

Will non-food drive-thrus flourish... or fall thru?



Roadside rewards: Metro Bank is on the lookout for more suitable drive-thru sites

Drive-thru banks and estate agents make for good PR, but are not necessarily the next big thing, says Nick Hughes

McDonald's and Metro Bank are not obvious competitors, yet when it comes to securing sites for new drive-thru outlets the two may soon be going head to head.

Drive-thrus have traditionally been the preserve of fast-food chains whose customers appreciate their speed and convenience, but in recent years there has been a notable increase in new drive-thru concepts outside the food and beverage (F&B) sector.

Metro Bank opened its first drive-thru in Slough in 2013 allowing customers to drive up to the bank and carry out transactions without leaving their vehicles. The pilot proved so successful that last October, the company opened its second drive-thru in a retail park in Southall, west London, which like its Slough branch is located close to a busy main road.

Metro Bank says it is actively on the lookout for more suitable drive-thru sites. But is Metro Bank the exception that proves the rule that drive-thrus are best left to the fast-food giants?

Intuitively, a drive-thru retail bank where customers can make physical transactions goes against the direction of travel in banking,

which is towards online and mobile. However, Calum Ewing, Metro Bank head of property, says the format has proved a hit with its customers.

"Our drive-thrus are popular with a wide range of people, from parents with a car full of children to disabled customers and those who want to shelter from the bad weather," he says. "Customers are able to use the drive-thru to carry out full cashier services from the comfort of their cars, including paying in cash and cheques, as well as withdrawing funds from their account."

An old idea

Drive-thru banking is not a new concept in the UK. Barclays opened the UK's first drive-thru bank in Hatton Cross in 1998, although it closed within six months. HSBC, meanwhile, has previously announced plans to trial drive-thrus although as yet no sites have come to fruition.

Retail banks are not alone among non-food businesses in experimenting with drive-thru formats. Indeed, the concept is even gaining traction in the property world. Earlier this year, an estate agency in Cornwall - MPH Legal & Estate Agents - opened on the site of a former petrol

station, allowing people to drive up, take a property brochure and go. From dry cleaners to off-licences, other operators have also taken the opportunity to open drive-thrus, with varying degrees of success.

Where they have failed, non-traditional drive-thru occupiers have tended to fall down on at least one of the three main criteria for a successful drive-thru format: convenience, practicality and standardisation of service.

Rapleys associate Mark Frostick

believes drive-thru dry cleaners provide a case in point. "I don't think drive-thru dry cleaners ever really worked," he says. "If you've got a big suit and you've got to hand it out of the car window and someone else has got to get it through the window it's a bit of a faff. It's just as easy to park up and go into the store."

Where the fast-food chains have thrived is in offering an easy, efficient service that can be replicated at every drive-thru outlet. "You've got to know what you're getting before you turn up, so if you turn up to a McDonald's, whether it's in Aberdeen or Penzance, and you order a Big Mac, you'll get exactly the same product," says Frostick.

Another barrier facing new entrants to the drive-thru market is the lack of availability of suitable

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Big bank theory: the drive-thru format has reportedly proved a hit with customers

sites. "There is a general lack of opportunity because a lot of the right locations have been densely developed," says David Chittenden, head of automotive and roadside at Colliers.

Metro Bank's two drive-thrus are attached to a full-service bank, so the company is on the lookout for sites that are able to facilitate both formats. "As with all our sites, we look for areas with high footfall - or traffic in the case of our drive-thrus - retail parks being a good example," says Ewing. "Most importantly, we always ensure that our stores are prominent and highly visible to our customers."

Competition for sites

The issue Metro Bank is likely to face as it tries to expand is that this list of requirements could just as easily apply to any of the fast-food giants, the majority of which are also planning to grow their drive-thru portfolios. "KFC, McDonald's and Burger King are desperately looking for these sites and are out there with lists as long as your arms," notes Frostick.

High demand for suitable locations means such sites come at a premium. "People are paying good money for strong transient sites with good passing trade and accessibility," says Frostick. "If you're a Metro Bank potentially competing for that site you've got to ask yourself: how much money do we

make out of that lane and do we need to be there?"

The cost of securing new sites may also prove a barrier for new entrants looking to pilot drive-thru concepts, given that the return on the initial investment cannot be guaranteed. "You have to pay a lot of money for these sites and so you have to think about your exit strategy," says Chittenden. "If you're creating something that isn't fit for purpose in five or 10 years' time, then what's the point?"

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If the reality is that non-food drive-thru concepts are likely to remain niche, it could be that the greatest threat to the future hegemony of the big three drive-thru operators - McDonald's, KFC and Burger King - will come from fellow food sector players.

Taco Bell opened its first UK drive-thru in Cleethorpes earlier this summer, while Krispy Kreme is known to be on the lookout for more sites after opening a Hotlight format store including a drive-thru in Hampton, Peterborough, in July.

Then there are coffee chains Costa and Starbucks, which are aggressively expanding into the automotive sector. Starbucks is targeting 200 drive-thru sites by the end of 2016, while Costa told *Property Week* in January that a trebling of its drive-thru network to more than 100 sites was a realistic medium-term aim.

"The coffee boys have come in and done exactly what they've done to the high street," says Frostick. "They are competing with McDonald's and KFC for sites."

Chittenden says that for brands looking to grow their network of drive-thrus, there are still good sites out there, but the majority are in secondary rather than prime locations, meaning operators have to be a little more flexible in their requirements.

Frostick echoes the point and adds that drive-thru formats are still popular with developers of new roadside service areas or retail parks so long as they can secure the right operator. "If you can put a KFC or a McDonald's on the front of your car park and only lose half an acre in car parking spaces, it's a much better return than having those extra car parking spaces," he says.

However, the risk of putting an unproven concept into a new development is one many developers are not willing to take. This, coupled with the numerous barriers to entry, means agents like Frostick are "not getting flyers through from hundreds of people saying I want a drive-thru site".

So banks, estate agents and other non-traditional drive-thru occupiers are unlikely to become a firm fixture on Britain's road network. Fast-food chains are another matter, though. They could well face increased competition for sites as consumers drive demand for the next generation of drive-thrus. ■