Branches

The first decision in this area is to determine the number of bank ***branches*** your bank will have. While other delivery channels, such as online and mobile banking, have grown in importance, bank branches remain a critical piece of any retail bank's delivery strategy.

In the simulation, the number of branches you have has a direct impact on your Checking Account, Savings Account and Investment Management customers.

Impact on Retention	Checking Accounts	Savings Accounts	Investment Management Accounts
Expected Number of Customers per Branch	5400 - 6300	4800 - 6900	5100 - 6900
Impact on Retention	50%	30%	100%

The chart to the right shows you the range of acceptable customers per branch for each product. If the number of customers per branch is less than this range, retention rates will improve. If the number of customers per branch is higher than this range, retention rates will decrease by the percentage shown.

See Sample Calculation R-15 for an example.

However, there is a cost associated with additional Branches. In the simulation, each Branch costs $950,000 in annual personnel, occupancy and equipment expenses. In addition, each new Branch requires $1.5 million in capital expenditures (which is depreciated over 20 years).

Fixed Cost for each Branch:
$950,000 in annual operating expenses
$1.5 million in capital expenditure

Note: According to Simulation Regulations, you cannot increase (or decrease) the amount of your branches by more than 10% in one round without approval from the Simulation Instructor.