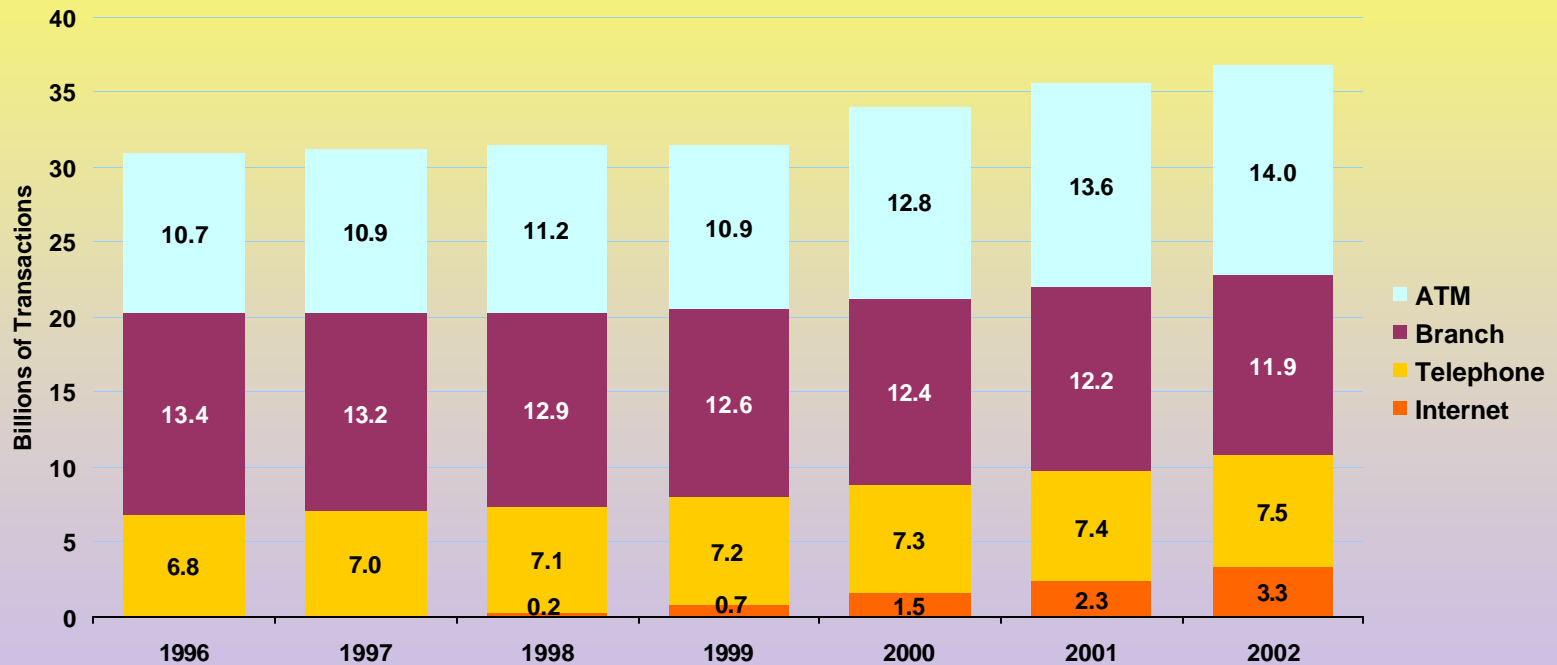
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Despite branch growth, transactions are falling, and customers continue to use all bank channels



Volume of Transactions by Banking Channel (USA)



Source: Celent Communications

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## Not everyone can be successful



- *Denovos* are expensive
  - Free-standing branch can cost up to \$1.0 to \$2.3 million to build and over \$500,000 a year to operate
- Performance varies widely from institution to institution
  - Only 20% of large banks attract an average of \$30 million in deposits per branch during the first 3 years
  - The bottom 20% garner just \$4 million in deposits in the same time period
- You have to understand what will drive success for your bank
  - Location does matter, but so do a host of other things as well

ATM distribution is also important to existing customers and prospective customers



- A Visa survey found that 92% of respondents consider convenient ATMs a key factor in choosing a bank.
- According to a recent Harris poll, 78% of respondents said the ATM was an important part of their life.
  - Respondents considered the ATM more important than e-mail and as important as cell phones.

Most successful retailers, actively manage their distribution network as a process



- Retailers must react to expansion and contraction, and respond to competition.
  - Continually examine each store's performance to measure the individual value as well as the network benefit of each location.
  - Open stores in growth markets and close under-performing or redundant locations.
- Banks should also be constantly opening and closing stores to capture growth and improve network efficiency.



Wells Fargo has a disciplined analytic process that allows for fact-based distribution planning



- How good is the network at reaching potential customers?
- Where do we have gaps in our distribution network?
- How effective are we in exploiting the network to expand share?
- How are we doing in relation to our competitors?
- Are we keeping up with overall market growth?
- Where is the best use of our investment capital?
- How well are our new stores performing compared to goal?

An analytical toolkit based on individual store and ATM  
*Patronage* is used to evaluate the distribution network



- Where are my customers coming from?
- What is the precise trade area of a store or ATM?
- How do the trade areas of different stores overlap?
- What will the network impact be if we consolidate or open a store?

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Distribution Strategies Group



Launch

Monday, March 29, 2004

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MarketSmart is a custom web-enabled application created to allow for fact-based decision-making by region and finance managers.

Analysts in Distribution Strategies perform detailed financial and market analysis to help senior management understand the impact of modifying the store network. Users across the bank can search, access, and analyze customer and market information to better understand the distribution network. [More benefits...](#)

[Teamworks](#)

The information on this web site is to be viewed by authorized Wells Fargo personnel only.

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## ENTER STORE SEARCH INFO IN ONE OF THESE FIELDS:

OUTLET ID  (EG. WF00001)ATM SITE ID  (EG. 763)ATM ID  (EG. 2257W)

## OR ENTER CRITERIA IN ONE OR MORE OF THESE FIELDS:

STORE AU  (EG. 3732)STORE NAME OUTLET TYPE MARKET AREA  (EG. CENTRAL MARKET)CITY STATE REGION 

## OR ENTER AN ADDRESS TO LOCATE A NON-WELLS FARGO SITE:

ADDRESS  (EG. 525 MARKET ST OR FIRST ST & MARKET ST)CITY STATE 

## LIST ALL STORES BY:

[REGION](#)[MARKET AREA](#)[STORE AU](#)[OUTLET ID](#)[CLOSED OUTLETS](#)

## ANALYSIS/REPORTS:

[PATRONAGE REPORT](#)[BDX REPORT](#)[FDIC REPORT](#)

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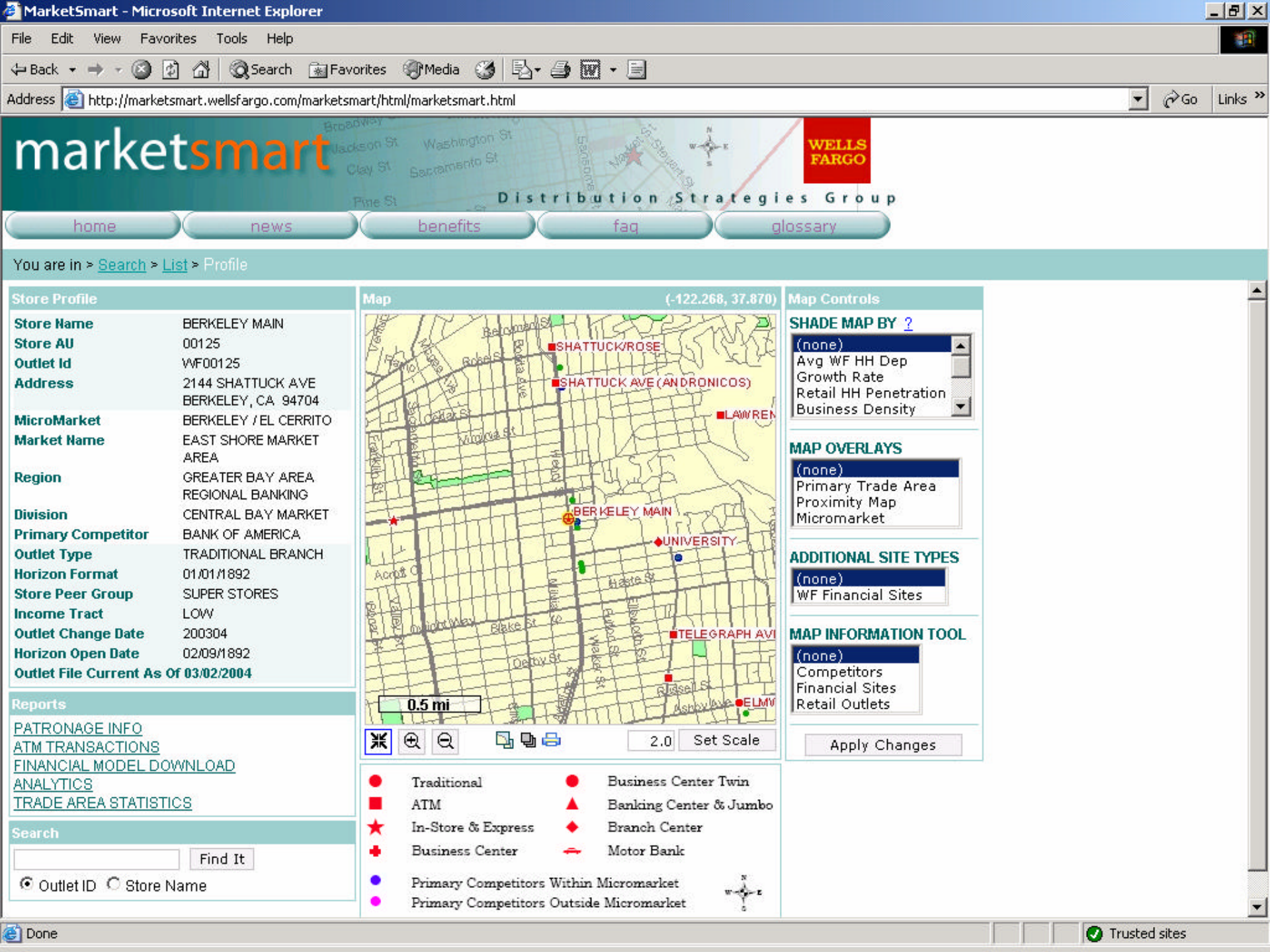
You are in > [Search](#) > [List](#)

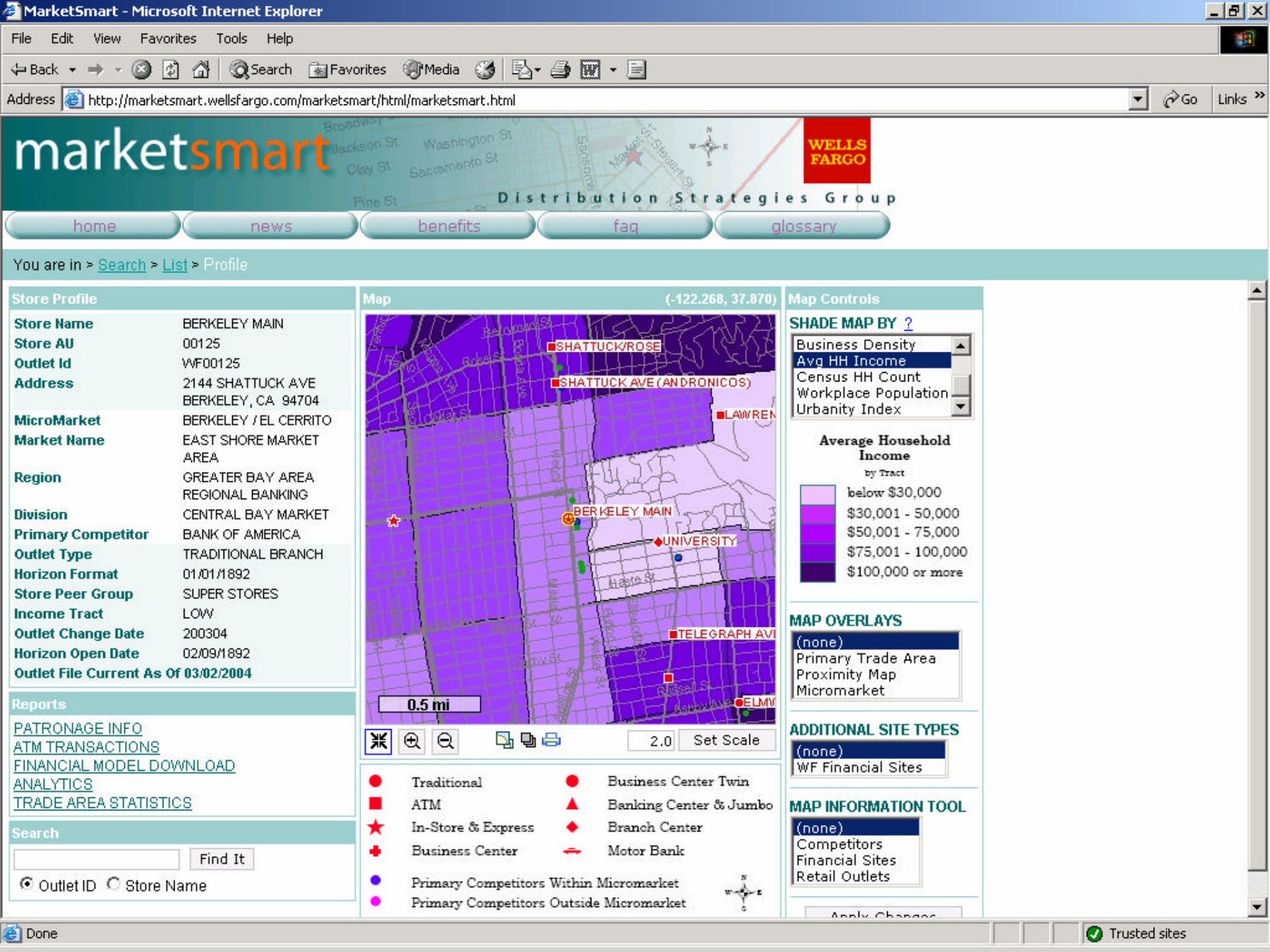
Search results for TRAD, BERKELEY

4 matches

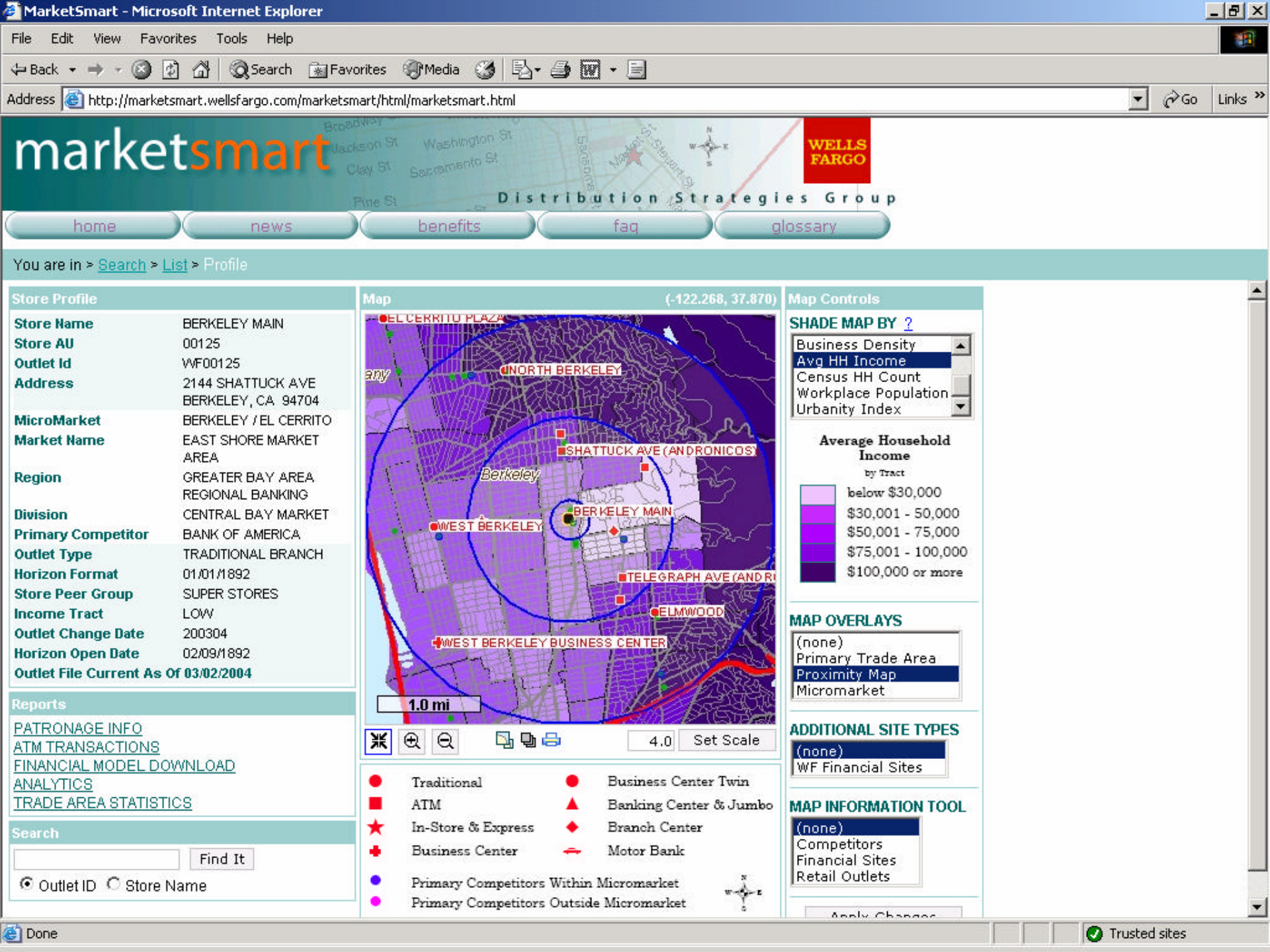
OUTLET ID	STORE AU	STORE NAME	FORMAT	ADDRESS	MARKET AREA	REGION
<a href="#">WF00125</a>	00125	BERKELEY MAIN	TRADITIONAL BRANCH	2144 SHATTUCK AVE	EAST SHORE MARKET AREA	GREATER BAY AREA REGIONAL BANKING
<a href="#">WF00129</a>	00129	ELMWOOD	TRADITIONAL BRANCH	2959 COLLEGE AVE	EAST SHORE MARKET AREA	GREATER BAY AREA REGIONAL BANKING
<a href="#">WF00132</a>	00132	NORTH BERKELEY	TRADITIONAL BRANCH	1800 SOLANO AVE	EAST SHORE MARKET AREA	GREATER BAY AREA REGIONAL BANKING
<a href="#">WF00141</a>	00141	WEST BERKELEY	TRADITIONAL BRANCH	1095 UNIVERSITY AVE	EAST SHORE MARKET AREA	GREATER BAY AREA REGIONAL BANKING













## What factors are critical to de novo success?

Top 20% of new branches will outperform the bottom 20 by a factor of 10, but there is no consensus about what accounts for the discrepancy

### First Manhattan Consulting Group

- The predictive power of location in explaining performance is about 0.
- Same store sales of mature branches is the best predictor of *de novo* success.

### MarkeTech Systems International

- 70% of *de novo* deposit formation success is explained by location-related factors.

## Locational factors impacting denovo success

### Location Characteristics

45-55%

Nearby Retail Environment  
Relative Brand Strength  
Facility Characteristics  
Consumer Channel  
Preferences  
Bank at Home vs. Bank-at-Work  
Small Business Demand

### Location Demographic Data

20-25%

Simple Demographic Data  
FDIC Data  
Competitor Counts

### Execution

25-35%

Implementation  
Staff Performance  
Overall Execution

Source: MarketTech Systems International

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## Develop a disciplined analytic process that allows for fact-based distribution planning



- How good is the network at reaching potential customers?
- Where do we have gaps in our distribution network?
- How effective are we in exploiting the network to expand share?
- How are we doing in relation to our competitors?
- Are we keeping up with overall market growth?
- Where is the best use of our investment capital?
- How well are our new stores performing compared to goal?
- Are you measuring where your customers are *transacting* or where they are *domiciled*?
- What locations have been the most successful?
  - Identify these attributes and mirror them in the selection process

## Using technology as a complement to traditional brick and mortar in the design of your branch



- Customers visits to branches have declined from an average of 4.4 visits per month in 1995 to 2.9 in 2003
- Maximize the opportunities for contact
- Promote access and ease of use
- Maximize retailing concepts
- Change customers' perception of the branch and the bank



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## Integrate sales and service areas



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## Create multiple points for customer contact



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# Create multiple points for customer contact



**Bank of Bermuda**

ATM Entry Area - Merchandising Kiosk & Contact Desk

**Ryan Willer Associates**

**Turner Design**  
4-23-03

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## Create multiple points for customer contact



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## Fully automate small facilities



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## Showcase brokerage access



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## Showcase alternative delivery



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## Showcase alternative delivery



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## Fully automate portions of a large branch



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## Provide self-service online workstations



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## Provide self-serve online work stations



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## Maximize retailing concepts



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## Maximize retailing concepts



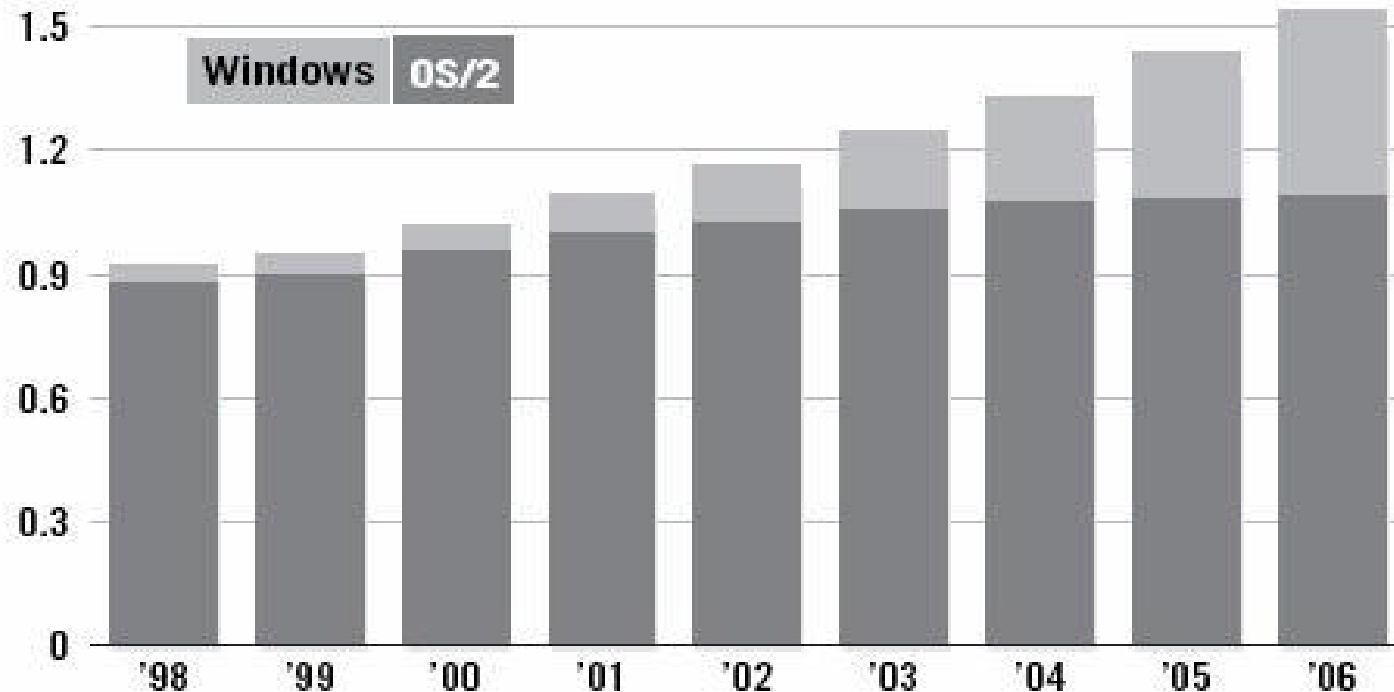
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The ATM channel should be included as part of your overall bank design

## Higher Tech

By 2006, nearly 30% of the world's ATMs will be running Windows, TowerGroup says



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More than 5,500 *webATM*® machines – 90% of all Wells Fargo ATMs – are serving customers in our 23 states.



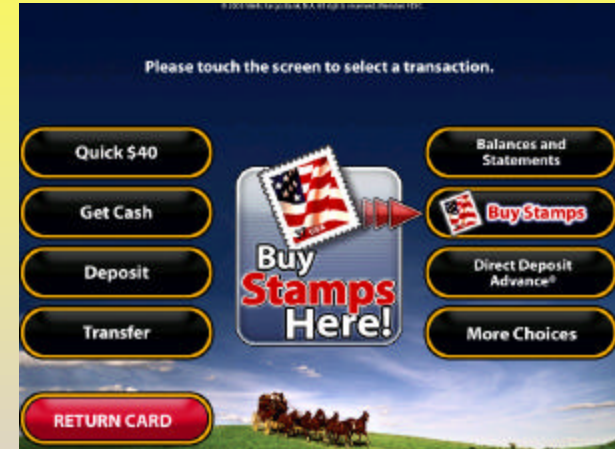
## Legacy ATM



### Key Features:

- Animated, Full Color Advertising
- English, Spanish
- OS2 Operating System

## *webATM*® machine



### Key Features:

- MyATM® customization
- Audio Guidance
- Targeted Video Advertising
- Branded screen flow
- English, Spanish, Chinese, Hmong
- Windows Operating System
- Faster processing times

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Cross selling becomes more of a challenge when customers are conducting more transactions in electronic channels

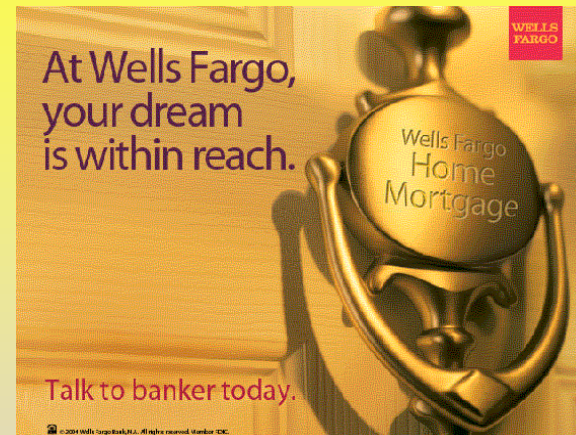


- Banks continue to invest more in branches in an effort to grow revenues.
  - But will we lose touch with customers as they begin to transact more of their normal business through electronic channels?
- Direct marketing vehicles have limited success.
  - Over 50MM names on National “Do Not Call” list.
  - Median direct mail response rate is 1.5%.



## 1. Welcome Screen

- Continuously cycles on the screen before a customer puts ATM card in the machine.
- Message can be targeted to the ATM (geographically).



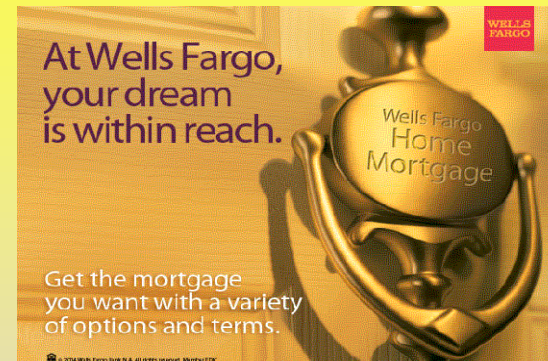
## 2. Transaction Processing Screen

- Displays while ATM communicates with the host to authorize the customer's transaction.
- No impact to transaction time.
- Message can be targeted to the ATM (geographically) or customer.
- Interactive feature captures customer response.



### 3. Thank You Screen

- Displays briefly after the transaction is completed.
- Message can be targeted to the ATM (geographically).
- Only static images are used here because of the short transaction time.



### 4. Receipt

- Pre-printed, 4-color, magazine-quality image on back of receipt
- Reinforces primary marketing campaign or screen message.
- Can provide special information such as web addresses or fulfillment information.



# Wells Fargo's Keys to Successful ATM Advertising



1. Keep messages relevant to your products and services.
2. Integrate messages with your other channels.
3. Don't increase transaction times.
4. Avoid features that may annoy your customers.
5. Listen to your customers.
6. Track your customers' purchasing behavior.

An advertisement for Wells Fargo Home Mortgage. It features a family of four (two adults and two children) sitting on a lawn in front of a large house. The text reads: 'You've Got An Inside Advantage With The Nation's #1 Retail Mortgage Lender.' followed by 'Would you like a Wells Fargo Home Mortgage Consultant to contact you for special customer discounts and financing options?' and 'Press yes below.' At the bottom are two large green buttons labeled 'NO' and 'YES'. In the top right corner are the 'WELLS FARGO' and 'HOME MORTGAGE' logos. Small text at the bottom left provides licensing information for New Hampshire and New Jersey, and a copyright notice for 2003 Wells Fargo Home Mortgage, Inc. is at the bottom left.



## Understanding customers' current transaction experience helps create an appropriate message



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**You have insufficient funds in your account.  
Please check your available balance or call  
Wells Fargo Phone Bank™.**

**Overdraft  
Protection** Sign-up and funds will transfer  
from the credit available on your  
Wells Fargo Credit Card to cover your  
future cash withdrawal requests.

**It only takes three business days  
to process your enrollment.**

**Would you like more information?**

**NO** **YES**

A horse-drawn carriage is visible in the background of the lower portion of the screen, set against a blue sky with clouds and a green field.

## Technology to communicate with front-line personnel



- Maximizing points of customer contact
- Information to guide selling efforts at the teller line
  - Teller sales alerts
  - Hot link to a view of the customers total relationship
  - Instantaneous customer offers
- Platform systems to capture critical customer data
  - Online profiling
  - Customer portfolio management tools
    - Tickler files

## Building World Class Distribution



- Understand your customers' channel usage patterns.
- Consistently and constantly analyze distribution decisions.
- Measure the impact of your distribution decisions.
- Design around customer behavior and contact to maximize the power and reach of all of your outlets.
- Use technology to communicate with customers of electronic channels as well as in your branches.