

## SMALL BUSINESS ACCOUNTS AND "THE SHORE":

by [Steve Brown](#)

MTV's executives deserve credit. "Jersey Shore" is back for another season and it continues to draw blockbuster ratings. We can't figure out what this popularity says about our society, as the show is disgusting yet morbidly irresistible all at once. In case you haven't been tuning in, the show is a modern anthropological experiment where a group of dim-witted and "juiced up" young adults with personality disorders (and orange tans) are given money and cameras and then followed around on first the New Jersey coast and now Miami.

MTV, in creating the show, segmented their customer base into other dim-witted young adults that look up to the cast and a group of adults that watch the show seeking out a train wreck in utter disbelief. The cast has puzzling rituals, sayings and a complete disconnection with reality. It's hard to say what is worse: the immoral behavior the characters involve themselves in, or the way MTV has presented the program.

While we are not advocating going after young adults, segmenting a market demographic could boost profitability. In particular, the hottest trend in market segmentation is once again small business. For starters, businesses between \$5mm and \$50mm of annual revenue represent the ideal sweet spot for community banks. This customer segment is the most profitable in banking, generating between \$20k and \$40k of net risk-adjusted revenue per annum. This group of businesses has enough banking activity and balances to be clearly profitable, but not enough banking relationships to dilute this profitability. In addition, since the Obama Administration is determined to support this cross section of business, we look for there to be further economic benefit in the form of stimulus and tax breaks for this group, providing even greater profitability.

If you don't have a dedicated small business bundle of products, we highly recommend it, as it is the most profitable in banking. Instead of pricing services on an ala carte basis similar to commercial accounts; small business packages work best with a flat monthly fee similar to retail accounts. Usually 2 account packages work best (a basic and VIP) that end up capturing 75% of business' needs. Normally, banks charge between \$10 and \$45 per month (usually waived with balances of \$15k or more) for a basic package that includes: checking; savings; credit cards; remote deposit capture; online bill pay/banking; processing of 150 and 300 items; connection to an accounting package; merchant services; and a credit line. Other services that are increasing in popularity are: text alerts; payroll; remote cash capture; financial planning; electronic invoicing and payment; and employee access (extended retail services).

We will be spending more time on account packaging at our upcoming Tactical Workshops in VA and SC in Sept so sign up now ([www.pcbb.com/conference\\_tbw.html](http://www.pcbb.com/conference_tbw.html)). Until then, if you watch Jersey Shore, be sure to check out our favorite, Snooki. This made-for-reality-TV woman is so blissfully ignorant, that it is astounding. Every time she opens her mouth you get an instant classic. Such as last week's "I am sick of washing my clothes by hand. It's like I am a Pilgrim in the friggin 20's."

## BIG METRICS - 2Q EARLY TRENDS

A representative sample of 2Q data is now available on BIG Metrics. In short, earnings have improved in most asset classifications. For a free look and to find out what is happening with NIM, ALLL, loan growth and other aspects of community banking go to: <https://biganalytics.bancinvestment.com/> and look at the bottom right under "Early Data."

## **BANK NEWS**

### **5 Banks Closed (108 YTD)**

The following banks were closed on Friday: 1) NorthWest Bank and Trust (\$168mm, GA) was sold to State Bank and Trust Co. (\$2.6B, GA). State Bank acquires 2 branches, all deposits (no premium) and virtually all assets (\$108mm under loss share). 2 & 3) Bayside Savings Bank (\$66mm, FL) and Coastal Community Bank (\$373mm, FL) were purchased by Centennial Bank (\$3.1B, AR). Centennial captures 13 branches, all deposits (no premium) and essentially all assets (\$351mm under loss share). 4) Cowlitz Bank (\$529mm, WA) was sold to Heritage Bank (\$856mm, WA). Heritage acquires 9 branches, all deposits (1% premium) and about 53% of all assets (about 58% under loss share). 5) LibertyBank (\$768mm, OR) was sold to Home Federal Bank (\$799mm, ID). Home Federal captures 15 branches, all deposits (1% premium) and 54% of assets (about 72% under loss share). For more information, go to the bottom right "Failed Bank Section" here.

### **Mortgage Disclosures**

The Fed announced that the non-"higher-priced mortgage loans" fee dollar limit under TILA will be adjusted for CPI and will be \$592 starting 1/1/11.

### **Earnings**

314 of the S&P 500 have reported and 71% are showing earnings surprises to the upside.

### **Not Moving**

Only 1.6% of people moved between states in the 1Y period ended March 2009, the lowest level in nearly 50Ys. Analysts say the lack of movement was due to the fact so many people have underwater home mortgages.

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