

## NILS BAKER

Nils Baker, vice president of a large regional retail bank in the United States, always loved talking to strangers about their banking needs and habits. Such conversations gave him unfiltered, firsthand insights about what people thought of retail banking; he ultimately wanted to use those insights to improve his bank's offerings.

So when a middle-aged woman sitting next to him on a US Airways flight from Philadelphia, Pennsylvania, to Lisbon, Portugal, started complaining about how difficult it was for her to buy euros at her local bank, Baker was expecting another insightful conversation.

She was frustrated that the bank she usually went to did not carry euros. Consequently, she was forced to withdraw dollars and later exchange them for euros when she arrived in Europe. To have some pocket change upon arrival, she exchanged \$100 at the airport, at what she believed to be an "outrageous" exchange rate.

In response, Baker mentioned that he worked at a different bank—not the one she used—that could have solved her problem. If she were a customer at his bank, she could call a special toll-free number and buy foreign currency over the phone at a very competitive rate. The currency would then be shipped either to her local branch at a nominal fee or directly to her via secure courier mail at a substantially higher cost. He also mentioned other convenient services his bank offered and asked if she might consider opening an account with his bank.

He was delighted when she said she might. Specifically regarding euros, she said she did not intend to use the courier delivery service; she preferred to pick the euros up at her local branch.

This made Baker think about whether the presence of a physical bank branch created demand for his bank's checking account service. This question seemed particularly timely to him, since shortly upon his return from Lisbon, he was scheduled to attend a meeting with the Personal Accounts Services (PAS) group at the bank.

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This case was prepared by Anton Ovchinnikov, Assistant Professor of Business Administration, Phillip E. Pfeifer, Richard S. Reynolds Professor of Business Administration, and Nathan Call (MBA '08). It was written as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Names and data have been disguised. Copyright © 2012 by the University of Virginia Darden School Foundation, Charlottesville, VA. All rights reserved. To order copies, send an e-mail to [sales@dardenbusinesspublishing.com](mailto:sales@dardenbusinesspublishing.com). No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of the Darden School.

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Worried that he might forget to follow up on this idea, he took out his laptop and sent a quick note to Anna Gruer, one of his PAS associates:

*Hi Anna,*

*Greetings from 30,000 feet over the Atlantic!*

*I was thinking about the upcoming PAS meeting...here is an interesting question: Is the presence of a physical bank branch creating demand for checking accounts? Intuitively it should, but could you check to see if the data support this? I am on e-mail while in Europe, so send me a quick summary when you have something.*

*NB*

Gruer was excited to receive such a request. She pulled data for 120 Metropolitan Statistical Areas (MSAs): total number of households, number of households that held checking accounts with her company's bank, and whether there was a physical branch of the bank in the area. All areas she analyzed contained the bank's ATMs. Areas that had physical bank locations were said to have an "inside footprint." Conversely, areas that did not have physical branches, (but had ATMs) were said to have an "outside footprint." **Exhibit 1** presents the first and last 10 MSAs from the dataset.

She got herself a cup of tea with milk and was ready to spend a couple hours working with these data, hoping to get back to Baker by the end of the day.

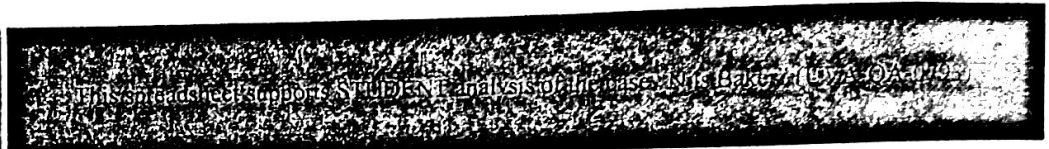
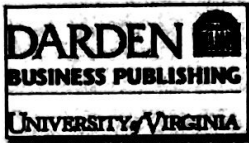
Exhibit 1

**NILS BAKER**

**Dataset Snapshot (first and last 10 MSAs)**

ID	Total Households in Area	Households with Account	Inside/Outside Footprint
1	1,772,960	17,563	Outside
2	1,345,209	14,547	Outside
3	960,434	10,847	Outside
4	928,274	18,133	Inside
5	893,995	5,291	Outside
6	812,137	6,297	Outside
7	748,942	9,195	Outside
8	722,804	8,547	Outside
9	603,903	3,725	Outside
10	595,213	3,218	Outside
...	...	...	...
111	15,699	336	Outside
112	15,341	219	Outside
113	13,002	246	Inside
114	10,731	1,466	Inside
115	9,513	137	Outside
116	9,025	338	Inside
117	8,843	42	Inside
118	8,480	284	Outside
119	5,019	87	Outside
120	1,799	13	Inside

Data source: Company documents.



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Aug. 7, 2012

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7	748,942	9,195	Outside
8	722,804	8,547	Outside
9	603,903	3,725	Outside
10	595,213	3,218	Outside
11	562,390	7,621	Outside
12	542,007	11,225	Outside
13	489,865	5,735	Outside
14	440,767	5,703	Outside
15	339,224	3,474	Outside
16	332,315	5,450	Outside
17	325,698	4,777	Outside
18	287,628	1,998	Outside
19	275,046	2,937	Outside
20	254,036	4,790	Outside
21	245,942	2,172	Outside
22	227,997	8,092	Inside
23	217,511	1,761	Outside
24	202,815	2,098	Inside
25	176,018	2,163	Outside
26	170,380	1,726	Outside
27	170,222	1,273	Outside
28	158,496	2,090	Inside
29	158,489	1,066	Outside
30	154,349	1,850	Inside
31	151,797	2,283	Outside
32	146,332	5,870	Outside
33	146,119	1,921	Outside
34	142,345	3,106	Outside
35	135,681	1,376	Outside
36	133,114	1,196	Outside
37	125,420	879	Outside
38	124,506	1,178	Outside
39	124,379	2,517	Inside
40	116,390	2,938	Inside
41	105,192	642	Inside
42	100,405	2,896	Inside
43	100,089	868	Outside
44	96,897	1,866	Inside
45	89,566	2,457	Outside
46	81,025	1,013	Inside
47	77,940	1,238	Outside

48	76,094	1,183	Outside
49	69,325	702	Inside
50	67,422	362	Outside
51	63,131	486	Outside
52	55,466	360	Outside
53	52,500	462	Inside
54	52,194	668	Inside
55	51,251	356	Outside
56	49,698	510	Inside
57	49,410	804	Inside
58	48,064	769	Inside
59	47,816	467	Outside
60	47,332	314	Outside
61	44,833	545	Outside
62	44,805	280	Outside
63	44,391	282	Outside
64	43,791	295	Outside
65	43,661	275	Inside
66	43,040	817	Inside
67	40,755	435	Inside
68	40,587	330	Inside
69	40,531	333	Inside
70	39,960	277	Inside
71	39,958	411	Inside
72	39,692	472	Inside
73	38,144	350	Inside
74	37,553	376	Inside
75	37,458	198	Outside
76	36,157	365	Inside
77	36,149	1,044	Inside
78	36,008	340	Outside
79	35,222	252	Inside
80	34,366	378	Inside
81	33,678	669	Inside
82	33,240	658	Inside
83	32,453	497	Inside
84	32,420	383	Outside
85	31,943	398	Inside
86	30,731	344	Inside
87	30,560	482	Inside
88	29,560	198	Inside
89	29,077	842	Inside
90	29,034	177	Inside
91	28,341	158	Outside
92	27,735	495	Inside
93	27,012	255	Inside
94	26,547	439	Inside
95	26,384	146	Outside
96	26,220	466	Inside

97	25,748	585	Outside
98	23,764	791	Outside
99	23,522	255	Inside
100	23,435	171	Outside
101	23,217	297	Inside
102	22,696	202	Inside
103	22,018	441	Outside
104	21,122	112	Outside
105	21,025	159	Outside
106	20,900	149	Outside
107	20,880	156	Outside
108	19,259	285	Outside
109	17,121	482	Outside
110	16,200	105	Inside
111	15,699	336	Outside
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