

BEHAVIORAL CHANGE TO KNOW & UNDERSTAND

by [Steve Brown](#)

A strange thing is going on in the U.S. right now. Unlike other recessionary "rebounds," this time around people have changed their behavior. Research finds people are still spending money on personal technology, clothes and new cars; but they are not spending it eating out, getting haircuts, doing dental work, getting their car repaired or traveling. In fact, analysis by the WSJ finds that while spending on goods is up about the same amount as in past recoveries (up 9.1% since the recovery began), spending on discretionary services is only up 2.8% (vs. more typical 11% to 12%). Suffice it to say people are still being thrifty with their money more than 2Ys into the recovery. Speaking of behavioral changes, the ICBA recently asked community banks all over the country to rank the importance of various strategies. It found that the Top 5 put increasing profitability at the top of the list (70%), followed by becoming more efficient (56%), creating new revenue streams (54%), improving customer service (47%) and creating or improving customer access channels (36%). Bankers could vote on three different strategies. As the survey finds, behaviors are beginning to change in community banking and more banks are seeking ways to improve profitability by growing the loan business. One key way to do that is to focus more energy on the small business customer. In fact, a recent Aite Group study found less than 33% of small businesses are extremely satisfied with their current primary institution, so opportunity to capture new business customers abounds. To do a better job at customer acquisition, we looked at another survey (Small Business Trends), to see if we could uncover things that might help community banks targeting these customers. We find that 66% of small business owners say they are always on the go and time is of the essence. In addition, 58% think giving back to the community is important. To expand opportunities with this customer base and address these desires head-on, consider ramping up remote deposit capture and internet banking offerings for these targeted customers. Still today, only about 5% of small business owners say they know what RDC is, so there is plenty of room for product growth. Another area that can be improved is in training. Studies show the #1 thing small business owners want bank staff to do is to know their business and offer solutions that fit their needs. Banks will have to allocate sufficient resources to train employees in this area and leverage technology to boost convenience. Things that can make sense to enhance in the coming year include the online loan application process, RDC and enhancing the online experience overall to speed customer acquisition opportunities. It is also important to note that small business customers remain concerned about the economy and are worried about finances in general. They need help navigating these difficult times, so continue to enhance training around your relationship managers to ensure they are adequately prepared to discuss business planning, strategy and finance needs. Oftentimes, relationship managers are highly trusted individuals, so this is a critical first touch point for the bank. Competition is running high, however, with 43% of small business owners saying their bank was helpful to their business in the past year and another 32% saying their bank gives them everything they need. To differentiate your bank and capture more clients, focus energies on improving personalization (small business owners say they want this more than anything from their bank) and boost your consultative sales approach (owners want their bank to be a business partner and financial mentor). Behaviors have changed given the crisis, but you can meet those issues directly as you start the year on the right foot.

BANK NEWS

Fed Downsizing

The Fed Cleveland announced that it will eliminate all but a handful of jobs at its Pittsburgh office and will be selling their venerable downtown building. The shift comes after the Treasury moved its savings bond processing out of Pittsburgh and to the Fed Minneapolis. The move could possible impact about 200 workers.

Susquehanna

The \$14B, PA bank announced that it will reduce its PA and MD workforce by 350 during 1Q in an effort to reduce cost and consolidate branches.

Hiring

A CareerBuilder forecast shows that while the economy is improving, there will not be major hiring in 2012. The lack of clarity in Europe and continued housing stress were the main reasons cited for not hiring now. According to the survey, 23% of employers plan to hire full-time workers in 2012, about the same as those surveyed in 2011. The good news is that small business was found to be more confident in hiring, as 16% plan to add staff, up from 14% last year.

SAR Bust

A bank employee was convicted in federal district court of bribery and violating Bank Secrecy Act prohibitions against disclosing Suspicious Activity Reports. The employee contacted the subject of a SAR and extracted bribes from him in return for a promise to help with any ensuing bank proceeding or federal criminal investigation.

Best Online Ad

Zeta Interactive, a company that measures online mentions, rated E*Trade's "Enzo the Tailor" talking baby spot as the ad that created the most "buzz."

Repo

The Fed appointed a task force to look at moving to same day settlement, exploring a central clearing house and increase collateral valuation reporting. The push is an effort to reduce the operational and credit risk of major banks that dominate the market and pose systemic risk.

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