CHEETAHS IN BANKING & CAPTURING SHIFTY PREY

by Steve Brown

Banks are always seeking to capture new customers, which is why a new study is interesting to consider. Like the cheetah in the wilds of Africa chasing its prey, speed and agility can be critical to survival. Consumer habits continue to evolve and a recent study points out just how true that has become. The study monitored how people use technology and the media channels they use when not working and found consumers in their 20's were 35% more likely to switch media venues during a standard half hour TV show than were older consumers who grew up watching TV and later adapted to newer technologies. The research found younger people would switch from watching TV to jump onto their iPads, laptops, smartphones and other devices about 13x during a typical half hour show. Whether connecting with friends, looking at online videos or channel surfing, the younger crowd seemed constantly in search of more interesting content. The study indicates bankers too, will have to be faster and more agile with their products, services and how they make consumers aware of offering - to capture this group of customers in the future. Another study of consumer behavior by Ally Bank, focused on when and how people bank. It found that 74% of 18 to 34 year olds bank online, 72% of those aged 35 to 44 do so and 32% of those older than 65 use online banking. The generational gaps are there, but online banking has clearly permeated deeply into everyone under age 50 (and a big chunk of those over that age as well). People like to bank when they find it convenient to do so, so banks continue to adapt the business strategy when pondering whether it even makes sense to continue to open branches and if so, how to do so effectively and efficiently. As for convenience and timing of banking access, where you live, your sex and your age all some into play according to the same survey. It found that people aged 65 or older like to bank in the early to mid morning (46%), while those under age 34 were more likely to do so at lunchtime or in the late afternoon (37%). Meanwhile, those who live on the West Coast were more likely to conduct banking activities in the morning, while those on the East Coast chose to do so at lunchtime or in the late afternoon. When it comes to the sexes, the survey found women tended to conduct banking on their lunch break or in the afternoon (38%), while men were more likely to do so in the morning (35%) or during other random periods (32%). As you continually refine online and physical banking services to capture and retain customers, this data can help challenge preconceived ideas about how and where customers conduct their banking activities. A closer look at the branch network also delivered some interesting results. Here, the survey found 10% of people with household income above $100k say they never visit a branch, almost 3x the percentage of those with household income of $50k to $75k (at 4%). Again, geographic location also mattered when it came to branch usage. Here, 9% of those who live on the West Coast said they never use a branch compared to 8% of those on the East Coast, 5% in the Midwest and 4% in the South. Finally, to understand just how much people have changed their habits, consider another study by Nielsen. It recently found that 45% of people with tablets or smartphones used them every day when watching TV. Clearly, capturing and keeping potential customer attention is much more difficult today than in the past. As with anything in banking, local differences and customer preferences can make a big difference, but the information is interesting nonetheless. You know your customers and their habits the best, but understanding how and where behavior is changing might give you an advantage when considering whether to break left or right when chasing your prey.

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BANK NEWS

Fed Meeting

Called "awkward" by some that attended as reported by the WSJ, a private meeting between the Fed and some large banks to discuss the application and future of stress testing (plus other topics) was rumored to have produced little in the way of conclusions. In general, the meeting served to air concerns regarding single counterparty credit limits, the application of the Volcker Rule, proposed Dodd-Frank risk retention requirements and the application of alternative credit analysis to supplement credit ratings.

M&A

Bank acquisitions continue to be hot. Of the 31 banks that disclosed sale prices in 2012, the average price to tangible book was 1.16x up from 1.08x last year. Deal flow is now 31% ahead of last year based on the number of transactions and 28% ahead based on volume.

Interchange

Several banks pointed out that our story about falling revenue at large banks missed a key point. While the average interchange remained around $0.43 for banks under $10B, some community banks reported that VISA has been making adjustments to specific rates and placing a cap on some categories of charges. This hurts community banks with a certain mix of charges.

Treasury Floaters

After getting the market curious, the Treasury delayed the introduction of floating rate notes due to "system limitations."

Basel III

Eurozone officials met to discuss reexamining capital and leverage requirements for large global banks in light of the European crisis. No word yet as to the outcome.

Loan Pricing

According to DebtX, the average CRE loan price in the securitization market rose to 87.3% at the end of March, up from the previous month's average of 86.9% and up from the 79.8% level a year ago.