

CAPTURING KEY DATA TO IMPROVE THE BANK

by [Steve Brown](#)

The biggest banks in the country have been quietly working behind the scenes to capture more and more customer data in an effort to compete more effectively. We are hearing from many more community banks in our 1,000 bank network that they are seeing larger banks drop sales teams tight into their local markets with paper in hand. These sales teams are mobile, going directly to the best customers in the market and offering them low, long-term rates to lock-in all of the customer's business if at all possible. They are armed with pre-approved credit lines in some cases and are actively leveraging data from multiple sources to determine which customers to approach, what package to offer and when to do so to capture the best results. Like wolves in the night, these larger banks are arriving in packs, staying just out of the reach of the fire and are quickly covering hundreds of square miles in an effort to feed the beast. Community bankers should be wary and watchful, keeping your eyes and ears open, as you increase the frequency of contact with your very best customers. One thing this targeted sales attack teaches us is the power of leveraging data. To level the playing field, it is incumbent on community bankers to continue to improve data collection. Knowing your customers intimately is what community bankers do, but going beyond the personal touch to leverage external resources beyond FICO, D&B and others is the new game afoot. Building a complete picture of each major customer and having a proactive plan for each one in turn, is the single best way to protect your business from the biggest banks over the long-term. Many community bankers we talk to recently have told us they are ramping up efforts to capture and update information on their customers, track it better on internal systems and improve reporting, risk management and business lead generation. We applaud those efforts and encourage bankers to think about which information is relevant or important to the future of the business during this strategic planning period. As you do, consider there are many ways the larger banks have begun to leverage these data sets. Admittedly, they too could have better data, as years of acquisitions have left some with a mess on their hands. That said, the more actionable data you have, the easier it is to build a cross-sell, drive fee income, customize client pricing, reduce the probability of a customer defection and build a robust analysis platform to provide benchmarking and data aggregation. Just having better and cleaner data can improve performance and deliver better risk management. Understanding over time which loans in the portfolio (or deposits for that matter) may be highly correlated (or even negatively correlated) to others, can reduce risk, change pricing and improve performance. You might not be able to offset all of the risk, but knowing it is there will give you advance warning and you can put mechanisms in place to take action as conditions warrant. Perhaps it is time to create a small project team to identify key data you will need to collect, documenting where it comes from, cleaning up what is already on the system and finding a way to present it in an easy to use and actionable format. This alone can surface opportunities and risks you may not be thinking about, but could give you the edge in an extremely competitive market.

BANK NEWS

M&A

The holding company of Pacific Western Bank (\$5.3B, CA) will buy First California Bank (\$2B, CA) for \$231mm in stock, after reportedly being rejected in May for a roughly \$212mm offer. Post closing, PacWest will be \$7.5B in assets and have 81 branches in CA.

Bad Bet

The NY Times is reporting that a trader at Rochdale Securities reportedly bought \$1B of Apple stock right before its earnings announcement last month, the largest position the Rochdale had ever taken. Unfortunately, the stock dropped in value, leading to losses on the brokerage firm and forcing it now to seek a capital infusion to survive. The issue could drive the company out of business; much like a \$440mm trading problem related to Facebook at Knight Capital Group forced it out of business. Rochdale is interesting to bankers because it employs bank analyst Richard Bove, who is well known.

Good Bet

It is odd to note that yields on bonds of Exxon Mobil and Johnson & Johnson are trading below comparable Treasuries, showing investors perceive them as a safer place than the U.S. itself.

Mobile Banking

Despite the fact that roughly 80% of banks offer information about mobile banking security on their web sites, a survey by Javelin finds only 17% of banks educate customers about how to install security software on their smartphones.

Dodd-Frank

The RMA reports that as of the 2Y anniversary of the Dodd Frank Act, about 31% of required rulemaking had been issued in final form, 34% had been proposed and 35% had not yet been proposed.

Lending Opportunity

The Bureau of Labor Statistics reports the self-employment rate for adults 55 and older is 16.4% vs. 10.4% for the total labor force. The data shows those 55 and older are 58% more likely to start a business and leverage their experience than the general labor force.

Rating Issues

The CFPB released a study recently that found 1 in 5 credit scores consumers receive are meaningfully different than the score received by a potential lender.

Zero Rates

Lest we forget, it was Dec. 2008 when the Fed cut short term interest rates to zero.

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