COMMUNICATING ABOUT EMPLOYEES & BRANCHES

by Steve Brown

A recent survey by TrackVia found the biggest time waster at work was water cooler talk (at 14% of those surveyed). Despite technological changes, only 11% of those surveyed said they lost time due to software and computer problems, followed by a mere 5% that said social media. It seems if we are to enhance the bank further, communication remains an area where more can be done. To understand how much, consider the same survey found 17% of employees spent 1 to 2 hours per week dealing with office politics and 14% did so to address a misunderstanding with a coworker. As the data shows, communication is critical to the way business gets done and there is always room for improvement. Speaking of areas where improvement can be made, we focus on changes going on in the branch networks of many banks. Saddled with costs that are simply too high, a weak economy, changing customer behaviors and a desire to improve, banks are revisiting the branch network to see where more can be gained in this area. In the competition arena, banks have moved to eliminate the assistant branch position entirely, closing branches, downsizing staff, boosting ATM capabilities and increasing spending on mobile banking and online capabilities. That makes sense when you consider loan demand is soft, branch traffic is down, regulatory costs are extreme and more customers are using mobile or online capabilities. That is all well and good for a large mega-bank with another branch around the corner from the one that is closed, but what is a community bank to do? Closing 1 branch out of a thousand doesn't have the same potential stigma as closing 1 branch out of 4. The reality is that people's habits have changed and the old reliable formula of having to be 5 minutes away from a business by car to get most of their business has been changing. Now, given the internet, mobility and a changing population, it is time to expand that to 15 or 20 minutes. In addition, instead of thinking about them coming to you to get the business these days you have to go out to them. Don't get us wrong as we are not saying branches are going to be gone tomorrow, but it is time to think about the business model, what the customer actually wants and what other banks are doing to capture their business. To compete, it is all about fitting their expectations and changing yours no matter what that might look like over a longer period of time. Studies vary and information is difficult to get, but it would appear branch activity has been declining for the average bank about 5% to 10% per year over the past 5Ys as customer behaviors have changed. Some larger banks report it has only taken 2Ys to capture the same number of customers using mobile services as online took in 6Ys. Clearly customers are shifting, so banks are moving in response to reduce branch sizes by 50% and reexamining all branches that have less than $15mm in deposits (to see what can be done to capture more and increase cross sell opportunities). Historically speaking, when the ATM came along the branch was used less frequently because people could do more themselves and it was easy. Over time, as ATMs have evolved, people have learned to do even more through this channel, so even fewer transactions are done at the branch. Add to that the power and usage of online banking and now the expansion into mobile banking and it is easy to see how branches will see even more customer activity erosion over time. The key in our opinion is to acknowledge this change is underway, process it internally and then begin to shift the focus in the branch network from transactions to interactions. Invite all business customers to use your space (so you can cross sell), inform customers your branch team is standing by to help them get through the big decisions in life with face to face support and give them concrete examples to help remind customers the power of the people at your branch when they have such an important need (buying or starting a business, planning for retirement). Branches aren't going away, but they are going to get smaller over time, there will be fewer of them, they will have more embedded technology, staff will be more sales-oriented and more banks will use branches as a pivot point (sending sales teams deep into the surrounding 15 to 20 mile area to leverage opportunities and inviting customers to seek out branch experts when it comes to important life decisions). Keep thinking about your delivery channels as you monitor what your own customers are doing, adapt as needed, don't be complacent and you are well on your way. As we wrap up this morning, we return to the earlier survey to keep you thinking as you also seek to improve internal communication. It found 37% of employees said at least 50% of the time they spent in meetings was wasted and an amazing 44% said company policies, procedures and rules helped them increase productivity (so structure appears to help). No matter where your bank goes next, communication will be important so keep working at it.

BANK NEWS

Multifamily Lending

The Mortgage Bankers Association reports lending to apartment buildings jumped 60% in 2011 over 2010 or about $40B more in aggregate ($110B in total).

Restaurant Lending

The U.S. restaurant industry is $640B in size, so lending opportunities are available, but it is important to know that studies show 60% of establishments close or change ownership within the first 3Ys.

Investor Lawsuit

The NCUA is suing Credit Suisse for allegedly misleading three corporate credit unions that subsequently failed (U.S. Central FCU in KS, Western Corporate FCU in CA and Southwest Corporate FCU in TX) about the risk in mortgages those entities purchased. In addition to the lawsuit by the NCUA, the Justice Department and the NY Attorney General are reportedly also investigating Credit Suisse over mortgage-backed securities packaged and sold by the bank.

Mobile Usage

A Pew survey finds 50% of all adult Americans now own either a tablet computer or a smartphone.

Cyber Risk

A hacker group from the Middle East that took credit for attacks on major U.S. bank websites said it plans to do so again. Banks reportedly hit the first time included Bank of America, JPMorgan Chase, PNC, U.S. Bank and Wells Fargo.