LIQUID BANKING AND BRANCH NETWORKS

by Steve Brown

Studies find it takes 2,000 times more energy to produce and ship bottled water than tap water and it costs 10,000 times more per gallon. It also takes 17mm barrels of oil to produce the plastic used to create all of the water bottles - about the same amount used to fuel 1mm cars for a full year. Finally, a healthy 8 glasses of water per day costs $1,400 per year for bottled, compared to only 49 cents for the tap. Sometimes it only takes changing the thing right in front of you to see a significant impact. Speaking of things right in front of you, today we talk about branches again, but from a different angle. We hear from banks over and over again about how they did not predict a specific loan from paying off, yet everyone knows top clients are hard to come by. The branch should be one key resource to leverage as you seek to retain and enhance these relationships. Consider for instance, having top management use a calling list based on the old 80/20 rule (that the top 20% of clients produce 80% of performance). Whether that is true for your bank or the numbers are more like 90/10, it really doesn't matter. The point is to simply call this list of clients and talk to them periodically to stay in front of business changes they might be going through. Another way is to task branch managers to reach out as part of their daily work (best done with a specific hour or two carved out just to make calls). Keeping top clients is more critical and difficult than ever (given weak loan demand and heavy competition), so reminding everyone is important. The branch can also be leveraged even more as a sales channel. Despite the popularity of electronic delivery, a branch in a good location with a good team is tough to beat when you are trying to stay on top of a customer relationship. Electronic channels are efficient, but to get the true pulse of what is going on, nothing beats a face-to-face conversation with a customer. As you work to protect your customers from the heat of the competition, consider filling up the relationship water bottle more frequently. What we mean by this is that the average customer has 5 bank relationships and they are now accessing each one of these banks through ATMs, online, mobile, phones and face-to- face. This means your best customer is getting pushed to do something not only from 3 to 5 channels, but also from 3 to 5 banks - or 9 to 25 ways (not to mention frequency). It is inevitable that the customer will eventually see or hear something they like and make a move to take advantage of the offer (could result in a loan paying off or a deposit not rolling over). In reality, the customer is being heavily marketed to and they are just reacting to someone's pitch, so you have to stay in the flow. To keep on top of things, sales training and cross-selling is a must through every single channel. If you haven't mapped this out and brought in some really good firepower to assist your team, you could be risking strong clients and are certainly leaving money on the table. Everyone can be trained to sell or to simply ask how your bank can help and each time adds up to an eventual money-making transaction. Despite the pot shots we often take at the biggest banks, they have their marketing machines running day and night and community banks need to do more to hold the ground. Some of the largest banks now offer 24x7 access to online specialists through video channels from ATM lobbies, while others offer a nifty electronic wall similar to a gigantic bank iPad (well not quite that cool, but you get the drift). The data shows at least 80% of Gen Y now use online banking and they don't want to visit a branch (and about 45% expect to use mobile this year) - ever. No matter where you operate or what your customer base looks like, it is clear changes are afoot with branch networks. To keep your bank as fresh as a cold glass of water, as you retain your best customers now and into the future, consider at least revisiting your branch strategy at the next strategic planning session.

BANK NEWS

Fed $ Statements

The Fed published its 2010 financial statement which showed income increased from $28B to $82B primarily driven by earnings from its MBS portfolio.

DFA & CFPB Impact

FDIC Chairman Sheila Bair assured community bankers that the FDIC is "paying close attention to the potential impact of the law on community banks" and bankers should keep an open mind regarding the Consumer Financial Protection Bureau. Like bookends, Elizabeth Warren stepped up and said that the CFPB is committed to ensuring non-banks follow the same rules and that the CFPB would look to streamline consumer disclosures.

Credit Unions

The NCUA is asking several investment banks for $50B of restitution as a result of misleading information in connection with mortgage backed securities that these Wall St. firms sold the corporate credit unions.

BofA Dividend

The Fed has reportedly told BofA to hold off on increasing the amount of its dividend payment and has asked the back to "resubmit" presumably with a lower amount or a better structured plan.