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THE FEASIBILITY OF RELOCATING THE FIRST
STATE BANK OF ALAMO TO AN EXPRESSWAY SITE

By

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B.S., North Texas State University, 1963

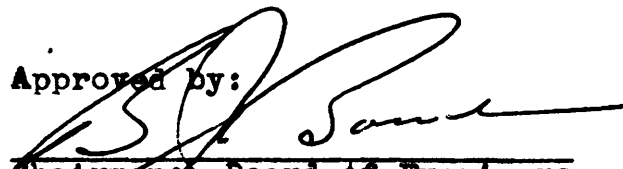
Presented in partial fulfillment of
the requirements for the degree of

Master of Business Administration

UNIVERSITY OF MONTANA

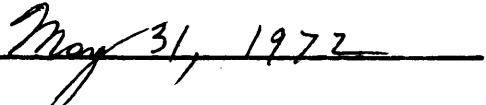
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CHAPTER I

INTRODUCTION

The First State Bank of Alamo is located in Alamo, Texas in the Lower Rio Grande Valley and is the only banking institution in this small rural community. The bank is physically located in the one-block business district of Alamo and has recently experienced "growing pains". Since 1969 the Bank Board of Directors has been considering relocation to solve the immediate problem of limited space. One of the sites considered as a possibility for a banking facility was situated near an expressway recently constructed on the northern perimeter of Alamo.

While examining the possibility of relocation, the Bank Board of Directors retained a management consulting firm in 1970 to study the proposed sites available in Alamo. Based upon the results of its study, the management consulting firm, Independent Research Associates, Inc., submitted a report recommending relocation to an expressway site. The expressway location was favored over two other locations in downtown Alamo.

After evaluation of the report, the Bank Board of Directors decided to remain in the current facilities in

downtown Alamo. Examination of the report indicated that the Board of Directors had little more than superficial information upon which to make an important decision.

In February 1972, the Board of Directors voted seven to six in favor of purchasing an adjacent building for expansion purposes. Both buildings are now undergoing a remodeling process to provide a more modern bank. The old facilities will be used for bookkeeping while the new building will become the main facility of the bank. A drive-in window has been provided one block west of the bank with business being conducted by vacuum tube.

This paper was initiated prior to the decision to remain in downtown Alamo and is an examination of the feasibility of locating the bank on the expressway. Certain assumptions were made and certain areas were not covered, all of which would have to be considered if an actual move were contemplated. These include the actual cost of a new facility and the possibility of another banking institution entering the community. The recent move into an adjacent building was not considered to be part of the study.

The establishment of a branch bank on the expressway was not considered, as branch banking is prohibited in Texas. The law does permit an office such as a drive-in facility for limited purposes, as distinguished from branch banking. However, a drive-in facility for limited

purposes was not considered feasible, as the First State Bank of Alamo requires more customer services than just drive-in windows prior to becoming a full service bank in a competitive position.

The Lower Rio Grande Valley is located in extreme South Texas along the Mexican Border. The four counties in the Valley are Hidalgo, Cameron, Willacy, and Starr. Alamo is located in Hidalgo County, the most populous county in the Lower Rio Grande Valley. The economy of this area is based upon agriculture and the tourist trade. The tourist trade was formerly concentrated in the winter, but it has become a viable industry throughout the year as many people are coming into the area to retire. The population is composed of approximately 50 percent Anglo-American and 50 percent Latin-American. Further description of the economic conditions in the Lower Rio Grande Valley are included in Chapter IV.

The site under consideration on the expressway is located on the southwest corner at the intersection of Alamo Blvd. and the expressway. This intersection is a point of exit and entrance for vehicular traffic entering and leaving the community of Alamo via the expressway. As a result, Alamo Blvd. is the main connecting link between the two principal arteries of transportation in the Alamo area. A very strategic access to the Alamo area is provided by the expressway location which also allows ample space

for building construction. A map showing the expressway location is appended as figure 1. The site is approximately eight-tenths of a mile from U.S. Highway 83 and approximately nine-tenths of a mile from the current banking facilities.

CHAPTER II

BANK LOCATION THEORY

Prior to examination of the concepts of banking location theory, a few general comments must be made about the actual nature of banking. A small bank's principal business is providing the short-term capital needs, often seasonal in nature, of its customers. The bank strives for a last-in, first-out position in relationship to the business borrower with whom the bank has joined in partnership. A bank has many unique characteristics which differ from that of a regular retail or manufacturing concern but remain similar in many other aspects. "Banking as an industry is confronted with the same problems as its industrial and commercial counterparts, generated by the emergence of a 'convenience oriented' American society".¹ All business merchants must acknowledge the fact that the American people have become a nation of comfort seekers, accustomed to time and labor saving conveniences in all facets of daily living.

Banking has proven to have a power of positive induction. This has been shown by the fact that the mere

¹Frederick Davidson, "Locating Branch Banks with Management Science Help", Bankers Magazine, (Summer 1969), p.64.

introduction of a banking facility leads to an increase in deposit potential over that which existed prior to the bank introduction to the area. Other businesses are usually attracted to an area where a bank locates.¹

Convenience in Banking

The banking industry itself is a highly regulated industry. As a service industry, its degree of competitiveness is based upon the concept of convenience. These concepts of competition and convenience are the governing factors in the theory of bank location.

The importance of convenient locations to households was prominent in a survey conducted in Elkhart, Indiana in 1969.² That study revealed that approximately 60% of the households visited their banks more than once a month but less than once a week. While the statistics will vary, the importance of geographic convenience to the customer cannot be ignored. Members of our society insist upon convenience; thus convenience will play an increasingly important part in the individual's selection of a bank.

¹James E. Littlefield, "On the Art of Locating New Banks", Bankers Magazine, (Autumn 1968), pp. 94-102.

²"Customers View a Bank Merger - Before and After Surveys", Business Conditions - Federal Reserve Bank of Chicago, (July 1969), p.5.

An individual will have many different reasons for visiting a bank and the frequency of visits will vary. Local merchants might visit a bank several times during a day for the purposes of obtaining change and making deposits but others will use it less frequently. Most people will not go out of their way, if they can avoid so doing, to use the bank facilities.

Studies of banking habits have revealed different results. While convenience is the banking by-word, it can come in many different forms: mail, telephone, convenient hours, and travel. One principle of bank customer behavior which has been developed through the years is that the most frequent origin and destination for a bank customer is work: work to home; work to work; and home to work.¹ An individual's place of employment is a very important consideration when he selects his bank.

The relationship between shopping and banking must also be studied. Scores of surveys conducted in the early 1960s, plus detailed market research in a number of branch banking states, have lead to a belief that consumers tend to shop after banking, and not to bank after they shop.² Whether or not the banking is a primary trip or a secondary trip will vary in each

¹James E. Littlefield, "On the Art of Locating New Banks", Bankers Magazine, (Autumn 1968), pp. 94-102

²Phillip W. Moore, "Nine Axioms of Branch Bank Locations", Banking, LVI, No.8 (1964), p.62.

individual case. The banking trip could be considered secondary if the person had to obtain funds prior to shopping.

Since convenience has played such an important role in successful banking, many banking facilities have recently located in shopping centers. However, any location considered as part of a shopping center must now be examined closer than previously believed necessary. Previous thought had been that establishment in a shopping center would lead to success.¹ This is not necessarily so. The following are some of the advantages and disadvantages of locating in a shopping center that lend themselves to the study.²

Principle Advantages of A Shopping Center Location

1. The bank can associate itself with an established shopping district where a large number of shoppers can combine banking with other business.

2. The other occupants of the center would usually welcome the bank into the center. A shopping center bank will draw more people into the center and will release the merchant from some of the check cashing responsibilities.

3. There is a built in deposit potential since the firms are there and will tend to bank with the closest

¹Peter Stahel, "Finding the Best Bank Site", Banking, LXI, (March 1969), p. 54.

²Ibid.

facility. The employees in the center will also tend to locate at the bank which is the most convenient.

4. Parking space is usually readily available.
5. Drive-in windows are usually available.
6. A regional publicity value exists through association with the shopping center.

Principle Disadvantages of A Shopping Center Location

1. Transient business loss: A bank in a shopping center loses main road accessibility and convenience. As a result, an opportunity is lost to serve those people who may not desire to get involved in the traffic problem inherent in a shopping center at peak shopping times.

2. Shopping center hours: 50% to 60% of a shopping center's business occurs during the evening hours and on Saturday. Banks located in a shopping center would have to remain open longer.

3. Lack of expansion ability.

4. Burden of nonessential costs: As part of the shopping center, the bank would be forced to pay some of the costs distributed among the occupants.

5. Restriction on imagination: Location in the center can restrict new innovations because of regulations governing shopping center occupants.

A bank can no longer assume that a shopping center location is cheaper or in fact easier than building a free standing unit. Any location has its own inherent

characteristics and must be evaluated independently of any previous experience or preconceptions.

Competition in Banking

Since banking is such a competitive business, the competition must be considered in all decisions. The competition for a particular commercial bank is provided by other commercial banks, savings banks, savings and loan associations, credit unions, finance companies, and all other non-bank financial intermediaries.

Most small banks generally confine their operations to a limited geographic area and compete in the same geographical market. For the terms of this paper, a geographic banking market is defined as "an area encompassing all those banking offices that exert and react to essentially the same set of competitive forces (over the same time period) that influence the price and quality of banking services in that area".¹ In this market setting, the level of competition a bank faces is determined largely by the structure of the particular geographic market as reflected in the number and relative size of competing financial institutions in the area.

Because of the laws and regulations by which each banking institution is bound, the distinguishing

¹"Changes in Banks, Branches, and Banking Offices in the Fourth District, 1965-1970", Economic Review-Federal Reserve Bank of Cleveland, (February 1971), p.1.

characteristics between banks can be very small. Many times these small advantages or disadvantages can make the difference between obtaining an account or not. A bank must make every effort to attempt to hold customers. A survey conducted in 1970 revealed the following reasons for switching banks as listed in order of importance.¹

1. Proximity: People desire to be "close" to their money.
2. Error factors: Errors made by the bank, whether large or small, can be very detrimental.
3. Information: Many people do not know what services the bank has to offer them. The bank must make its services known to potential customers as well as to current customers and solicit their accounts. Bank officers should not just assume that the people know what the bank can offer them in the way of services.
4. Gifts: This can have a double effect of giving something to the new customer but not giving anything to the old accounts. Persons having old accounts are apt to leave in some instances.
5. Poor teller service.
6. Banking hours: Many commercial banks act like they are doing the public a favor by opening their doors from 10 o'clock to 2 o'clock five days a week.
7. Lack of friendliness.

¹"Bank Switching - Why It Occurs", Banking, LXIII, (December 1970), p.53.

Any move to the expressway by the First State Bank of Alamo would not be considered feasible unless it became a modern full service bank with increased competitiveness and an ability to provide its customers more convenient services. A modern full service bank has many services that it can offer to customers. Some of the more important services are listed below and must receive consideration by the officers of the bank.

- | | |
|-------------------------------|---------------------------|
| 1. Speedy teller service | 9. Passbook savings |
| 2. Unlimited parking | 10. Installment loans |
| 3. Drive-in windows | 11. Bill paying service |
| 4. Computerized accounting | 12. Safe deposit boxes |
| 5. Trust department | 13. Saving certificates |
| 6. Various checking accounts | 14. Bank credit cards |
| 7. Savings accounts and loans | 15. Guaranteed check card |
| 8. Banking by mail | service |

Each prospective service must be examined carefully and meet several basic requirements which are common to any "new product or service". The basic requirements of a new product or service are the following:

1. Does the service have a sufficient market base?
2. Does the service fill a basic customer need?
3. Is the service competitively priced?
4. Does the service make an acceptable contribution to net income?
5. Is the bank capable of developing, marketing, and operating the service?

6. Specifically to banking, does the service enhance the banks primary role of transferring funds?

Directly involved in the competition among the banks is a social responsibility which can be defined in many different forms. One practical view has been expressed by President Frederick R. Miller of the Waterbury National Bank, Waterbury, Connecticut. He says

With todays enthusiasm for fulfilling our social responsibilities, it seems to me that bank managements should bear in mind the fact that our ability to play a leading role in improving society depends first and foremost on our success in achieving profits and insuring the financial soundness and growth of our institutions.

This is not to say, however, that we can or should disregard social and community needs and single-mindedly go about the job of simply maximizing our profits. We must be responsive to these needs if for no other reason than because our business is a vital part of society, and society's interests and our banks prosperity are intertwined.¹

Construction of the Service Area

Location theory within the banking industry is a relatively new concept when measured against the retailing and manufacturing industries. Exhaustive research is conducted prior to the establishment of an industrial plant while banks have been located on the general concept that the place was appealing. Times are now changing in the banking industry with scientific approaches being taken in establishing guidelines in location theory.

¹Richard L. Kraybill, "The Social Responsibility of Bankers", Banking, LXIII, No. 8 (1971), p.33.

In selecting a site for a banking establishment, or other type of retail facility, a number of assumptions about population, retail trade patterns, commercial composition, traffic flows, and other factors are made. The accuracy of this analysis can well determine the future of the bank. Selecting the best possible location for a new bank is of paramount importance to earnings and deposits. Banks located without adequate research may reduce subsequent profits. The time and effort expended in conducting a thorough analysis to select the best location will repay dividends in future years.

The First National City Bank, New York, New York, has created a two part approach to effective site selection: researching the market and evaluation of performance.¹ Researching the market consists of studying the worthwhileness of establishing an office at a specific location while the other is an examination of a facility already in existence.

The most difficult problem in bank location analysis is the defining of a realistic trading area for the proposed office. Some estimation of the service area must be established. There are generally two approaches to the construction of a service area. The service area in itself is considered to be that geographic region in

¹"Locating Bank Offices Through Research, Evaluation", Bankers Monthly Magazine, LXXXV, No. 10 (1968), p. 28.

which the bank can conveniently serve potential customers and from which the largest portion of business will be generated.

The first approach used by the First National City Bank in constructing a service area was usually employed when the proposed location was in an existing shopping center or retail area. With this approach, interviews could be conducted to determine shopping and banking habits. This system would not be practical if the shopping center or retail area did not exist.

The second approach termed the "Method of Limiting Factors" could be used when the first approach was not practical. These limiting factors consist of four general considerations.

1. Natural barriers such as a river, large park, etc.
2. Man-made barriers, typified by expressways and parkways, are limiting factors except to the extent that there are convenient overpasses and/or underpasses.
3. Alternate retail magnets, particularly those which also include commercial banks, tend to limit the drawing ability of the proposed office.
4. Socio-economic factors such as social classes and ethnic groups very often limit the drawing ability of a particular banking establishment.

After the service area is established, the next step is to find out as much as possible about the make-up of

the area. A checklist for analyzing the proposed bank location is appended (Appendix 1)¹. The checklist is very complete and employs various methods to determine vital statistics essential to the bank location study. The principal divisions of the checklist are the people in the area, housing, businesses, employees, non-business institutions, road patterns, competition, and growth potential.

Ultimately all of the data will have to be translated into potential deposits and loans and then converted into profit and loss. If the analysis is done carefully, good projections can be made. The data obtained can also be used in informing the state regulatory authorities.

The second part of the approach, evaluation of performance, cannot be compared with the proposed expressway site in Alamo since the office is not in existence. However, an evaluation of current facilities would aid in the determination of the feasibility of new quarters. The evaluation of the performance of the current quarters would allow the bank officers a very complete picture of current needs and services. This evaluation could then be applied in determining if an expressway location would meet the needs of potential customers.

One step of the evaluation would be determining the

¹"Locating Bank Offices Through Research, Evaluation", Bankers Monthly Magazine, LXXXV, No. 10 (1968), p. 30.

nature of the market for each service currently being provided through a study of the different types of accounts. A sampling technique could be used. Previous banking studies have revealed that the services are not universally used by a banks customers and can be concentrated in different market areas. The more the researcher knows about the residential population the more realistic the deposit estimates will be. The characteristics of the people must also be reported. Research must also be conducted concerning the working population, the business community, projected construction, traffic analysis, analysis of competition and local banking attitudes and habits.

The American Bankers Association lists seven criteria for the establishment of a trading or service area. These seven criteria are used as general guidelines by which the researcher can conduct his work. The seven criteria¹ as developed by the American Bankers Association include the following.

1. Normal drawing radius: The distance that people will customarily travel to the proposed location for shopping or business purposes will have a direct effect on the success of the bank office.

2. Traffic barriers.

3. Traffic flow patterns: Traffic counts must be taken during anticipated banking hours near the proposed

¹American Bankers Association, A Guide to Selecting Bank Locations, (New York, N.Y. 1965), p.14.

site and at major intersections within the trading area.

4. Driving time: The time required to drive from the proposed location to various sections of the trading area during banking hours must be considered.

5. Public transportation routes and stops.

6. Population density.

7. Competition.

The size of the service area will depend upon the interaction of each one of these points. Undoubtedly, some points will play a far more important role than others. Accurate analysis of each of these criteria will lend further credence to the marketing activities of the bank. If the bank does not know what its service area is, it can lose potential customers and cause unnecessary expenditures.

Another method used in determining a market area is the construction of a model. Since it is usually used primarily by banks larger than the First State Bank of Alamo, this method will not be considered feasible to this particular situation.

Basic Types of Banking Facilities

In 1961, banking facilities were listed under four different types.¹ These four types were the following.

1. Isolated community facility.

¹Gavin Spofford, Guideposts for Banking Expansion, (New Brunswick, N.J., Rutgers University Press, 1961), p.65.

2. Satellite trading area facility.
3. Convenient or defensive type facility.
4. Strategic access facility.

Each type was developed considering the cardinal principle of banking to be "Banking is a convenience function nearly always under taken in conjunction with other routine errands".¹ This principle is a major guide and motivating influence in all of the types.

1. Isolated community facility: This type of banking facility was the original type of banking office and continues to exist today with less isolation. The one bank town with virtually no competition has ceased to exist.

2. Satellite trading facility: This type of banking facility is built in an attempt to get the market in a new shopping area. It developed as the urban areas grew and the only bank in town could no longer adequately serve the area. Two of the most typical examples today are the establishment of banks in shopping centers and suburbs.

3. Convenient or defensive type facilities: New types of banking facilities are being built as banks recognize a changing market. Limited facilities placed in heavy traffic areas such as airports, bus terminals, supermarkets, subways, department stores, and mobile banks have been developed for special circumstances. One bank recently established its facility on a houseboat in a resort area.

¹Ibid

Generally, this type of facility is reserved for branch banking.

4. Strategic access facility: This type of facility differs from the second type in that the major determination is based on a market larger than any single suburban trading point. A strategic access location can be defined as a point on a well traveled artery, but a point which is not the center of any trade area. The convenient interception point must apply to a good percentage of the traveling customers and prospects. The point can be determined by conducting a study of the service area to include an analysis of existing customers and of the growth statistics of the smaller sub-areas around the suggested point. The facility must be on a major traffic artery and have the all important drive-in windows and parking facilities. Traffic counts must also be conducted during the proposed banking hours to determine the volume of traffic near the proposed point.

In his book, Gavin Spofford cited two banks that built in strategic access locations. While one was a branch bank situation, the other concerned a bank that relocated within the same community. The second case was very similar to that faced by the First State Bank of Alamo. The small community of 2,000 had two banks, both located in the center of town. Only street parking and foot traffic provided access to the banks in this commercial-resort city. One bank decided to relocate about one mile out of town on a main

artery to be in a position to intercept agricultural and tourist trade as it came in from the highway. Adequate parking and drive-in facilities were provided as walk-in business was not expected to be an important factor at the new location. The bank was very successful in the new location with demand deposits and loans especially high during the tourist season.

Frequently, the strategic access facility will be a larger banking facility than in the case for a subtrading area. There are, however, increasing instances of small, inexpensive facilities located at sparsely settled edges of major areas.

Gavin Spofford stated that the "...one clear-cut aspect of this category is that it would be extremely difficult to justify a new unit bank at such a location. The principal reason for a strategic access office is defensive, to render better service to existing customers, but it has decided offensive aspects too, especially if the convenience proved attractive to competitors similarly distributed."¹

Site Location

Three major considerations exist in attempting to decide upon a general location for a banking facility. All three must be continually recognized when studying

¹Ibid, p. 67.

the location. These are proximity of the bank to existing banks, relationship of the site to the direction of growth of the market area, and the nature of the market to be served.¹

Once the general location is determined, the particular site must be selected. The American Bankers Association lists seven criteria in the selection of a specific site.²

1. Normal drawing potential of the site.
2. Easy access.
3. Location of competition.
4. Proximity to public transportation.
5. Economic health and future of immediate surroundings.
6. Real estate costs.
7. Driving time from surrounding areas.

Selection of the specific site can be just as important as determining the general area. Locating on the wrong side of the street can cause an otherwise correct analysis to be virtually worthless. Several points must be considered in the establishment of any business. All of the following should receive particular attention in the selection of a specific bank site. Convenience is the primary consideration in selecting a site for a new bank facility because it must be within easy reach and provide adequate services to potential patrons. The bank must provide the customers

¹Edward D. Irons, *Organizing a New Community Bank*, (Austin, Texas, Bureau of Research, Texas Univ. 1965), p.55.

²American Bankers Association, *A Guide to Selecting Bank Locations*, (New York, N.Y. 1965), p.11.

with enough space to establish quick and efficient service since the deposit growth of any new bank office will depend to a large extent on how well it is received by local merchants and residents. The actual site must receive a high score on all of the points listed below.¹

1. Visibility of buildings from approaches.
2. Visibility of drive-in tellers.
3. Separation of drive-in teller service.
4. Waiting line to drive-in teller service.
5. Future additional drive-in windows.
6. Adequate entrance and exit driveways.
7. Bank auto traffic admitted and exited to minor road.
8. Entrance and exit remote from intersection.
9. Room for future expansion.
10. Adequate parking space and visibility of the space.

The Effect of Building Change Upon Deposits

Any change in location, building, or name has proven to be an element that must be examined in location theory. In 1968, the management consulting firm of Lawrence-Leiter & Company, Kansas City, Missouri, conducted a study² of more than fifty banks that had changed location, name, or both. The results of the study are quoted as follows.

¹Andrew F. Euston, "Site Selection for New Bank Buildings", Banking, LX (October 1967), p. 43.

²"Management Consultants Report on Recent Study of Name Changes, Shift in Bank Location", Banking, LX (January 1968), p. 74.

Customers apparently grant a three month test of the new facilities. If this test experience is satisfactory, they continue as customers of the bank. Should these customers look upon the new location with disfavor during the trial period, they will move their accounts before the end of the sixth month. This suggests that customer relations activities might well be intensified before, during, and after a bank relocates.

Nearby cash merchants were found to be the least loyal of all the bank customers. While this group accounted for the greatest losses from the old location, other merchants near the new location represented the greatest gain after the move was completed. Apparently, close access to the bank is the primary motivating factor for this group in selecting a bank location.

Eighteen banks in the study had relocated. Only two reported a driving time of more than twenty minutes between the old and the new locations.

All of the banks reported that their move had been "successful". In general, customer gains were large and customer losses were small. Thirteen of the eighteen said that very few customers failed to make the move with the bank. All ten banks that provided financial information had recorded significant gains in deposits after relocation.

Not one bank lost time deposits. Five of the banks found that a temporary decrease in categories of demand deposits occurred three to six months after the move. These losses were recovered however, and further growth ensued.

Another study was conducted in 1967 regarding bank relocations in Oklahoma.¹ The study was aimed at determining if new banking facilities attracted deposits. The survey was divided into two parts. The first part compared ten relocated banks with other commercial banks in the same community. Each of these ten banks relocated in the same community. The second part of the study included only those

¹Charles L. Monnot, III and B. Curtin Hamm, "Do New Buildings Attract Deposits?", Banking, LX (August 1967), p.110

banks that relocated within the community while not having a competing commercial bank.

The following data were revealed by the results of the first part of the study.

Banks with new facilities

Annual deposit increase after new facilities were established	8.7%
---	------

Annual deposit increase prior to new facilities	$\frac{4.9\%}{3.8\%}$
---	-----------------------

Competitor banks without new facilities

Annual deposit increase after the new facilities were established	6.6%
---	------

Annual deposit increase prior to the establishment of the new facilities	$\frac{4.3\%}{2.3\%}$
--	-----------------------

The banks that built new facilities increased their growth of deposits 50 percent faster than their competitors. A comparison of all fifteen banks involved in the study, with or without a competitor bank in the same town, revealed that prior to the building the annual growth in deposits was 4.9 percent. After the new facilities were constructed, annual deposit increase amounted to 9.2 percent.

CHAPTER III

FIRST STATE BANK OF ALAMO

History

The First State Bank of Alamo was chartered and opened at its present location in 1927. Between 1927 and 1965 the bank experienced very little growth as evidenced by its total deposits of \$1.7 million in 1965. During this period of time, the facilities were more than adequate for the needs and objectives of the bank.

The bank was sold twice recently, once in 1967 and again in 1969, and new management took control each time. The new management raised total deposits to \$4.2 million by June 1970 resulting in previously adequate facilities becoming inadequate. On February 29, 1972, total deposits amounted to \$6,015,245.18.¹ Most of the modern conveniences considered standard at many other banks did not and could not exist in the old facilities. It was generally accepted that the facilities were inadequate and causing stagnation. Future growth would be severely limited. To be truly competitive, a move was contemplated.

¹"Lower Rio Grande Valley Business Barometer for the Month of February 1972", Lower Rio Grande Valley Chamber of Commerce, Weslaco, Texas.

Current Accounts

Personnel at the bank indicated that approximately 60 percent of the bank customers were local people with the remaining 40 percent coming from the surrounding area. Prior to 1967, it was estimated that only 5 percent of the depositors resided outside Alamo. Local merchants provided most of the walk-in business. Because of the nature of the Alamo business community, this walk-in business is only a small percentage of the total transactions. Examination of the accounts in 1970 showed the following distribution of accounts in the First State Bank of Alamo.

TABLE 1

Review of First State Bank of Alamo Accounts¹

<u>Time Deposits Over \$2,000</u>		<u>April 1, 1970</u>	
Number of Accounts	203		
Alamo Residents	111	55%	
Outside Depositors	92	45%	
Total Dollar Amount	\$1,224,548		
Alamo Residents	675,548	55%	
Outside Depositors	549,000	45%	
<u>Checking Accounts Over \$1,000</u>		<u>April 1, 1970</u>	
Number of Accounts	159		
Alamo Residents	83	52%	
Outside Depositors	76	48%	
Dollar Amounts	\$1,299,654		
Alamo Residents	461,936	35%	
Outside Depositors	837,718	65%	

¹"Memorandum Report Regarding Relocation Sites Available to First State Bank of Alamo, Alamo, Texas," Independent Research Associates, Inc., October 31, 1970.

Since April 1970, there has been no significant change in the ratio of Alamo residents and outside depositors.

Service Area

The primary service area for this study was considered to be the incorporated city of Alamo, as the First State Bank of Alamo is the only banking facility in the community. Other principle businesses in Alamo consist of a drug store, farm implement dealer, insurance agency, picture studio, furniture store, dry goods store, grocery store, electric shop, washateria, and various service stations.

The secondary service area is that area within a ten mile radius of Alamo. All of the banks in this area are essentially operating in the same geographic market. The major cities within this radius are Edinburg, McAllen, Pharr, San Juan, Donna, and Weslaco. The only natural barrier within the area is the Rio Grande River which lies on the southern radius. All telephone calls to or from Alamo from these cities are toll free except for Weslaco which has a twenty cents charge. A map reflecting the service area is provided as Figure 2.

CHAPTER IV

ALAMO AND SURROUNDING AREA

Economic Conditions

Alamo is one in a series of small communities developed along US Highway 83, running the length of the Rio Grande Valley. Agriculture and tourism are the main industries in the area with both growing steadily. The recent growth of these two industries in the area is reflected in Tables 2 and 3.

TABLE 2

Estimated Annual Income from Tourist Industry¹

<u>Year</u>	<u>Annual Income</u>
1955-56	\$32,000,000
1960-61	\$45,000,000
1965-66	\$80,000,000
1966-67	\$85,867,000
1967-68	\$86,985,000
1968-69	\$90,000,000
1969-70	\$92,700,000
1970-71	\$96,000,000

¹"Estimated Annual Income From the Tourist Industry", Lower Rio Grande Valley Chamber of Commerce, Weslaco, Texas.

TABLE 3

Farm Cash Income - Lower Rio Grande Valley¹

<u>Year</u>	<u>Cash Income</u>
1950	\$116,232,000
1955	\$127,027,000
1960	\$154,792,530
1962	\$171,739,716
1965	\$195,749,909
1966	\$187,336,632
1967	\$214,179,336
1968	\$177,581,251
1969	\$169,981,842
1970	\$190,352,000

The agriculture within the Lower Rio Grande Valley is divided among several different crops with cotton, grain sorghum, citrus, vegetables, and livestock being predominant. The actual breakdown of farm products for 1970 is included as Appendix #2. Alamo is no exception to the rest of the Valley. The surrounding agriculture, packing sheds, and tourism are the prime income generators in the economy.

Population

Hidalgo county has remained rather static in population in the past decade; however, the 5,000 increase in

¹"Farm Cash Income, Lower Rio Grande Valley", Lower Rio Grande Valley Chamber of Commerce, Weslaco, Texas.

McAllen as depicted in Table 4 kept the county from losing in total population. While McAllen-Pharr-Edinburg is classified as a standard metropolitan statistical area, the more rural areas of the county have followed a trend of rural America in losing population. However, labor market analysts have indicated that the out migration is ceasing. It is noted that the population increased in Alamo and in the three cities to the west in 1960 and 1970. Population changed in the service area as shown in Table 4.

TABLE 4

Population Growth Trends in Alamo and Surrounding Area¹

<u>City</u>	<u>1950</u>	<u>1960</u>	<u>1970</u>
Alamo	3,017	4,121	4,291
Donna	7,171	7,522	7,365
Edinburg	12,383	18,707	17,163
McAllen	20,067	32,728	37,636
Pharr	8,690	14,106	15,829
San Juan	3,413	4,371	5,070
Weslaco	<u>7,514</u> 62,255	<u>15,649</u> 97,204	<u>15,313</u> 102,667
Hidalgo County	160,466	180,904	181,535

Commercial Banking

The economy of the Lower Rio Grande Valley is growing and banking institutions are growing to accomodate it. Total

¹"Population", Lower Rio Grande Valley Chamber of Commerce, Source-United States Dept. of Commerce, Bureau of Census.

bank deposits grew \$36.2 million in Hidalgo County and \$34.9 million in Cameron County from October 28, 1970 to September 30, 1971. Total growth in the Rio Grande Valley amounted to \$75 million.¹ Deposits of all types have continued to grow in Valley banks and savings & loan associations. Deposits at the end of November 1971 had an increase of \$10.3 million over October 1971 and \$102.3 million over November 1970.

TABLE 5
Lower Rio Grande Valley Deposits²

	<u>Nov '70</u>	<u>Oct '71</u>	<u>Nov '71</u>
Bank Deposits	\$405,701,630	\$470,830,558	\$479,550,350
Savings & Loan Investments	\$118,850,396	\$145,720,519	\$147,331,321
Combined Deposits	\$524,552,026	\$616,551,077	\$626,881,671

The First State Bank of Alamo has continued to grow during the past year keeping pace with the financial growth in the Lower Rio Grande Valley. During the period December 1970 to February 1972, the total deposits at the bank increased approximately \$1.8 million. Examination of the monthly deposits at the bank during the past four years revealed a steady growth in deposits. The monthly growth during the fifteen month period is depicted in Table 6.

¹"Valley Bank Totals", Valley Morning Star, October 15, 1971, p. 2.

²"Valley Bank Deposits Increase", Valley Morning Star, December 1, 1971, p. 1.

TABLE 6

First State Bank of Alamo Deposits¹

<u>Month</u>	<u>Bank Deposits</u>	<u>Month</u>	<u>Bank Deposits</u>
Dec '70	\$4,278,397.14	Aug '71	\$5,356,289.05
Jan '71	\$4,520,207.54	Sep '71	\$5,185,889.32
Feb '71	\$4,386,593.90	Oct '71	\$5,203,217.34
Mar '71	\$4,437,505.48	Nov '71	\$5,237,165.07
Apr '71	\$4,489,270.50	Dec '71	\$5,476,402.35
May '71	\$4,374,537.74	Jan '72	\$5,753,089.88
Jun '71	\$4,332,197.65	Feb '72	\$6,015,245.18
Jul '71	\$4,738,854.18		

In 1970 the Independent Research Associates, Houston, Texas, compiled pertinent statistics regarding banking in Hidalgo County. With the information, they compiled a ratio of deposits to population to obtain per capita deposits. The results of this information are depicted in Table 7. As shown in Table 7, the per capita deposits in Hidalgo County increased \$392 on the average. This average is considered to be the average throughout the area. Alamo was one of the four cities that increased in per capita bank deposits above the county average. The other cities having an increase were McAllen, Edinburg, and Weslaco, the three largest cities in the service area.

¹"Lower Rio Grande Valley Business Barometer: December 1971-February 1972", Lower Rio Grande Valley Chamber of Commerce, Weslaco, Texas

TABLE 7

Per Capita Bank Deposits¹

<u>Community</u>	<u>December 1965</u>		<u>August 1970</u>	
	<u>Total Deposits</u> (<u>\$000's</u>)	<u>Per Capita</u> (<u>\$</u>)	<u>Total Deposits</u> (<u>\$000's</u>)	<u>Per Capita</u> (<u>\$</u>)
Alamo	1,692.3	408	3,401.1	812
Donna	4,161.6	569	5,519.6	777
Edinburg	21,019.8	1,186	30,399.5	1,815
McAllen	41,274.4	1,188	65,888.0	1,792
Pharr	5,392.5	400	9,459.2	619
San Juan	3,365.6	723	5,104.4	1,036
Weslaco	11,234.5	744	18,974.7	1,303
Hidalgo County	117,139.6	661	182,874.0	1,053

The changes that have occurred in population and commercial deposits from 1965 to 1970 are reflected in Table 8. Similar ratios have also been compiled for the most recent fifteen month period and are reflected in Table 9.

¹"Memorandum Report Regarding Relocation Sites Available to First State Bank of Alamo, Alamo, Texas", Independent Research Associates, Inc., October 31, 1970, p.5.

TABLE 8

Population and Bank Deposit Distribution¹

Community	1965		1970	
	Population (%)	Bank Deposits (%)	Population (%)	Bank Deposits (%)
Alamo	2.3	1.4	2.5	1.9
Donna	4.1	3.6	4.1	3.0
Edinburg	9.9	17.9	9.6	16.6
McAllen	19.6	35.1	21.2	36.0
Pharr	8.3	5.1	8.8	5.2
San Juan	2.6	2.9	2.8	2.8
Weslaco	8.5	9.6	8.4	10.4
Remainder of Hidalgo County	44.7	24.3	42.7	24.1

TABLE 9

Bank Deposit Distribution²

Community	Bank Deposits		Bank Deposits	
	Dec '70	Percentage	Feb '72	Percentage
Alamo	\$4,278,397	2.08	\$6,015,245	2.36
Donna	\$5,838,948	2.84	\$7,381,374	2.88
Edinburg	\$36,667,745	17.81	\$44,435,820	17.34
McAllen	\$74,068,034	36.02	\$92,868,910	36.25
Pharr	\$10,644,750	5.17	\$11,542,414	4.54
San Juan	\$4,974,923	2.42	\$6,822,807	2.66
Weslaco	\$21,888,161	10.64	\$26,454,279	10.33
Remainder	\$47,257,237	22.92	\$60,638,296	23.64

¹ Ibid, p.6.² The bank deposits were compiled from data provided by the Lower Rio Grande Valley Chamber of Commerce, Weslaco, Texas

While total deposits have risen to \$6 million at the First State Bank of Alamo, a potential for increased deposits from Alamo residents still exists. Close examination of Tables 7, 8, and 9 indicated the following.

1. The cities of Edinburg, McAllen, and Weslaco are attracting deposits from the surrounding areas since their percentage of bank deposits exceeds their respective population growths.

2. Since 1965, only the cities of Alamo, McAllen, and Weslaco increased their percentage of bank deposits.

3. Edinburg has dropped slightly in percentage while also dropping in population.

4. There is an outward flow of funds from the city group of Pharr, San Juan, Alamo, and Donna (13.0% in 1965 to 12.44% in February 1972).

5. While Alamo has been increasing steadily, its respective percentage of deposits there is still a difference of .14 between deposit percentage in February 1972 and the population percentage in 1970. This disparity becomes even greater if 40% of the deposits are from residents outside Alamo. This disparity would indicate that there is an outward flow of deposits of 1.08%¹ from Alamo. This amounts to a loss of 43.2%² of the total funds available in Alamo.

¹(40% of 2.36% = .94% .14% + .94% = 1.08%)

²(1.08% is 43.2% of 2.5%)

6. Much of the recent growth in deposits can be directly attributed to deposits received from residents outside of Alamo. If the bank is to continue to grow, much of its potential lies beyond the city limits of Alamo. Its service area must be expanded and it cannot expand without offering more services and more customer conveniences. Since Alamo has apparently had some success in attracting deposits from non-Alamo residents, part of the market research to be conducted should include an attempt to determine why the people have come to Alamo to bank. This would be a very valuable asset in determining the feasibility of an expressway location. For the purposes of this study, it is assumed that the outside depositors reside in the secondary service area.

Traffic Flow

The main artery of transportation in the Lower Rio Grande Valley prior to the late 1960's was the three lane U.S. Highway 83 which connects most of the communities in the Valley together. This highway was heavily congested with people traveling from one community to another. Other arteries in the area were considered to be farm to market roads and the amount of traffic on them was negligible compared to U.S. Highway 83. Since the highway was so congested, businesses were constantly seeking exposure to the heavy vehicular traffic flow.

The arteries of transportation changed drastically in the late 1960's with the construction of an expressway

lying basically parallel to the three lane highway. The expressway is now the primary artery in traveling throughout the Lower Rio Grande Valley. It is used as the quickest way to get from one city to another while bypassing all of the cities in between. The expressway is located on the northern perimeter of Alamo and is about eight tenths of a mile from U.S. Highway 83. Instead of seeking exposure to U.S. Highway 83, new businesses are seeking exposure to the expressway. When constructed, the expressway was built as a divided highway with many points of entry and exit in addition to service roads on each side.

Detailed traffic counts taken in 1970 and 1971 for the service area are indicated in Figure 3.¹ The counts were taken by the Texas Highway Department to accumulate twenty-four hour averages. Some of the data collected in 1971 was not collected in 1970. The following pertinent information was revealed by examination of the data for these two years.

1. Traffic volume on U.S. Highway 83 was the least in the Alamo area with volume increasing toward McAllen in the west and toward Weslaco and the Gulf of Mexico in the east.

2. Traffic volume on U.S. Highway 83 in Alamo increased from 3,850 in 1970 to 5,740 in 1971.

3. The twenty-four hour traffic on the expressway

¹Texas Highway Department, Report of the Department, District Highway Map 1970 & 1971.

at the intersection of Alamo Blvd. was twice that at the intersection of Alamo Blvd. and U.S. Highway 83 (11,780 to 5,740).

4. The twenty-four hour traffic on Alamo Blvd. at the proposed expressway location site was 4,250 in 1971.

5. The twenty-four hour traffic on Alamo Blvd. at a point near the downtown business district was 3,660 in 1971.

6. The volume on Morningside Road, located between Alamo and San Juan, dropped to 2,580 in 1970 to 760 in 1971.

The Texas Highway Department conducted a study in 1970 entitled "McAllen-Pharr-San Juan Urban Transportation Study" and projected traffic counts in particular areas.¹ The 1975 and 1990 projected traffic volume on the expressway at the Morningside Road intersection is as follows:

1975 = 25,800 Average Daily Traffic

1990 = 47,810 Average Daily Traffic

If the 1970 - 1971 figures can be used as a measurement, the traffic volume on the expressway at Alamo Blvd. should be slightly less. A previous estimate by the Texas Highway Department was for a projection of 24,220 in 1980 at the Alamo Blvd. intersection.

¹Letter from R.E. Stotzer, Jr., District Engineer, Texas Highway Department, Pharr, Texas, April 3, 1972.

CHAPTER V

FEASIBILITY OF EXPRESSWAY LOCATION

General Observations

All attempts¹ to secure information on another bank that faced a situation similar to that of the First State Bank of Alamo proved unsuccessful. None of the banks contacted had moved to a strategic access location on an expressway. Several general observations were made regarding the relocation experiences of the contacted banks and are itemized below.

1. The banks moved because they had outgrown their old facilities and were unable to expand.
2. None of the banks felt they had lost any customers because of the relocation.
3. All of the banks wanted additional space so that they could provide drive-in windows and provide adequate parking space off of the street.
4. The banks felt they had gained new deposits as a direct result of the new facilities because they were able to offer better service.

¹The attempts were made through each Federal Reserve Bank in the United States. Pertinent banks were then contacted on an individual basis during the period of January 1972 to March 1972.

The National Bank of Commerce, Brownsville, Texas is located near an expressway. It is located one block from the expressway on Boca Chica Blvd., a four lane divided street which allows high volume traffic to and from the expressway. The bank officers felt that the expressway definitely had a positive effect on business as it made the National Bank of Commerce the most accessible bank in Brownsville. The bank is currently an \$11 million dollar institution and the expressway has been an important contributory factor in its growth. The bank was originally established at the Boca Chica Blvd. location in May, 1965. As Brownsville continues to grow toward the expressway, the expressway will make an even greater contribution to the future growth of the National Bank of Commerce. Brownsville is also located in the Lower Rio Grande Valley approximately sixty miles east of Alamo. They are not in the same geographic banking market.

Any relocation by the First State Bank of Alamo could not be considered if the community of Alamo and the surrounding area were not growing economically. The area is expected to continue to grow both in economy and in population. Because of the potential for future growth, the First State Bank of Alamo is realistic in planning for the future. One of the best steps in planning is selecting the best possible site.

To determine if a location on the expressway would

be feasible for the First State Bank of Alamo, the concepts of bank location theory were compared to the actual situation existing in Alamo. The concepts are discussed in the same order as presented in Chapter II.

Convenience of Expressway Location

Discussion of the convenience at the expressway location is divided into four considerations that lend themselves to easy division. These divisions are (1) the Alamo merchant, (2) other current depositors, (3) residents of Alamo who are not current depositors, and (4) other potential customers from the service area.

The Alamo merchant: The merchants of Alamo will receive the greatest inconvenience from an expressway location due to three separate reasons. A relocation to the expressway by the bank would inconvenience the Alamo merchant since one of the traffic catalyst in the downtown area would be moved. The merchant would also have an increased responsibility in check cashing and he would have to change his own banking habits. To conduct his banking business, the merchant would be obligated to conduct it by vehicle instead of walking to the bank. Since the merchant would incur a hardship by the move, the bank must insure that special precautions are taken to maintain each merchant account. Since previous studies have revealed that the local merchant is the least loyal customer after a bank relocation, all measures must be taken to maintain his allegiance. Even

though the First State Bank of Alamo is the only banking institution in town, the merchant can easily go to another community with his business. To keep the merchant accounts, the bank officials must institute new ideas and new services just for the Alamo merchant. One possible suggestion is the incorporation of a mobile teller service. With a mobile teller service, the bank could go to the merchant's place of business on a regular basis and allow the merchant to obtain change or transact other daily banking requirements. The bank needs the accounts and friendliness of the downtown merchant so it must make every effort to keep the account.

Other current depositors: The expressway location would provide every convenience to all other depositors since very few of the current customers are walk-in customers. The extra mile of travel to the expressway would not be an inconvenience since the time difference would only be a maximum time of two minutes. For many of the depositors, the travel time and distance would be less.

Alamo residents who are not current depositors: The reasons some of the Alamo residents are not banking in Alamo are not known but it is very possible that it is because the banks in the surrounding area can offer more in the way of convenience and services. Additional services might very well attract these non-depositors. The expressway location can also offer more convenience through easier access. The residents of Alamo are required

to accomplish a certain amount of their shopping in McAllen due to limited shopping facilities in Alamo and the surrounding cities. For any type of entertainment, the Alamo resident must leave Alamo. An expressway location would allow easy accessibility to the bank and attract some of these non-depositors in Alamo. The location on Alamo Blvd. at the expressway has a higher traffic count than on Alamo Blvd. near the downtown area. Apparently, more people are going toward the expressway than toward downtown Alamo. The expressway location would provide greater convenience to these Alamo residents who are departing Alamo via the expressway.

Other potential customers: While it is true that many of the people using the expressway would not use the banking facilities located on the expressway, many might be persuaded to use them. Undoubtedly, the expressway location could offer more to the traffic on the expressway than the downtown location could. The people using the expressway for shopping, work, or entertainment could find the expressway bank very accessible.

The possibility of a shopping center around the bank at the expressway also exists and must be examined. William H. Haley, Jr., Co-Chairman of the Bank, offered to provide the land to the bank for a new banking facility at no cost. Mr. Haley stated that he would make a return on the land around the bank by constructing a shopping center. As stated above, there are advantages

and disadvantages inherent in a shopping center location. These points must be considered prior to making a commitment at the location. If the bank were allowed to act separately from the shopping center and construct its own individual building, the arrangement would probably be satisfactory. If built within the center itself, the bank could lose many of the advantages that the expressway offers.

Competition

McAllen is the big retail magnet in the service area because it offers more of the facilities characteristic of a "modern town". While there are three competitor banks in McAllen, all are located in the downtown area which is becoming increasingly congested. All three banks offer drive-in service but parking space is limited. Two banks are located in Edinburg and they are encountering the same problems as in McAllen.

There is one bank located in each of the cities of Pharr, San Juan, and Donna. Two banks are located in Weslaco. Only the banks in Pharr and Donna offer drive-in service with each facility being constructed since 1960. Parking space in all of these cities is limited to on the street.

While partially defensive in nature, the move to an expressway location would definitely be considered offensive.

The bank would attempt to draw depositors from the competition while seeking to maintain its current depositors. The exact intention of the move to a new location would be to capture business that is new to the area as well as to give better service to existing customers and the potential customers.

Service Area

The basic service area of the bank would remain essentially the same unless further information were developed through examination of current accounts or through the results of the evaluation of information provided in Appendix 1. Determining the exact service area would be very valuable in determining the potential of an expressway location. There are no significant natural barriers in the area and no man made barriers other than the expressway itself which is considered as an asset. The primary service area will remain Alamo with increased emphasis upon the secondary service area. The maximum driving time from anywhere in the service area would be fifteen minutes.

Strategic Access Site

The expressway location would definitely create a strategic access location while still retaining some of the advantages of an isolated community facility. As a local bank, it has a decided advantage over the competition

in obtaining small deposits and making small loans. This advantage is created due to the inconvenience of shopping around for a bank service and the lack of information regarding alternatives. At this particular site, the First State Bank of Alamo would possess the most strategic location in the Alamo area. It would intercept much of the current vehicular traffic in the Alamo area.

Site Location

This particular site would provide the First State Bank of Alamo an opportunity to construct any type of building and initiate any type of convenience or service it felt necessary. Facilities would be limited only by available funds, not by adjacent buildings, limited parking, or other inadequacies that currently exists in Alamo and with competitor banks. All of the items mentioned above could be included in a new facility and the First State Bank of Alamo could become a full service bank.

The Effect of Change Upon Deposits

It has been shown in the previous studies mentioned above that new facilities induce new deposits. There is no reason that Alamo should be any different from other communities where banks have built new buildings or relocated. The current depositors would remain loyal

to the bank while obtaining new depositors.

Summary

Relocation to the expressway location appears very feasible for the First State Bank of Alamo. The only apparent disadvantages are the inconvenience to the Alamo merchant and a question of what effect the relocation would have on the downtown community. It is contended that the Alamo merchant can be retained as a depositor if special services are instituted. The effect upon the downtown community is difficult to assess. If the downtown community was crippled as a result of the move, the bank itself would not be successful. The bank has a responsibility to the business community of Alamo, both economically and socially. If the bank continues to realize that this responsibility exists, it can continue to aid the downtown area.

The greatest service the bank can provide the city is its own success regardless of where it is located. By being successful, the bank creates new economy within the city. One of the best means of being successful is locating in the most favorable location. The expressway location could very possibly be that best location since man has always followed transportation routes throughout time. Many of the other communities in the Lower Rio Grande Valley are growing toward the expressway with the

construction of motels, trailer sales, drive-in restaurants, service stations, etc. The community of Alamo is expected to expand toward the expressway and the bank can obtain a strategic position on the expressway now.

APPENDIX 1

CHECKLIST FOR ANALYZING PROPOSED BANK LOCATIONS

- I. The Focus (Proposed Location)
 - A. Real Estate offering
 - B. Apparent magnet
 1. Retail
 2. Traffic
 3. Industrial

- II. Trading Area Definition
 - A. Draw analysis-closest two-thirds
 - B. Method of limiting factors
 1. Natural barriers
 2. Man-made barriers
 3. Alternate magnets which contain banks
 4. Socio-economic factors

- III. Trading Area Analysis
 - A. People
 1. Residents
 - a. Number of people
 - b. Number of families
 - c. Distribution of family income groups
 - d. Age distribution
 - e. Education level
 - f. Ethnic distribution
 - g. Occupation
 - h. Car ownership
 - i. Method of transportation to work
 - j. Where work
 - k. Mobility
 - l. Anticipated growth and other future developments
 2. Employees
 - a. Number of employees
 - b. Wage level
 - c. Availability of credit unions, etc.
 - d. Car ownership
 - e. Where reside
 - f. Future developments
 - B. Homes
 1. Value
 2. Age
 3. State of maintenance
 4. Concentration
 5. Distribution between apartments, multi-family houses, one and two family homes
 6. Anticipated private and public developments

- C. Businesses
 - 1. Industry
 - a. Number of firms
 - b. Size, by assets, sales, etc.
 - c. Employment
 - d. Type
 - e. Present or prospective relationships with bank
 - f. Relationships with other banks
 - g. Future developments
 - 2. Retailers
 - a. Number of firms
 - b. Size, by assets, etc.
 - c. Employment
 - d. Type
 - e. Present or prospective relationships with bank
 - f. Relationships with other banks
 - g. Future developments
- D. Non-business institutions
 - 1. Government units
 - 2. Schools
 - 3. Churches
 - 4. Philanthropic institutions
 - 5. Others
 - 6. Future developments
- E. Road patterns
 - 1. Accessibility of major traffic flows
 - 2. Road conditions
 - 3. Future developments
- F. Competitive factors
 - 1. Number and locations of other banks, S&Ls, etc.
 - 2. Age of competitive institutions
 - 3. "Image" of competitive institutions
 - 4. Comparative proximity to local merchants
 - 5. Comparative surrounding road patterns, range of services, facilities (parking, drive-ins, etc.)
 - 6. Anticipated new competitive moves
- G. Review of anticipated growth potential
 - 1. Residential developments
 - 2. Changes in population make-up
 - 3. Industrial developments
 - 4. Developments with respect to shopping center or other retail establishments
 - 5. Developments with respect to non-business institutions
 - 6. Changes in zoning
 - 7. Changes in road patterns
 - 8. Changes with respect to competing financial institutions

APPENDIX 2

AGRICULTURE IN THE RIO GRANDE VALLEY¹

<u>Commodity</u>	<u>Farm Cash Income in Hidalgo County</u>
Cotton and Cotton Seed	\$19,475,871
Grain Sorghum	\$13,144,476
Citrus	\$15,849,119
Vegetables	\$45,636,313
Other Field Crops, Pasture and Miscellaneous	<u>\$6,524,782</u>
Total Crops	\$100,630,561
Livestock and Livestock Products	\$7,436,000
Government Payments Not Part of Cotton and Feed Grain Programs	243,788
Total Farm Cash Income for Hidalgo County	<u>\$108,310,349</u>
Total Farm Cash Income for Lower Rio Grande Valley	\$190,352,952

¹"1970 Estimates of Farm Cash Income, By Commodity; Lower Rio Grande Valley of Texas", Lower Rio Grande Valley Chamber of Commerce, Weslaco, Texas

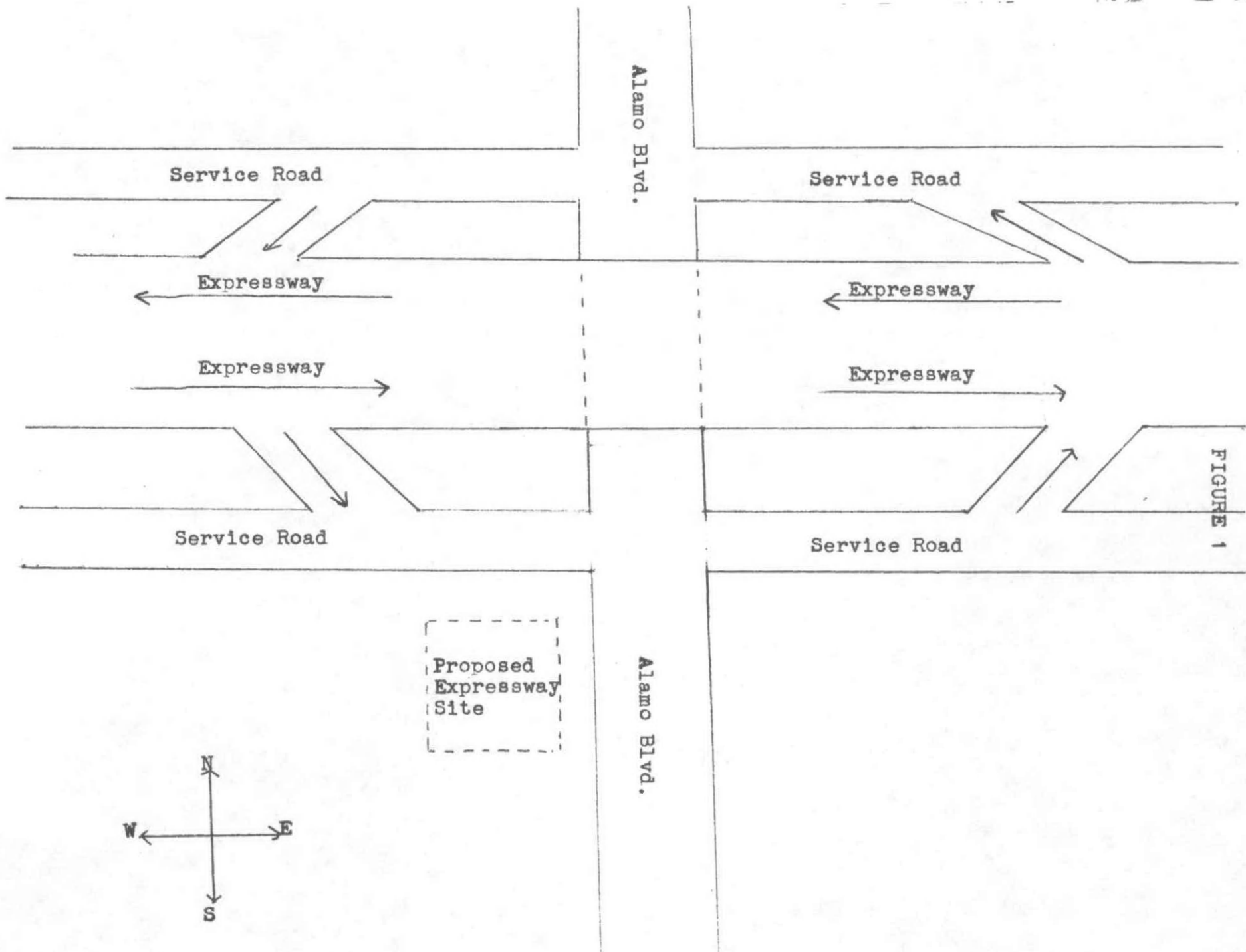


FIGURE 1

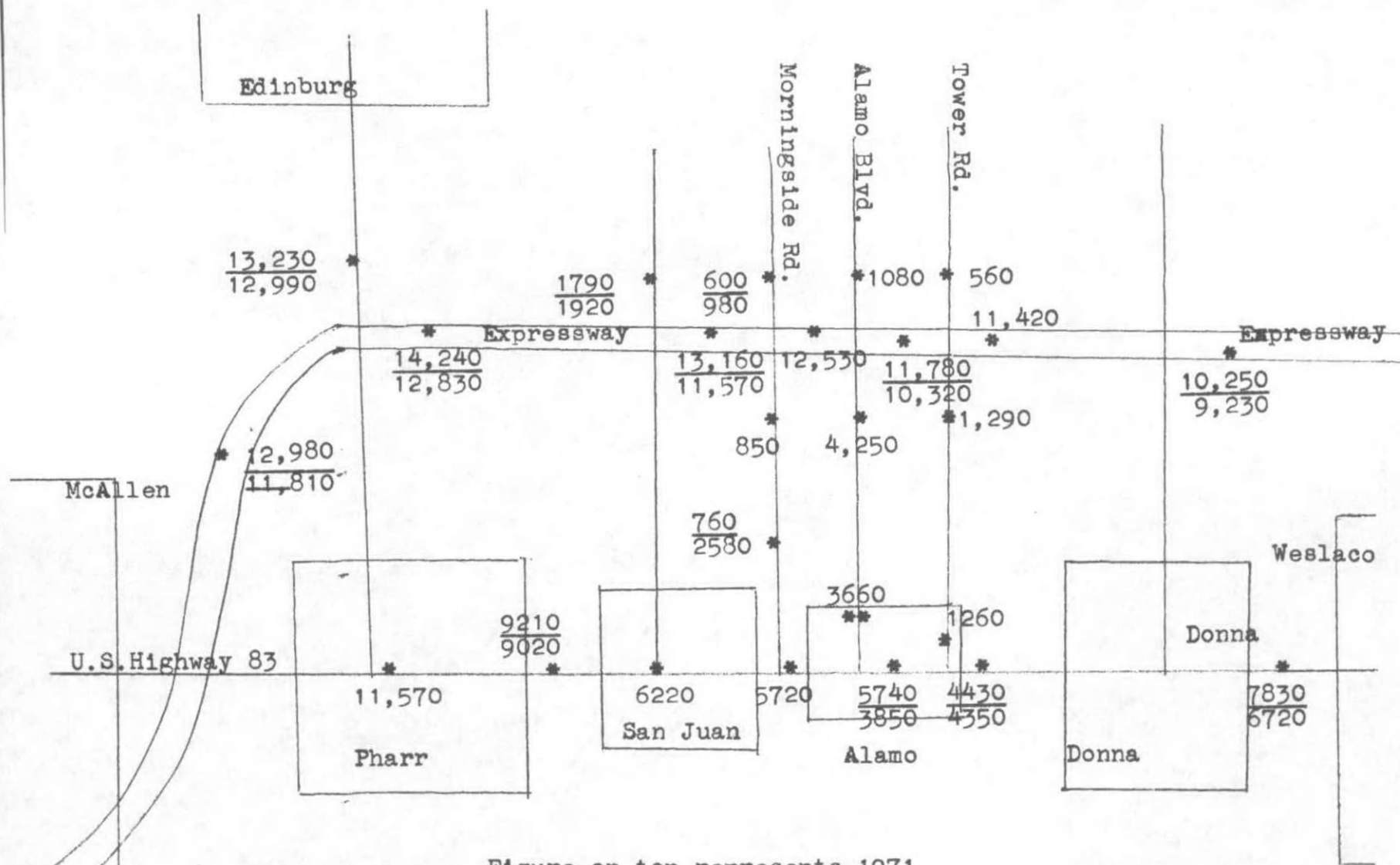


Figure on top represents 1971
 Figure on bottom represents 1970
 When only one figure is given, it is for 1971.

FIGURE 3

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