

BANKING LESSONS FROM OPERA

by [Steve Brown](#)

This summer, we saw a performance of Tosca, the grand opera by Puccini. It is the most popular and frequently performed opera in the world, and this has been consistent year after year, practically since the piece first premiered in 1900. Why is this opera so popular? Probably because of its terrific dramatic music, along with a simple plot that everyone can understand. The plot in a nutshell - a handsome young painter (Mario) and his beautiful lover (Tosca) get inadvertently caught in the web of an evil baron (Scarpia) over an escaped political prisoner. Everyone dies. The first to fall is Scarpia, murdered by Tosca at the end of Act 2 - Mario is next, and finally at the end, Tosca flings herself off the parapet of the prison rather than be killed by Scarpia's henchmen. Before she jumps, she calls to Scarpia with a vengeful curse that became the famous phrase - it ain't over until the fat lady sings. One lesson we can apply from this opera to banking, is that simplicity doesn't necessarily create a better outcome. We believe all of the characters in Tosca would have preferred a more nuanced ending. Bankers these days often feel they have been inadvertently pulled into a complex web - be it dealing with regulators, or the difficulty of the competitive environment. This leads many to seek out simplicity. One area where many bankers have made such efforts is in their customer product offerings. We heartily agree that an overly complex group of customer products is counter-productive in most cases. However, looking back at a BID article we ran earlier this week (exploring an IT survey), we also find that regardless of age or location, people rely upon electronic interaction for their banking needs. In order to compete with large banks, community banks must have enough advanced technology to offer convenience and ease of use to ubiquitous tech savvy business customers. How far do you take your bank down that path is the question and where do you stop? A good internet banking platform with bill pay is a basic necessity, but what about mobile banking? If you have mobile, do you need to offer a smartphone app, do you need to allow customers to make mobile deposits by taking pictures of checks? Especially in markets where banks have a traditional, older client base, there may be very few customers who initially will use these services. In addition, these services can be quite complex to bring online and maintain so it is worth thinking about before leaping off the parapet perhaps. It may seem counterintuitive, but we believe that with good execution, having great technology can offer simplicity and give a competitive advantage to community banks. This is partly because large banks rolling out a new service or platform generally have to design and create the interface themselves and overcome all regulatory hurdles internally. This can be far more time-consuming than it may be for a community bank that can buy something offered a bit later from a provider down the road. Further, large banks typically will use technology as a substitute for staff providing good service. This runs against every bone in the community banker, so a community bank that offers great technology plus superior customer service should be golden. First and foremost it is important to find the right service providers. A quality provider should offer strong service to you and to your customers, but should also cover all aspects of compliance associated with their service. Make sure any service provider you are working with has experience, proper controls and risk management processes to protect you and your customers. Providers should also stay current with all the regulatory aspects involved so you don't have to do that work. Such strong providers may not be the least expensive, but in terms of time and effort, they could offer a path that pays for itself as the bank rolls out better technology. Community banks can't afford to reinvent the wheel so it may be a good time to reassess the process by which you choose vendors

who provide services to your bank. Be certain they make your bank more competitive and your life easier and your bank should fare well and prosper - long after the fat lady sings.

BANK NEWS

M&A

Umpqua Holdings (\$11.5B, OR) will buy the parent company of Circle Bank (\$322mm, CA) for about \$25mm or 1.5x book. The move gives Umpqua 6 more branches in Northern CA.

Mortgage Help

The top five largest residential lenders have provided \$10.6B in relief to struggling homeowners so far as part of the recent settlement over foreclosure abuses.

Booming Farming

The USDA projects farm income will reach record highs in 2012 on corn and soybean receipts and crop insurance indemnities and will be more than enough to offset higher livestock feed expenses and a decline in sales of wholesale milk. Farm equity is expected to increase to an all-time high of almost \$2.3T.

Mobile Wallet

Barclays has launched its Barclaycard Mobile Wallet app that is slightly different than other mobile wallets. Its app has customers scan barcodes (QR codes) at checkouts using a phone camera, automatically get digital coupons and select the credit card they want to use to pay for a transaction.

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