

REGAL CASH FOR SMALL BUSINESS

by [Steve Brown](#)

Studies show that in order for a bank to maintain brand awareness with its customers and target customers, it must "touch" them through marketing channels between 12 to 18 times each year. Most banks use a combination of phone calls, personal visits, sponsorships, email and mailing campaigns to try and accomplish this. One sector many independent banks will focus their efforts on (when conducting marketing campaigns) in particular is the ubiquitous small businesses customer. Whether these customers need start-up capital, equipment loans, inventory financing, commercial real estate loans, payroll or other financial services, independent banks are well positioned to be the provider of choice for this customer segment. Banks targeting this sector should know that as with most other things financial, when it comes to small businesses, cash is king. As a result, banks should increase their marketing and product offerings to meet small business customer cashflow management needs. Consider a recent study that found small business owners manage their cashflow most often by putting off purchases (23%), rather than obtaining a line of credit (19%), using a credit card (15%) or taking out a short-term loan (10%). Banks eager to increase loan balances and capture new clients may want to offer a package of services designed to specifically address cashflow flexibility. Perhaps banks could offer a bundled package that includes pre-approved lines of credit, credit cards and short-term loans to existing and target customers. In this fashion, small businesses can pick and choose what they feel will meet their needs, while independent banks increase their customer penetration rates. The study also found that small businesses say their areas of greatest concern related to cashflow are managing their accounts receivable (18%); having the ability to pay bills on time (16%); having enough cash on hand to win new business (15%) and having a way to easily track cash flow (8%). Here again, independent banks can step in to provide a package of services. By offering small businesses (along with the short-term loan package) a beefed up online capability, independent banks can give business customers the capability to track and pay bills, view cash balances and download updated sources and uses reports. Given that 66% of small businesses are banking online these days, independent banks must continually evaluate their product offerings being delivered through this channel. Bankers should know that 50% of small business customers will switch banks for enhanced payment/cashflow management services and that 21% have already shopped for a new primary bank in the past 3Y, so expanding online business offerings is extremely important. In addition, with small business owners now aware of between 6 to 10 banks (not branches, but banks) within their business footprint, differentiating one's bank brand, improving online offerings and offering bundled solutions to meet customer needs are critical to ongoing success. Whether it is retaining deposits, attracting new business customers, developing new sources of revenue or finding adequate funding sources, small business customers play a pivotal role for independent banks. In financial circles, cash has always been king, so independent banks should focus resources to address the specific cashflow needs of existing and targeted small business customers.

BANK NEWS

M&A

Bank of America agreed to purchase LaSalle Bank for \$21B from ABN Amro. The move gives BofA infill retail and commercial banking out of Chicago; adds \$120B in assets, including 400 branches,

15k commercial clients and 3mm retail customers. In total, BofA now has 10.2% of the U.S. deposit market and is expected to shed some jumbo CDs in an effort to get below the 10% cap.

Retention

A new Harris poll indicates that electronic bill pay customers are 58% more likely than non-online users to recommend their bank to others.

Welcome Bonus

Anecdotally, we are hearing more and more banks offering a "signing" or "new account" bonus for new commercial and retail customers that open a checking and/or savings account. While we are just started to track this feature, bonuses range from \$10 to \$500, with the most common being \$50. This trend has caught on after most of the online banks started to offer the feature during the middle of last year.

Regulatory

The FDIC has dropped the hammer on banks involved in subprime lending, by warning them to work with borrowers that are unable to make their payments. The FDIC statement included wording that "prudent workout arrangements are generally in the long-term best interest of both the financial institution and the borrower" and indicated said it would not seek regulatory penalties for institutions that make reasonable arrangements to help borrowers.

Mortgage Sector

The mortgage loan default rate in CA has reached a 10Y high, as notices in the 1Q soared 148% over last year. Meanwhile, foreclosures nationwide increased 48% in March as CA, FL, TX, MI, and OH made up over 50% of total foreclosures.

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