

JUXTAPOSITION MADNESS IN CASH MANAGEMENT

by [Steve Brown](#)

At last, March Madness is upon us. The NCAA basketball tournament is perhaps one of the greatest events in the world. College kids play their hearts out without pay, for the pure love of competition. But then again, who are we kidding? This is big business and is really the premier showcase event for the NBA and world leagues. The tournament itself hauls in tens of millions for schools and the NCAA. Many in the stands watching are agents trying to "take care" of the player's families or coaches, in hopes of gaining an advantage in signing a player as soon as their team gets eliminated (since they can only have limited contact before a season ends by NCAA rules). One illegal tactic is for agents to dole out debit cards with PIN numbers to family members who are often at tournament sites with limited budgets, but that want to spend money. Another is to make sure players have ample credit, as when they get done, they often need to make last minute purchases like iPhones, plane tickets and even cars to get a player to sign the agency contract. The combination of debit and credit is why, at this year's tournament, Fifth Third's DUO card could be the card of choice. The "Do You Owe" or DUO card was a product released last quarter that might merit your attention if you are looking for a new retail cash management angle. This is the first combined debit/credit card offered by a bank in the U.S. and so far, it has some traction. The Mastercard-logoed card comes with no annual fee and the user can decide if they want to use debit (with a PIN number linked to a checking account) or credit (draw on a pre-established line). Aside for the convenience of just having to carry one card in your wallet, the DUO card also has "Real Life Reward Points" that gives customers 2 points per dollar for purchases at gas, grocery and discount stores and 1 point for everything else, regardless of if the transaction is debit or credit. Internal research at Fifth Third found that having a single card is a selling point and differentiating factor when it comes to the competitive credit card market. When combined with the points loyalty program, the Bank found usage increased (both frequency of transactions and dollar volume) and profitability was about 15% greater than without the points program. This makes a winning combination and is all positive. The only negative comment we have heard is that some affluent customers seem to be accepting of this card as a way to bridge to a virtual wallet type application. A Near Field Communication (NFC) enabled device is set to be released next year and is expected to accomplish the same thing (without the reward points). However, acceptance of a smartphone-enabled debit/credit card may still be a ways off, until the bugs are worked out. While we admit the DUO card isn't revolutionary, it is simple enough to gain a competitive edge with the average customer. Sports agents and more affluent customers may need more convincing, but what is important is that you get to have the conversation of convenience, instead of price and fees. If you are looking for ways to breathe new life in cash management, take a page from Fifth Third and think about processes that you can combine to add convenience to customer's lives and hopefully make your bank in the "top seed" in the profitability tournament.

BANK NEWS

M&A

Union Bank (\$90B, CA) purchases Pacific Capital Bancorp (\$5.9B, CA) for \$1.5B, or 1.6x tangible book (a 60% premium to current share price). After being ridiculed that he is too slow to react, veteran bank investor Gerald Ford shows the industry how it is done by almost tripling his \$100mm investment in less than 2Ys.

M&A

The OCC has approved Capital One's acquisition of HSBC Bank USA's credit card portfolio in a deal that will increase Capital One's assets by 16% (to \$154B) and make it the 14th largest bank holding company.

M&A

Newly created holding company Vintage Bancorp (\$14mm, KS) will buy CornerBank (\$277mm, KS) for an undisclosed sum.

M&A

City National Corp (\$23B; CA) has acquired four lenders from GE Capital Franchise Finance and will open a loan office in Seattle focused on franchise financing nationwide.

Small Biz Confidence

Confidence among small businesses rose in February to the highest level in a year due to higher profits according to the National Federation of Independent Businesses.

Stress Testing

The Fed will release the results of the latest round of stress tests on 19 major banks on Thursday, which includes a supervisory stress scenario of 13% unemployment, a 50% decline in equities and a 21% drop in housing prices.

USAA

A recent Forrester Research survey showed USAA Bank had the highest customer experience satisfaction across 13 different industries. This is the first time a non-retailer won the honors. We point out that the bank achieved this with a very limited branch network.

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