
ZOMBIE BANKING

by [Steve Brown](#)

There are so many things going on in the banking industry right now, it is easy to feel you are walking the earth in search of something better. Bankers are working harder than ever, getting rest is a luxury and puffy eyes have been the norm for 2Ys now. Who hasn't woken up at least 2 or 3 times this week alone at all odd hours, just to pace the house wondering whether or not that problem loan that woke you up in the first place will get

worse? You are so tired you can't think straight, you often worry about work and you wonder whether it is strange to find yourself heading into the office at 2am just because you can't sleep. Banking is a rough business right now and it can certainly take a bite out of you if you don't run fast enough.

All of that said, many bankers we know are continuing to fight diligently and se strongly believe we will all soon emerge from this downturn stronger than ever. There are opportunities for community bankers to take advantage of (as well as risks obviously), so given that we are inherently an optimistic bunch, let's focus on the opportunity.

For small business bankers, it is interesting to note that a recent study by Aite Group found 85% of US banks have increased their focus on meeting the needs of small businesses. Large national banks have jumped back into the small business game once again, with many recently announcing the launch of new small business programs, as they try to capture these great customers. Since we support community bankers, we found it quite interesting that many of these large bank programs quite obviously take a page from the community bank play book. Large banks are offering cash to businesses to open up direct deposit accounts, boasting personal bankers to help business owners and offering specialized industry expertise as well. Clearly, large banks have seen community banks take a bite out of this customer segment and have ramped up product and service offerings in response.

One reason for this is that large banks have woken up to the fact that studies show small business owners are twice as satisfied with their primary bank if it is a community bank vs. a large bank (39% compared to only 15%). In addition, small businesses with annual sales of \$1mm or less deliver about 25 percentage points more margin than those with sales of \$1mm to \$10mm (even when you include account origination, transaction and maintenance costs).

Another reason could be that the same study found that while 1 in 5 small business owners said online banking offerings are a primary consideration when choosing a bank, only 11% said they were "extremely satisfied" with the depth of capabilities offered in this area by their primary bank so they might see this as an entry point. That approach would not be surprising when you consider that 60% of small businesses now bank online.

Even though you are tired, try your best to keep your team motivated and watch your back for mobs of large bank zombies headed your way in the small business space. Be sure to lock the door to your clients by making sure your bank regularly conducts customer surveys to identify needs, wants and desires; identify and fix gaps in product or service offerings as needed; segment clients into groups

that make sense for a focused sales effort; and deliver customers a needs-based service offering to achieve the best results.

The next time you are wandering the house thinking about some problem asset, losing a customer or something else; don't forget to take a moment to think about all that has been accomplished and how much your bank is doing to support the local community that needs you now more than ever. Be proud, try not to worry so much and get some sleep - it helps keep you from turning into a zombie yourself.

BANK NEWS

Less Risk

In a great news story, concern over CRE is easing off a bit as companies have been able to refinance debt coming due in the next 4Ys. Overall, the total amount of loans and bonds set to mature during this period is down 34% and since the beginning of last year alone it has fallen by \$393B. Banks and analysts are now calling the amount of high-yield bond and loan maturities coming due over the next 2Ys negligible and manageable.

SCAP2

The Fed announced the largest 19 banks will need to conduct a new stress test to provide support that they can pay shareholder dividends or buy back stock while still meeting the requirements of Basel III and sustain future economic stresses.

Economy

The OECD released its twice yearly economic forecast report and projected US growth would fall to 2.7% for 2010 and 2.2% in 2011 as stimulus wanes and the government shifts to dealing with the huge budget deficit.

Customers

Bankers might be interested by the results of a Gallup survey that asked people what they would do if they suddenly inherited a large sum of money. The top 3 things in order were save it (48%), buy a house/repay a mortgage (24%) and start a business (14%).

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