

CUSTOMERS ARE BUZZING FOR A NEW BANK

by [Steve Brown](#)

Summer is just around the corner and with it, many will once again hear the buzzing sound of the cicada insect that emerges in late Jul and Aug. If your home has ever been inundated with these shell-dumping creatures, you also know they can produce sound up to 120 decibels " among the loudest of all insect-produced sounds and roughly equivalent to a jet engine. Perhaps that is why we can only enjoy their "singing" only for a short time every summer before we find ourselves closing windows around the house.

Like the cicada, small business customers have also been buzzing lately. Some of these customers had been slowly captured over the years by larger national banks offering unique loan terms/structures, fancy online capabilities and a vast network of ATMs and branches. As of late, however, the news has not been kind to large banks and the community bankers we talk to say they are slowly but surely gaining customers. That isn't any wonder, when you consider how many small business owners expect it will take more time to recover from this deep recession and how many blame large banks for the mess.

A recent study in fact, finds that 20% of small business customers plan to change their large primary bank and 14% have already added a new bank to their roster of relationships as they explore options. While most banks track new customer relationships, having a robust plan to absorb customers more fully and get them cross-sold on the bank's products and services is crucial for both profitability and retention. Take a quick look to be sure your new customers are meeting expectations and if not, now is the time to ensure that these new customers not only use a variety of products, but are happy enough to tell other small business owners what a great choice they made.

Another area banks should be evaluating closely is the product suite itself. Small business customers these days are looking for products to be efficient, low cost and simple. In fact, a new study finds only about 10% of small business owners purchased a new financial product last year at all - from any bank. Complexity is out and simplicity is in, so think like a customer as you review all product offerings and simplify, simplify, simplify.

It is also interesting to know what products or services small business clients are using right now. Your gut is probably telling you that more are interested in saving than lending and the statistics bear that out as well. Interest in new savings products reached 44%, displacing loans, which fell to only 25% (other services made up the rest). That is a quantum shift for customers and it shows many are trying to rebuild their balance sheets.

There is still opportunity in lending, but things are indeed tight right now. The data we have reviewed seems to indicate about 33% of small businesses still have a loan with a bank, while another good chunk has been utilizing debit cards. There has been a big shift from credit card usage (down 11% in 2009) to debit card usage (up 18%).

No matter how you target new customers or cross-sell to existing ones, now is a good time to be a community banker. The image of large banks are tarnished which acts like a catalyst for more small business reevaluation of banking relationships. Small business owners are seeking help and want a

bank that can tailor a solution to fit their needs. As the buzzing to switch banks gets louder, we know community bankers are well prepared to assist these customers - wherever they may fly.

BANK NEWS

Closed (50 YTD)

On Fri, the FDIC closed: 1) Lakeside Community Bank (\$53mm, MI) and will payout on all insured deposits. First Michigan Bank will handle direct deposits (social security, etc) from the Gov't. Meanwhile, TD Bank NA (\$140B, DE) assumed all deposits and essentially all assets (\$2.2B held under a 50/50 loss share) of 2) First Federal Bank of North Florida (\$393mm, FL), 3) AmericanFirst Bank (\$91mm, FL) and 4) Riverside National Bank of Florida (\$3.4B, FL). 5) Butler Bank (\$268mm, MA) was also closed and sold to People's United Bank (\$20.6B, CT), who acquired all deposits and nearly all assets (with \$206mm under a loss share). 6) City Bank (\$1.1B, WA) was closed and was purchased by Whidbey Island Bank (\$1.0B, WA) for a 1% premium and approximately 65% of the assets under a loss-share. 7) Innovative Bank (\$269mm, CA) was closed and sold to Center Bank (\$2.2B, CA), which purchased the bank for a 0.5% deposit premium and assumed most assets under a loss-share. 8) Tamalpais Bank (\$629mm, CA) was closed and sold to Union Bank, N.A. (\$85.2B, CA) for a 2% depository premium and most assts under a loss-share. For more info on failed banks go: <https://biganalytics.bancinvestment.com/> and see the bottom right link.

Citi

The bank posted a \$4.4B profit for 1Q largely driven by securities gains and profit from overseas operations.

Capitol Bancorp

The \$5.1B holding company entered into an agreement to sell 3 banks, Fort Collins Commerce Bank (\$94mm, CO), Larimer Bank of Commerce (\$90mm, Co) and Loveland Bank of Commerce (\$40mm, CO), back to their minority shareholders.

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