

Branch Location high priority to consumers

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Mintel's own consumer research found that three-quarters of consumers indicated that the location of branches is an important factor in choosing a checking account provider. The second most popular criterion, at 71%, was the reputation of the provider. In response, banks have drastically increased their branch expansion efforts--20% in the last 14 years. Despite the ongoing market shakeout that has slashed the number of institutions by more than a third since 1990, the branching craze shows no signs of letting up. Between 1990 and 2004, checking account providers dwindled by about 38% to under 8,000 banking institutions. But in the same time period the number of bank offices, or branches, actually surged forward by 20%, from 62,723 to 74,978 locations.

The traditional checking account business model, dependent on paper checks, is clearly in decline. Between 1979 and 1995, the volume of paper checks issued annually in the U.S. increased, from about 33 billion to approximately 50 billion. However, since that time, the volume of paper checks has plunged by about 26%, and is expected to reach only 36.5 billion in 2004. Paper checks are giving way to alternative forms of payment, such as e-banking and debit cards. Since their introduction, both ATM and debit cards have reduced the need for paper checks and for interactions with tellers.

The trend in market size for consumer checkable deposits has been almost steadily declining: the dollar volume of checkable deposits has been cut in half, from almost \$402 billion in 1997, to only \$191 billion in a sustained market shakeout. But, despite the shakeout, remaining competitors are still furiously building out their branch networks. Mintel estimates that by 2008, checkable deposits will decrease by 12% over 2004 mainly due to trends in online banking and debit cards.

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