CAPTURING MORE FAMILY-OWNED BUSINESSES

by Steve Brown

If you think your email flow is increasing, you are probably right. A recent study by Radicati Group finds the average person receives 75 emails per day (19% of which are junk or unwanted information) and sends about 35. Given the number of email accounts worldwide, that means some 210B emails are sent every single day. For comparison, that is about the same number as a year's worth of snail mail letters sent through the U.S. Post Office. That is interesting, but perhaps even more interesting to bankers is that every few years, MassMutual does a survey of family businesses, in which participants are asked whom they trust most as their business advisor. Unfortunately, bankers haven't ranked in the top six most trusted since 2002. To improve your customer relationships, it is time to ask why that is and what can be done to change it. To be sure, the stakes are high. Family-owned firms comprise about 80% to 90% of all businesses in the U.S. and many are growing. In fact, studies show family businesses employ 63% of the U.S. workforce and generate 57% of the country's GDP. The best run family-owned businesses typically also have an advisory team. It's a natural for a community banker to be a part of this team, which often includes a certified public accountant, an attorney, an insurance agent and a financial advisor. However, becoming and staying a member of that team requires effort and focus. For starters, to attract these businesses you need to understand what they need and what's important to them. Understand that transferring wealth is not the only goal for the leaders of these families and they also have a vested interest in encouraging children to earn their own money, give charitably and volunteer. One way to move forward is to provide free education and support services to these business customers and prospects. Consider bringing in experts to host seminars on topics that appeal to them. You could also consider partnering with your local Chamber of Commerce to offer programs and events. Some topics to explore include moving beyond stereotypes of the generational divide, dealing with difficult family dynamics and succession planning. The transition between generations can strengthen a family firm, or weaken it irreparably. Many owners welcome the opportunity to discuss their fears and frustrations with others in similar situations. According to a recent PwC survey, 32% are apprehensive about the transfer of their business to the next generation and 9% saw the possibility of family conflict. These business owners are actively seeking help in this area. Another option to bringing in guest lecturers, is for your bank to host in-person coffee chats or an online network or forum for these businesses to mix and mingle. Yet another is to make available on your website a list of useful resources specifically for family-owned businesses. Like all small businesses, family-owned firms also seek personalized attention. They want and need an advocate who will help with business planning issues, provide access to capital and assist in determining the best strategies to execute the family's vision for the business. Given growth prospects, focusing on family-owned businesses is a solid bet. A full 65% of these businesses polled in the survey have grown sales in the past year, compared with less than 50% in 2010. What's more, over 80% of family businesses anticipate steady or aggressive growth in the next 5Ys and 39% of those who expect to grow are very confident about their business prospects over that period. Community banks are in a great position to build and deepen relationships with family-owned businesses, so get out there with a tight focus on what is important to them. Who knows, you might even start with a targeted email campaign.

BANK NEWS

M&A

Old National Bancorp ($9.2B, IN) will buy 24 branches in IN and MI ($779mm in deposits) from Bank of America for a 2.94% premium.

Treasury Secretary

Bloomberg indicates President Obama plans to nominate White House Chief of Staff Jacob Lew to replace Tim Geithner.

More Large Layoffs

Morgan Stanley will fire 1,600 traders, investment bankers and support staff in its institutional securities business (about 6% of the unit), as it seeks to cut costs and respond to weak business conditions. This follows Citigroup's prior announcement that it will fire 1,900 people in its securities and banking and transaction services businesses and UBS' 10,000 job cuts in fixed income.

Rate Hike Analysis

The FOMC has said they won't raise rates until unemployment reaches 6.50%. Given that, consider new research from Morgan Stanley. It finds at the current participation rate (63.6%) and job creation of 150,000 per month, it will take 6.5Ys (2019 to 2020) to reach the magic 6.50%. However, at opposite ends of the spectrum - if the participation rate drops to 63.2%, the trigger could be met at the end of 2014; while a participation rate the same as last year (64.2%) would take 16Ys (2029) to get to the rate hike trigger.

Fed Purchases

A recent survey of major mortgage investors finds 60% think the FOMC will end its buying of mortgages in 2013, while 30% expect it to continue through 2014. St. Louis Fed President Bullard said a 7.1% unemployment rate could coincide with an end to purchases, so you be the judge.