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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.

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.

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

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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.