

GAINING MOBILITY

by [Steve Brown](#)

It is the holiday season and people are trying to figure out what gift to give family and friends. Many people we know would love to receive cold, hard cash; but if a gift card is softer from your perspective, you might want to know some facts. We came across a study done this year on gift cards that bankers should know about. In it, the study found people that shop with gift cards are 2.5x more likely to pay full price; 6% of all cards go unused; an estimated 27% of people still have gift cards they received last year but have yet to use; and the average people give each year in total in gift cards is \$145.61 (average is \$41.48 per card). No matter what you decide to do this year, as a banker we know just hearing that gift cards result in money being wasted makes the blood run cold in your veins. As such, we suggest considering giving a crisp \$50 or \$100 bill instead, to achieve maximum impact and limit dollar waste.

Now that you have a plan for gift giving this holiday season, we turn our attention to mobile banking. After parking the car and stopping off at our favorite coffee shop this morning, we wandered past a phalanx of ATMs from a major national bank. We stopped to watch the light show, as all over the screens were scenes of phones in motion and a push for mobile banking. The screens touted mobile banking as a fast, convenient way for people to check account balances, move their money and get on with life. One thing we know is that when large banks push this hard, they are sending a message they are seeking to change behavior. As such, we confidently predict that despite its issues, mobile banking will be the buzzword for banks in 2011.

To support our hypothesis, look no further than a new Nielsen survey that finds smartphones now make up 25% of the mobile phone market in the US and adoption rates soared 41% in the 3Q and 35% in the 2Q. Nielsen also estimates that by the end of 2011, 50% of people in the US will have a smartphone. The iPhone, Android and others have become commonplace and will certainly find themselves in droves beneath the Christmas tree both this year and next. People like the flexibility, it is changing habits, applications are more available and prices are declining, so all the catalysts are there to drive increasing adoption rates.

For banks, mobile banking is still pretty confusing. There are many different applications and strategies out there; not to mention a lack of internal funding and a host of other factors that come into play when you consider it. Our advice is that no matter what you do, because adoption and application rates are so aggressive, at least begin. You can refine offerings as you go, but waiting too long to get in the game simply isn't a good idea. In fact, a Mercatus survey recently found that nearly 60% of large national bank customers said the availability of mobile banking services was a key reason they switched banks.

There are all kinds of reasons to offer mobile - from reducing costs (Bank of America and Wells Fargo find 9% of customers visit branches just to check their balances); deepening client communication (94% of people read text messages they receive); or reaching customers the way they want to be reached (15% of Bank of America, 11% of Wells Fargo and 11% of Citigroup's customers log in weekly to mobile banking), to name but a few.

Therefore, no matter what gift you give this holiday season, you might want to make it technology-based. After all, as a community banker, we are sure you can appreciate where the industry is heading. Consider our last study results (by research firm First Annapolis) that found 54% of the top 100 financial institutions now offer some form of mobile banking. Start now.

BANK NEWS

Large Bank Assessment

Bank trade groups are urging the FDIC to extend its 1/3 comment deadline for the large risk-based scorecard assessment methodology. This approach affects banks larger than \$10B and is said to be confusing and not easily duplicated.

Bank Capital

The FDIC Board will meet today to consider where to set minimum capital requirements for banks & bank holding co's under the Collins Amendment of Dodd-Frank.

Build America Bonds

The popular bank taxable muni investment does not look like it will be renewed by Congress. As a result, look for short-term spreads to increase, as \$3B of new supply is rushed to market before the year-end expiration.

Dot Bank

ICANN, the association in charge of managing internet domain, did not rule on the approval of ".bank" as an internet suffix. At issue is possible misuse, so the committee tabled the decision until more information could be gathered.

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