HAVING FUN AND MAKING MONEY

by Steve Brown

If you are trying to figure out a new deposit account to offer in your market, consider one built around customers having fun. Like bankers, consumers have been stressed the past few years, so it isn't surprising that a survey by TD Ameritrade found this year people want to "have more fun" (67%), "relax/reduce stress" (67%) and "save more money" (65%). Bankers that can design an account structure to serve all three of these may be able to capture more customers and help your own employees have more fun in the meantime. Speaking about branches and activity in branches in an around about way, we thought you might like an update as to what we have found over the past 6 to 9 months in this area. We begin by pointing out that research finds roughly 40% of branches are not profitable. Customers used to stream into them in droves, dropping off bags of money for deposit and taking out loans at a nice spread above Prime. Remember those days? We do, but times have changed and community bankers much change with them. So, what is the answer? One way to improve branch performance is to spend a little money on customer facing sales training. Tracking cross sales is a great way to start, with a goal of getting more customers to use more products. That increases performance and stickiness, while giving customers exactly what they want as you fill a need. Consider that studies find about 40% of customers want to consolidate their banking business with one bank, but most banks only capture about 20% of business. That leaves more room to grow both customers and improve performance, simply by selling better and more - which takes training to be effective. Big banks are already all over this, offering variable payouts to customer facing personnel of around $1 to $2 for every $10 they take home. Tellers, branch managers, personal bankers and pretty much anyone that talks to a customer should get an incentive if they sell more products to fit a customer need. Doing so not only increases customer satisfaction, but also boosts referrals, which in turn drive even more performance. The good news (we guess) is that you still have time to make this happen. Consider that a recent Celent survey finds only 25% of banks have the ability to track the number of cold calls an employee makes and how many leads get closed. That is a whole lot of banks that aren't able to do this, so if you can, you are way ahead of the pack. Since acquiring new customers is so difficult to do, banks are getting started with warmer leads from existing customers as they seek to enhance performance. JPMorgan takes things even further, separating by product line to drive a more focused effort. The Bank gives points for performance at the branch level according to one analysis and pays less for a new checking account than it does for getting existing account to institute direct deposit. These big banks have lots of marketing muscle and testing capability, so community bankers should leverage that research (even if you don't have it) and flatter away by copying those things the big banks do that get results. The branch is still relevant today, but given the amount of money large and small banks alike are spending on ATMs, online, mobile and other technology-enhanced forms of delivery keep your eye on the ball and be prepared to print up new (and fun) buttons for branch personnel touting your capabilities (as the transition to online gets even more aggressive in coming years).

BANK NEWS

Bank Asset Buyer

PIMCO has raised more than $1.5B for a private pool to buy assets from banks looking to strengthen their balance sheets.

AMBAC

The monoline muni bond insurer that many banks have exposure to is closer to being able to make a payment to its holders of distressed debt under its approved reorg plan.

Crisis Borrowing

The US Supreme Court declined to take a review of a federal court decision that upheld an order to have the Fed release detailed information regarding discount window borrowing and other emergency loan programs during the financial crisis. Without a Supreme Court reversal, the Fed, under the Freedom of Information Act, will be forced to release the names, rates and amounts of activity.

Municipal Risk

A study by DPC Data finds municipalities that have issued bonds often delay or ignore annual financial disclosure requirements, making risk monitoring more difficult. A sample of 17k issues found 40% of municipalities failed to meet requirements in 2009, the most recent fiscal year studied. This compares to 36% in 2008 and 33% from 2005 to 2007. Perhaps even more alarming, 75% either didn't file required financials or filed so late the information was useless and 56% were one or more years delinquent (19% failed to file any financial statements whatsoever).

Fee Checking

We checked back with Bank of America on their test program that we reported on last Friday that introduces mandatory fee accounts and found that profitability is "ahead of expectations" according to one BofA official. The Bank said they are still "a go" to roll the program out nationwide by the end of the year.