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STRATEGIC FM FOR BANK FACILITIES

Condition assessments to document operational status, financial value and conformance with regulations are often a precursor to more efficient bank operations

A bank's facilities play an important role in supporting its objectives for attracting customers, retaining employees and operating efficiently. Yet many organizations are only beginning to truly view their facilities as strategic assets. Retail banks can more effectively align facility management and spending with business goals by supporting customer acquisition and retention, increasing employee retention and productivity, reducing operational costs and enhancing efficiency.

A STRATEGIC APPROACH TO FACILITIES OPERATIONS REDUCES COSTS AND ENHANCES EFFICIENCY

In recent years, most banks have undertaken cost-cutting programs as they have consolidated and re-engineered operations. When it came to facilities spending, however, banks often find that they have little detailed or consistent data on which to base decisions about where spending could be curtailed, or where a minor investment could yield a high return. Therefore, facility condition assessments to document operational status, financial value and conformance with regulations are often a precursor to operational efficiency initiatives.

UNDERSTANDING LONG-TERM COSTS AND PRIORITIES

Before banks can put a long-term capital plan together, they need to address the following questions:

- Do my current assets align with business forecasts and goals?
- How do my organizational objectives impact the value of my portfolio over the long term?
- How much money will we need and when?
- What are the cost differences between operating a current facility and building new?
- What are our environmental objectives for our existing building infrastructure?

In order to make smart decisions about capital investments, banks need to maintain up-to-date information about facility and system condition. It is also important to identify the specific criteria for prioritizing capital projects. Some of the common criteria that banks use to evaluate the priority of capital investments include ownership, term remaining on lease, and facility size, function and condition.

By employing statistical ranking methods including pair-wise comparisons, retail banks can simplify the process of comparing multiple criteria, and of ranking requirements based on organizational priorities.

Generally, banks invest more in facilities that they own or lease under a triple net lease contract than shorter-term leases. Similarly, they tend to focus more on maintaining detailed data for owned facilities. However, a detailed understanding of deferred maintenance requirements and costs can also provide important leverage in the case of leased facilities where a significant portion of this cost is the landlord or property manager's responsibility. This detailed information provides a strong foundation for lease-versus-own decisions, and choices about new building investment.

PROMOTING EFFICIENCIES THROUGH STANDARDIZATION

Consistent retail branch layouts are one method banks are using to support greater operating efficiency. By developing a common floor plan and employing standard equipment, banks can reduce design and procurement costs, while helping direct customers to the services they want in any branch. Some banks are also incorporating new marketing components into their layouts – for example, placing large-screen televisions in high-traffic customer areas to promote additional services. Standardizing such elements across branches helps banks ensure successful approaches are effectively replicated.

An initial step in implementing consistent layouts involves location surveys, including maps of current service locations. Banks often also document customer traffic – what

TALKING POINTS

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paths customers typically take and what they see on those paths – to better align media and services with bank goals and improve the customer experience. This can also be an opportunity to identify differences in local markets which may require adjustments to the standard layout to promote the growth and profitability of regional franchises.

IMPROVED CUSTOMER EXPERIENCE DRIVES REVENUE GROWTH

Achieving sustainable organic growth in the competitive retail banking market means attracting and retaining customers. Following a wave of customer relationship management (CRM) implementations, banks are now increasingly looking to create a better customer experience within retail branches.

Banks have also renewed their focus on aesthetics, with changes such as the use of warmer materials and lighting to achieve a look and feel more similar to a hotel reception desk. By locating services and media elements along the "customer path," banks are looking to offer a similar customer experience across branches. Effectively managing the implementation of these kinds of changes requires banks to have detailed information about the layout and condition of their branches. Ultimately, they need to be able to prioritize upgrades and schedule projects cost effectively with minimal business interruption.

MINIMIZING THE RISK OF BUSINESS INTERRUPTION

Downtime from equipment failure is expensive. For an industry that relies on ATMs and back-end transactional systems to serve customers, minimizing business interruptions and pinpointing areas of risk associated with outdated structures or systems is critical to satisfying customers and avoiding additional expenditures.

There are two major components to mitigating the risk of business interruption. The first is quantifying the current cost of deferred maintenance. Postponing this can greatly increase maintenance and replacement costs. For example, the breakdown of an electrical panel supporting many computer systems could result in losses of $30,000 per hour. Addressing deferred maintenance requires accurate information about the condition, life cycle and value of capital assets. This information serves as a basis for prioritizing requirements, bundling them into cost-effective projects and creating an optimal project schedule.

The second component of risk mitigation is disaster planning. In addition to knowing the age and condition of facilities and their major systems and equipment, as well as the costs of repair and replacement, retail banks need contingency plans for how they will conduct operations in case of a disaster such as a hurricane. Many banks have disaster recovery centres that are maintained in standby mode. If a critical call center or data center goes down, the alternative facility needs to be fully operational within hours. Therefore, such facilities should not be overlooked in the assessment process, and banks need to monitor key metrics and investment in these secondary facilities.

By transforming FM and planning from a reactive process to a forward-looking, strategic one, retail banks are improving top line revenues and lowering operating costs

Finally, a reduction of deferred maintenance can not only reduce a bank's risk of downtime, but can also add value to a bank's real estate portfolio and, consequently, the price of common stock.

SUSTAINABILITY OBJECTIVES

Many banks are focusing on sustainability efforts within their facilities as a way to increase efficiency, save funds and present themselves as good corporate citizens. Banks that seek LEED® (Leadership in Energy and Environmental Design) certification may pursue projects that meet the certification criteria, such as recycling at least 55 per cent of demolition materials; using recycled and renewable materials; installing low-energy HVAC systems, appliances and computers; maximizing the use of natural light; and being located near public transportation.

Other sustainability options focused on energy efficiency include light sensor systems that monitor sunlight levels and plumbing fixtures that reduce water usage. Eco-friendly banks are making sustainability part of their brand messaging as they promote 'reduce, reuse and recycle' concepts with their customers, who increasingly expect to do business with environmentally responsible companies.

Sustainability adds another dimension for facility planners. When evaluating greening opportunities, capital planners must compare 'in kind' replacement cost versus the cost of sustainable alternatives. The evaluation must compare the life cycle, direct savings and payback of each green alternative to the 'in kind' replacement.

LEVERAGING THE STRATEGIC VALUE OF FACILITY ASSETS

By transforming facility management and planning from a reactive process to a forward-looking strategic planning process, retail banks today are improving top line revenues and lowering operating costs. This approach enables retail banks to operate more efficiently and better compete for customers, employees and market share. Facilities capital management and planning provides retail banks with a strategic tool to identify capital requirements and prioritize investment based on business strategy. | **CFM&D**

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