

Banks franchising products, services to sidetrack giants

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SAN JOSE, Calif. — Century 21 did it with real estate. McDonald's showed the world it was possible with hamburgers and golden arches.

Now here come bankers franchising names and products nationally to compete against the super non-banks, such as Prudential Bache and Sears, Roebuck & Co.

Perhaps one of the biggest advantages is that franchising also lets bankers make successful end-runs around the federal laws prohibiting interstate banking.

First Nationwide Savings and Loan Association, based in San Francisco, is one of the trailblazers in franchising.

"In 10 years, there will be 20 major players in financial services and I want to be one of those 20," said Anthony M. Frank, its chairman and chief executive officer. "An \$8 billion S&I won't be one. This institution is not big enough to be a major player. But a network with \$50 to \$100 billion in assets, that would make us one of the 20."

Two California financial institutions — First Nationwide, in partnership with Bank Earnings International of Atlanta, and First Interstate Bancorp, a holding company with banks in 11 Western states, are pioneering franchising differently.

First Nationwide franchises only its products, such as advertising, referral cards for check cashing, automatic teller machines and personal financial analysis.

First Interstate, on the other hand, insists on franchisees adopting its name along with its products. In both cases, financial institutions remain independent to determine loan and deposit rates and all operation and employee policies.

Buying as one, banks and S&Is

share the expense of new technology, supplies, services and national advertising.

Different approaches head toward the same goal — building a muscular network of independent financial institutions to battle for market share alongside the giants emerging from banking deregulation.

Franchising is the strategic alternative to merging or selling out in a climate in which 40,000 insured financial institutions are expected to shrink drastically in the next 10 years. Frank expects the number to dwindle to 1,000 in the next decade.

Consumers, who do one-third of their retail shopping at franchised stores, are expected to go for the convenience of franchised financial institutions in a big way. Since franchising isn't designed to strip financial institutions of independence, customers could still get the personal service they are used to at their local bank or S&I.

Frank believes franchises are the perfect way to serve middle America. Unlike the rich, who seek advice from a variety of counselors such as lawyers, stockbrokers and financial planners, the middle class often lacks the time or money to shop for financial advice or investments. Frank sees them hungering for the service of a one-stop shopping environment. A franchise could provide that, he said.

"We want to serve the middle class because everyone else is going upscale," he said. "There's only 4 million upscale customers in the country, and everyone is competing for their hot, white bodies. Let them."

Nine months ago, First Interstate of Los Angeles first launched franchising by signing on the First National Bank of Golden, Colo.