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Grocery Store Branches Increasing at Slower Clip

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The number of supermarket bank branches has grown at a reduced rate this year, according to a survey by International Banking Technologies. As of Dec. 14 there were 7,100 grocery store branches in the United States, up 10.4% over last year, said the Atlanta-based consulting firm, a unit of First Data Corp.

By contrast, from 1996 to 1997, the number of supermarket branches jumped 34.5%, to 6,443, said John W. Garnett, president and chief executive officer of International Banking. Mr. Garnett attributed the slowdown to lingering questions about profitability. thought considerably cheaper to build and staff than a conventional branch, supermarket branches do not yield the returns of their brick-and mortar counterparts, experts say.

Banks must take an aggressive, sales-oriented approach to make grocery store branches profitable, they added. "If the bank views and operates the in-store branch as both a sales center and a service center, in-store branching can be a very profitable part of the distribution network," said Kim Sutherland of Market Line Associates, a research firm based in Atlanta.

Banks should hire people with sales experience, rather than traditional branch employees, the survey said. Additionally, banks must push the staff of in-store branches to approach shoppers in the aisles and persuade them to become bank shoppers in the aisles and persuade them to become bank customers. "In-store branching is not a 'build it and they will come' proposition," Mr. Garnett said.

Bankers with successful supermarket operations agreed. William A. Cooper, chairman of Minneapolis-based TCF Financial Corp., said hiring people who have worked at a retail store such as The Limited are much better equipped to work in a grocery store branch than traditional bankers. "Selling has to be much more aggressive and the hours longer," he said.

Mr. Cooper, who described TCF's 155 supermarket branches as very profitable, said in an interview that many banks fail in their efforts because of a lack of true dedication to the concept. "If you open two or three and don't make a real commitment to it, it is going to fail," he said. International Banking provides design, building, and consulting services to help banks develop successful supermarket branches.

On average, each of the 494 store branches operated by the firm's clients have increased deposits by more than \$4 million and loans by more than \$1 million after their first year of operation. The unit has installed almost 2,000 grocery store branches for more than 450 financial institutions.

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