

DEALING WITH THE LOAD OF AN INDUSTRY IN FLUX

by [Steve Brown](#)

The banking industry is certainly in flux right now and community bankers are holding strategic planning sessions in an effort to get a handle on things and prepare for the future. To assist you as your own bank begins the planning journey, we have gathered together some interesting information that highlights some recent business model changes and provides further insight.

We begin with online banking. The ICBA did a survey recently asking community bankers about the percentage of customers that use online bill pay. The results were interesting, as 36% of banks said less than 10% of customers used online bill pay, 33% of banks said the number was between 10% to 20% of customers and 19% of banks said the percentage of customers was higher than 20%. At the other end of the spectrum, some 12% said their bank did not offer the product. This is a potential area community bankers can improve, as a new survey from the ABA finds 62% of adults in this country say online banking is now their preferred banking method (vs. 36% in 2010). Still in the 2nd position, but slipping precipitously from the prior year, only 20% of people now say they prefer to bank using a branch.

Next, we look at fees and customers. Here, we find that while a Money survey indicates 75% of people making at least \$75k per year would leave their bank if it raised fees, another one finds 58% of people won't ever switch banks because they see it as too much of a hassle. People don't like to pay fees for airline baggage either, but they do and the same is true in banking. The good news for community banks is there is more room here to raise fees, as only 14% of people say fees and low rates are annoying, while 64% of people say they like their bank, think has good service and would probably only switch for a better deal. Some larger banks are onto this and while community banking is certainly more personal, it is interesting to note that Fifth Third charges \$15 a month for checking customers if they don't link their primary account to another one at the bank; BBVA Compass charges \$3 per transaction to make a funds transfer and Wells Fargo charges some customers \$6.95 per month plus a \$5 maintenance fee for the privilege of paying bills online. Meanwhile, the average checking balance needed to avoid fees climbed 15% in 2010 vs. the prior year to \$3,883. We aren't saying you should turn your bank into a faceless fee-pounding entity, but the surveys show you do have room to increase some fees without too much risk of losing customers. If you still don't believe it, consider that a survey by Power finds 73% of the three biggest banks in the country are happy, despite all the fees.

Our third area of discussion focuses on employees. Banks cannot deliver differentiated value to customers in a tough market if employees aren't driven, so perks are important. Perhaps your bank cannot give bonuses right now because it is under strain or perhaps you are just trying to make your bank one of the very best to work for in the industry. Whichever one is the most like your bank, you might want to consider offering employees additional perks to keep them motivated. In this area, consider that a survey from Robert Half that found 33% of employees want more training or education, 27% wanted flexible work hours or telecommuting and 25% sought mentoring programs. In addition to these top three, employees also indicated a preference for corporate matching of

charitable contributions (15%); on-site perks such as child care, dry cleaning, fitness centers (11%) and subsidized transportation (10%).

The industry is certainly changing quickly, but focusing on taking care of your customers and employees can at least help reduce the load of issues piling up on your desk.

BANK NEWS

Downgrades:

Moody's downgraded the debt ratings on BofA (from A2 to Baa1), Citi (long term debt affirmed but short term cut to Prime 2) and Wells (A1 to A2), due to lower gov't support associated with Dodd-Frank.

Full Tilt Violations

BofA, JP JPMorgan, Wells and Citi were among the banks that got named by the Dept. of Justice for unwittingly holding deposits of owners of internet gambling companies accused of fraud. In addition to deposits, illegal poker companies tried to "circumvent" bank regulations by altering credit card processing codes, thereby creating a false appearance transactions were unrelated to internet gambling.

Cash Holdings

SEC is calling on US companies to increase their disclosure of their offshore cash holdings. Banks will be using this information not only to prepare for future repatriation of funds, but also to market foreign exchange.

FSA

The Farm Service Agency released an interim rule that will increase the loan fee from 1% to 1.5% on loans guaranteed after Oct. 1.

Competition

Bank of America is rolling out a new program to customers that have \$50k or more in deposits or investments with the bank called "Platinum Privileges." The program gives extra perks to these larger customers, including access to a specialized customer service center, preferred pricing on products and fee waivers. Testing by the bank finds customers brought over more assets, purchased more products and resulted in higher customer satisfaction scores.

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