
BALE, A-ROD AND BANKING

by [Steve Brown](#)

Actor Christian Bale was probably very happy it came out this weekend that baseball great Alex Rodriguez tested positive for steroids in 2003. The A-Rod information shocked the sports world and pushed Bale's cussword-laden tirade to the back pages of the tabloids. We focus on these as two real-life examples of how sometimes it takes a harsh spotlight to drive people to change. Banking can be like that as well sometimes.

Consider for instance that a recent survey found 90% of small business owners felt product and service offerings were indistinguishable among banks. Meanwhile, nearly 65% said they use the same bank for both personal and business banking. Despite the fact that most community bankers are fantastic when it comes to small business lending, the data shows customers don't see much difference between banks and as such, they tend to stick with banks where they already have a personal account. In order to capture the business accounts of these customers more effectively, community banks may need to consider offering additional personal services for business owners.

Online banking capabilities are also very important to small business owners. Surveys show about 80% of owners say online banking capabilities are very important and they would actively use such services. Despite that fact, only 20% of community banks today allow small business owners to pay bills online and only 12% have a way for potential business customers to apply for loans online. As can be seen from the data, community bankers can still improve when it comes to providing online services to small business customers.

Another area community bankers can improve relates to customer coverage. Given all the turmoil in the industry, community banks should know that 54% of small business owners say they only have one point of contact at their bank. Community banks may want to consider expanding coverage to two employees given market turmoil. Doing so may help reduce customer losses, should primary customer contact employees leave the bank in the future. While we are discussing account coverage, it is also interesting to note that 84% of these customers said they would refer their bank to a peer if they were asked. Perhaps expanding coverage and increasing training will help ensure this loop is also closed.

Bankers trying to keep small business clients happy may want to consider adding online bill pay for selfish reasons. Studies show those business customers that use online bill pay are also 45% more likely to say they are "extremely satisfied" with their bank than those who only bank offline. Banks also don't have to spend all that much to offer such a service either. Customers say they only want to review balances, transactions and schedule payments to be satisfied.

By 2010, it had been projected that 39% of small business owners would be age 65 or older and start to retire. Given the downturn, studies now show the average retirement has been pushed back by 7Ys. This extension gives community bankers more time to modify product offerings, in order to attract the wave of younger owners that will eventually surface when these businesses begin to turn over.

Businesses now have access to more financial services providers than ever before, consolidation is occurring at a fast pace and distant competitors are everywhere because of an inexpensive delivery mechanism called the internet. Community bankers moving to enhance internet banking, remote deposit capture and mobile banking offerings are all taking steps in the right direction.

As long as any internet enhancements aren't "artificially enhanced" and providing the changes remain "stable," community bankers stand a good chance of maintaining and expanding customer relationships well into the future.

BANK NEWS

Failure 7, 8 & 9

FirstBank Financial (\$337mm, GA) was closed and Regions Bank (AL) assumed all \$279mm in deposits and \$17mm in assets. Alliance Bank (\$1.14B, CA) was purchased by California B&T (\$10.5B, CA) which agreed to assume Alliance's deposits (\$951mm) and \$1.12B in assets. County Bank (\$1.7B, CA) was acquired by WestAmerica Bank (\$4.5B, CA) to include a loss-share agreement.

New Bank Plan

Tomorrow, the Treasury will announce revisions to the bank support plan that will include the concept of an "Aggregator Bank," ("Bad Bank" was too negative) which will be funded with both Treasury and private money. The program will provide fresh bank capital, a place where banks can sell troubled assets and an entity to house/restructure home mortgage obligations. Stand by for details regarding how private money will be treated because that will be the key.

Senate On Compensation

The Senate approved 3 amendments to the Stimulus Plan that is drawing heated controversy with bankers. Instead of limiting CEO compensation to \$500k/Y for banks taking new money as the President suggested, the Senate's went haywire and passed a plan that will limit pay to \$400k for the top 25 employees, do it retroactively and require preferred stock redemption for any bonus in excess of \$100k (or pay a 35% excise tax). What school of economics is this group from?

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