GO TO THE CUSTOMER & SHARE THE EXPERIENCE

by Steve Brown

We were just at a conference where about 150 bankers were present in the room. As things kicked off, we took a quick show-of-hands survey and the results startled us. The first question we asked was how many attendees' banks were using iPads (tablets) - about 3 hands were raised or roughly 2% of the audience. We then asked how many expected their bank to begin using tablets in the coming year - about 6 hands went up or 4% of attendees. Finally, we asked how many banks were using tablets or planned to use them to go out to the offices of business clients and work with customers on the fly to answer questions, show them products and let them test drive applications. On that one, you could have heard a pin drop - not a single hand was raised. This not-very-scientific survey could indicate a nice way for banks to differentiate themselves, capture new customers, keep existing ones informed and build even deeper relationships to those who focus a little effort in this area. What makes this low adoption rate in banking even more interesting is how it runs so counter to what is happening in the world around the industry. Consider that 65mm tablet computers were sold worldwide last year and 100mm are expected to be sold this year. Including smartphones, by the end of 2020, predictions indicate 10B mobile internet devices will be in use, up from 2B today. Further, a survey of large company IT teams worldwide finds 67% expect their companies will allow tablets on their networks within the next 12 months. That is a lot of opportunity developing very quickly. We also wondered just what the data would show people were using tablet computers for, so we did some digging. Currently, the most popular use of tablets in order is: web browsing; email; social networking; reading books, news or magazines; playing games; listening to music and watching video. Coming up fast behind these uses, the data shows people are leveraging tablets to create/edit files and for general/specific work use. This change, augmented even further by smartphone usage, has fundamentally changed the way people behave and the way they expect to interact with their bank. Studies now find people spend 20% less time on traditional PCs, given this mobile flexibility. We point this out because these tools have already changed the banking business whether we wanted that or not. As such, we strongly urge community banks to move faster to adapt to these technological changes. Some bankers we know remain skeptical and say they have little time, are worried about the security risks and just don't see what the hubbub is about when branches, online banking and ATMs already work just fine. Don't be lulled into a false sense of security - customers want to be mobile, they want you to serve them and other banks are moving quickly to adapt in this area so competition is already surging. If you are still not yet fully convinced, consider a survey by Oracle of mobile phone users. It asked which device people wanted to use to conduct banking and among all the options, found that 34% said a tablet computer; 11% said a mobile phone and 55% said both. Meanwhile, other research finds 30% of financial institutions already have a tablet app, most commonly allowing people to deposit a check directly into their accounts using the camera on the iPad (or iPhone). Experts say people prefer the tablet because it delivers the flexibility of a mobile phone, but on a bigger screen that feels more like traditional online banking (something they already feel comfortable doing). As you begin the journey toward supporting tablets at your bank, consider some of the ways other banks are already using them. These include: delivering board packages; on demand video training; consultative product delivery allowing employees and customers to interact directly; more effective selling; elimination of paper; and improving workflow efficiencies, to name a few. No matter how you get started, tablets are fun and easy to use, so enjoy the journey. Our suggestion is to wander down to Apple, Staples or Office Depot at lunch today and get a demo to see how easy this can be.

BANK NEWS

Europe

The ECB left their short term target rate unchanged at 1% as expected. Meanwhile, while the BOE kept short term rates unchanged at 50bp, they announced plans to undertake their version of QE3, pumping about $79B more liquidity into the financial system.

Foreclosure Pact

While a deal is rumored to have been reached with NY, CA and FL signing on with the rest of the states (as part of the AG's agreement to settle outstanding SFR foreclosure liability at major banks), a press conference was scheduled and then cancelled at the very last minute. An announcement is expected today to the tune of $25B.

Capital One/ING

For an unstated reason, the Fed put off until Monday their long awaited decision for approval of the merger.

Failure Percentage

Analysis of over 500 banks that were put under enforcement actions since 2007 finds 62% ended up failing, while 38% ended up having the action removed. However, in the last 9 months, this trend has reversed, as 54% of terminations in that time frame have resulted in removal of the order instead of failure.

Better & Worse

A recent report from McKinsey finds the vast majority of reduction in consumer debt is from defaults. Overall, household debt outstanding has fallen $584B from the end of 2008 to the 2Q of 2011 and defaults accounted for about 70% of the decrease in mortgage debt and 80% of the drop in consumer debt.