

STRANGE, OPTIMISTIC, OVERCONFIDENT & MUCH MORE

by [Steve Brown](#)

Not to pass judgment, but people are weird sometimes, as can be seen in the Icelandic singer Bjork. She is infamous for wearing a dress shaped like a swan and carrying a coordinated egg purse to the 2001 Academy Awards. We have no idea what she was thinking, but to us, that was a bit strange and we won't even begin to discuss Lady Gaga.

A study from the University of Kansas, based on data collected by Gallup, found that approximately 92% of people are optimistic by nature. While that has little to do with swans, we bring these things up to help set the stage, as we delve deeper into the human psyche to see if we can uncover better ways to capture more customers and get them to buy more products and services.

Because we are human beings, research has shown we tend to do certain things at certain times - often to our own detriment. For instance, we often will overreact to new information. We value recent news as fresh, which can lead people to more heavily weight their decisions based upon that latest information. This is a primary driver behind wild swings in the markets and runs on banks. People don't stop and think long enough to do the analysis to get perspective, deciding instead to react to news aggressively. For bankers, positioning products around recent information can produce an up lift in results.

Studies also find that we also feel pretty confident as people. We tend to rank ourselves as above average, when we all know to create an average some have to be above the line and some below the line. This overconfidence, in turn, drives people to be overly optimistic about the outcome of planned actions. By over estimating how things will go and under estimating the potential for failure or issues to arise, people live comfortably in a bubble of illusion to which they fall prey time and time again. When overconfidence meets reality, banks can quickly get behind on planned launch dates of new products, overestimate customer adoption levels and have cost overruns. We are an optimistic group as seen above, so understanding issues arise in any endeavor that we cannot predict help keep things grounded and unrealistic expectations in check.

We have to find order in our lives, which often produces unconscious biases to develop. We believe what we see and lock it into our minds as a factual basis for future action. Such biases can result in defective decision making, because our base line starting point is skewed. People like to believe past events are predictable, which psychologists say is based on the human need to find order in a chaotic world. We like to create a story line around events that allows us to believe such events are predictable in the future. The current economic downturn is a great example of this, as we have all from time to time thought some aspect of the crisis was completely foreseeable. Yet, when you go back in time and realize the best minds in the world couldn't see this truck coming, we get a better understanding that some things just cannot be foreseen. Marketing safety and security to customers right now should be easy for banks, because people just experienced a scary event and they want to be safe. This is one reason so few customers right now are griping about the rates on deposits. They don't care very much right now because they equate lower rates with increased safety and they want as much safety as they can get. Take advantage of this, but know the bias will eventually change.

Banks may want to consider a strategy of locking up some portion of this funding longer-term, in order to stay liquid when biases eventually shift.

No matter what you are thinking right now, consider that it is chock-full of biases built into our DNA and learned over the years. Just knowing how the human mind processes things, may help change how you think about different situations. For our part, right now we have a strange bias toward drinking more coffee in order to get going this morning.

BANK NEWS

Fin Reg

Passed the House last night by a 237-192 vote. The Dodd/Frank Bill now goes to the Senate, currently slated for July 13th, where several key votes are still needed for approval.

Bank Reg

The ABA estimates that Fin Reg will generate more than 5k pages of additional regulation that community banks will need to review, understand and manage.

Fed Nominees

The Senate set a date, July 15th, to hold hearing on the Fed nominee, Yellen, Diamond and Raskin.

Homebuyers Tax Credit

The extension of the closure deadline was approved so that homebuyers in contract by April 30, but failed to go to close by the required June 30 deadline will now have until September 30th to close.

E-Loans

According to Lieberman Research Group, 18% of banks offer interactive online lending applications, while 42% offer basic online applications and 32% allow customers to print out PDF applications from their website.

Popular June Give Away's

Banks report promotional success with account opening and activity with the following items in order of success: iPad, 4G iPhone, Flip Ultra video recorder, Droid phone and a gas card for summer driving.

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