

LEARNING NEW THINGS

by [Steve Brown](#)

There are many things going on in the world around us that may not be intuitive or readily known. For instance, the blue whale's tongue weighs more than an elephant; sharks can live up to 100Ys; there are as many chickens on earth as there are humans; our eyes are always the same size from birth, but our nose and ears never stop growing; and the normal person laughs 5x per day. Learning is certainly a process, but it can be fun if you go in with the right mindset and in our humble opinion, it should be readily embraced. A desire to learn new things keeps the brain fit and allows everyone of us to acquire new knowledge, behaviors, skills and understanding.

Community bankers have been learning much recently about how quickly the industry can change, the impact of such events on the business model and the quirkiness of risk. New regulations have come at the speed of light and the flow rate of a busted Hoover dam. Community bankers have had to adapt faster than a chameleon changes colors. To do so more effectively, we provide some thoughts we expect will be helpful as you go about your business in such an environment.

In the search for new customers, know that 90% of consumers surveyed seek safety, security and trust over all other factors when selecting a new financial institution. Having a marketing approach to emphasize this can benefit your bank.

A recent study by the FRB finds out even more about consumer behaviors and attitudes. In it, consumers were found to make 53% of their monthly payments with a payment card (credit, debit, and prepaid). In addition, more consumers now have debit cards than credit cards (80.2% vs. 78.3%) and they use those debit cards more often than cash, credit cards or checks individually. Overall, the percentage of consumers that use a payment instrument at least 1x per year, by payment type, are cash (98%), check (91%), debit (80%), credit (78%), online banking (53%), money order (18%), prepaid card (17%) and traveler's check (5%). Now that you know this information, a process can begin to set up a program to cross-sell your existing clients into your product and service offerings in this area.

Bankers interested in the small business customer may find it interesting that a recent survey found the net interest margin of banks that provide loans to small businesses are as much as 4x higher than banks that do not. In addition, the survey found roughly 11% of small business owners use ACH transfers, 8% use remote deposit capture and 7% use payroll services.

Another survey of small business owners by Citibank also revealed some interesting information about online tool usage. In it, the survey revealed about 84% of small businesses haven't engaged in e-commerce, 62% don't send marketing e-mails to promote their business and an amazing 40% still did not have a website. However, of those surveyed that did have a website, some 74% said it was an effective way to bring in business. Finally, when it comes to online marketing, 67% of small business owners aren't buying online ads and about the same percentage have not utilized search engine optimization. Many community banks we know conduct presentations in the branches as a way to do community outreach and boost business, so perhaps these themes are some you can use to increase opportunities and spread the education to your customers and target customers at your next event.

Learning can be enjoyable - like finding out 40% of McDonald's profits come from the sales of Happy Meals; a camel's hump is not used for water storage and by the age of 60, most people have lost 50% of their taste buds.

TACTICAL WORKSHOP DATES

If some of our writing is good, you should see us in person. To that end, we will be hosting a series of 1-day workshops focusing on the new financial regulations, bank profitability, strategic planning, lending, cost of funds and risk management in Chicago, IL (July 27th), Charleston, SC (Sept. 14th) and Falls Church, VA (Sept. 16th). For more information and to register go:

http://www.pcbb.com/conference_tbw.html

BANK NEWS

M&A

Eastern Bank (\$6.6B, MA) has entered an agreement to purchase Wainwright Bank & Trust Co (\$1.1B, MA) for approximately \$163mm, more than 2X book value. This marks the 2nd largest bank acquisition this year, following behind TD Bank's purchase of South Financial Group.

Fin Reg

In an effort to garner last minute Senate votes, the House sent the Dodd/Frank bill back to conference in order to remove the \$19B "bank tax" that was included to pay for some provisions (mostly the consumer protection aspects). In its place, Congress moved to end TARP early (freeing \$11B) and increase the FDIC DIF fund minimum reserve from 1.15% to 1.35% by 9/30/20. Additional assessments will be forthcoming, likely from banks over \$10B. The logic is lost on us, as it is still a "tax" and has now set a precedent for using the FDIC DIF fund for operating expenses.

OD Education

Regions Bank has one of the more effective educational sites we have seen, featuring web pages, video, a FAQ sheet and links to information on managing overdrafts.

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