

THE FLOW OF MONEY IN THE WIND

by [Steve Brown](#)

A strange thing has been occurring over the past 4Ys. This can be seen clearly in the recently completed survey by the ABA that asked people to identify the way they prefer to interact with their bank. For the group aged 55 and older, things have been changing more quickly than some community bankers may have been expecting, so we discuss that today. Consider that the same survey in 2008 indicated the #1 way this age cohort interacted with their bank was through branches (42%), followed by ATMs (19%), internet banking (15%), unknown (10%), mail (9%), phone (4%) and mobile (1%). Roll forward to 2012 and the top access point has now shifted to internet banking (27%), followed by branches (25%), mail (16%), ATMs (12%), phone (10%), unknown (9%) and mobile (1%). As the data shows, the biggest change over this period has been the sharp drop in branch usage (down about 41%) and the sharp increase in the use of internet banking (up about 80%). This age cohort not only has all of the money in the banking system, but they also are at the very heart of community banking customers. While the branch still remains important, the data shows things are rapidly changing. So much so in fact, that if the percentages hold, this group will reduce their branch usage to 21% in 2013; 17% in 2014; 12% in 2015; 8% in 2016 and 4% by 2017. Put another way, in the next 3Ys, usage will be so low that most branches will not pay for themselves and by 5Ys; it will be very difficult to keep any of them open. There is no time to waste; in order to level the playing field, technology must be an ongoing focus as you experiment with other delivery methods. Beyond the branch-to-internet shift for this age cohort, the data shows fewer are using ATMs and more are using good old mail services. That is strange, but perhaps this is a result of more people doing more from their home, distrust in mobile (the needle hasn't budged from 1% over this period) or something else. No matter, as it shows this group still likes to be contacted through the mail by their bank, so completely reducing paper may also not be your bank's best move. We also found it interesting that this group like to access their bank using the phone. Maybe they want to talk to someone to confirm a specific transaction, perhaps they want to be sure something they did online worked properly, or possibly they just want to talk to someone. The survey did not indicate, but this delivery channel too, is worthy to note, given the size of this piece of the pie. The survey shows phone skills training for all bank staff remains critical to ensure you deliver the highest quality customer service. Finally, we were intrigued by the large percentage of those surveyed who didn't seem to know how they prefer to interact with their bank. This one is puzzling, as it has remained virtually constant over the 4Y period and is also pretty sizeable at 9% to 10%. Maybe this group didn't want to say, thought the survey was a scam, don't use a bank, or just flat out don't know; but this one keeps us wondering. There is certainly some interesting information to digest in these numbers, particularly when you consider the age group we have been discussing is 55 or older. The data shows more people are adopting technology and they are doing so very quickly, so it is important for community bankers to focus on this element in strategic planning. Branches remain important and the trend could slow down, but if not, the data serves as a real eye-opener. It is hard to believe that if the survey trends hold, branches will mathematically not cover their costs in 3Ys and will be extinct in 6Ys. These are strange times indeed and they also show the velocity of change blowing around the industry.

BANK NEWS

M&A

Investment banking firm Stifel Financial will buy KBW for about \$575mm or about a 7% premium over KBW's closing stock price on Friday. The combined company will provide investment banking, sales, trading and research to financial services companies. Executives said they expect the move would also benefit from an expected increase in bank merger activity, as interest rates stay low and credit trends improve.

M&A

Old Florida Bancshares (\$624mm, FL) will buy New Traditions National Bank (\$455mm, FL) for \$45mm in stock.

M&A

Bank of Hays (\$204mm, KS) will buy Farmers' State Bank of Jetmore (\$26mm, KS) for an undisclosed sum.

FDIC Warning

The FDIC is warning banks that barring a change in law by Congress, effective Jan. 1, 2013, unlimited insurance for noninterest bearing transaction accounts under the Dodd-Frank Act (also known prior as TAG) will expire. The FDIC said banks should make sure depositors receive adequate advance notice of this change in coverage, modify documents as needed and remove the "Notice of Changes in Temporary FDIC Insurance Coverage for Transaction Accounts."

Competition

HSBC set aside another \$800mm related to an investigation of money laundering in the U.S. and said it might also face criminal charges.

HR Update

A tough economic environment has pushed more companies to offer bonuses instead of pay increases. A study by WorldAtWork finds variable pay (includes bonuses and other performance-based pay) was used by 82% of companies this year vs. 79% last year.

Millionaire Worries

A survey by Spectrem finds the greatest concerns of millionaire investors right now are the stock market (31%); political climate/fiscal cliff (12%); retirement (12%); economic environment (11%) and household income (3%).

Social Networking

Pinterest is now the 3rd most popular social networking site behind Facebook and Twitter.

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.