THE IN-STORE ADVANTAGE

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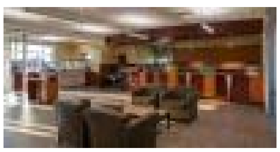
"What sunshine is to flowers, smiles are to humanity. These are but trifles to be sure; but scattered along life's pathway, the good they do is inconceivable."
» Joseph Addison



Still Rooted in Branches

I received a phone call last week from a banking reporter at a market research publication asking me to comment on a report that surprised many industry observers.

For the first time in nine years, the banking industry opened more branches than it closed during a single month.

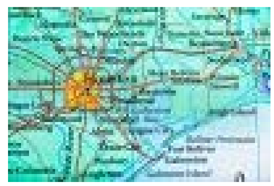
Now, on the surface, that seems like pretty big news. I suggested that it was interesting, but not as shocking as some suggested.

First, this is the year for "surprises".

Also, we should be careful of how much we read into any data points taken during such a peculiar period.

That said, I have argued that the net closures from month to month for the industry over the past decade have not been terribly startling.

For example, a month with single digit net branch closings for an industry of the size and breadth of banking isn't terribly disturbing.



The Gravity of the Matter

About a month ago, a good friend sent me an email with a link to a podcast from American Banker.

My buddy wrote, "Hey, these people talked about something you've been talking about for years, but they're calling it something else."

Okay, that piqued my curiosity. When I clicked over, I found that the podcast was hosted by someone I've known there for a while.

In this particular podcast, she interviewed a PhD researcher, Wei Ke, who is a partner in a strategy and marketing consultancy firm out of New York.

Listening to the podcast, I was interested in hearing Wei discuss what he labeled the "gravitational fields" of bank branches.

Their simple explanation of the term is the "travel time tolerance to a bank branch from work/home."

Their hypothesis is that improved digital banking capabilities are increasing customers' tolerance for travel time to a branch.

Sure, I would have expected that there may have been at least one month with net openings in the past nine years, but…okay. I'll trust the data. It is what it is.

Still, keep in mind that the past decade may have been the most disruptive for retailers in American history.

In that context, total branch numbers have been remarkably stable.

It's hard to think of a single industry that hasn't had its business models and delivery channels impacted by the advent, acceptance, and proliferation of high-speed internet connections.

I kidded with my reporter friend that we too often forget what a different world we are living in during the nine-year period she referenced.

What phone were you carrying in 2011? Did you have a dedicated fax line, or did you have to turn the machine on? (Remember that?) Will that odd new HBO series "Game of Thrones" catch on?

And yet, bank branches remain at the center of the banking universe.

That doesn't mean, however, that they have not changed. Sure, some look almost identical to what they did a decade ago.

Far more have been updated, remodeled, and/or reimagined.

Branch investment doesn't only show up in new branches.

Even as digital banking has taken hold, people's desire for a physical connection to their banks and personal relationships with their bankers, remains exceptionally strong.

The fact that apparently surprises some folks surprises me.

Then again, it's a year of surprises.

As the need for physical visits to conduct basic transactions fall, the "gravitational field" of branches increases.

The friend who alerted me to this was referring to the "shopping circles" analogy I've made for almost a decade now.

I ask folks to think of a map and consider how big a circle they would consider convenient enough to shop for groceries.

Then, I ask them to consider clothing. Then furniture, etc. As the number of physical visits needed goes down, the size of the shopping circle considered "convenient enough" goes up.

Historically, bank branches have had shopping circles akin to grocery stores.

Improved technology has been expanding those circles.

My friend at AB put me in touch with Dr. Ke to compare notes.

(Apologies to Wei for not realizing we were going to do a Zoom meeting instead of a call. I'll shave and put on a nicer tee shirt next time.)

We had a great conversation about their findings and how he thinks (and I concur) it will impact branch networks in the future.

I did have to laugh and point out that my "shopping circles" sounded more Texan and his "gravitational fields" more New York-ish, but we were on the same page.

The good news is that each of your branches can viably compete in larger circles. The challenge is, so can your competitors' branches.

In a hypercompetive industry, branch access remains important to customers.

However long the journey, make your branch experiences worth their trip.

"Now and then it's good to pause in our pursuit of happiness and just be happy."
» Guillaume Apollinaire

Dave Martin, author of The In-Store Advantage, has become one of the most prolific writers in the banking industry. His keynote presentations, seminars, and podcasts have an authenticity and humor that brings teams of all sizes and seniority levels together.

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