A PATENT APPROACH TO LEARN FROM MILLENIALS

by Steve Brown

The latest annual data from the U.S. Patent and Trademark Office (USPTO) finds over 500,000 applications are filed for utility patents (new invention) each year, along with 30,000+ design (new design) and 1,100+ plant (new plant) patents. Of those, about 45% of utility patents are granted vs. 70% for design and 72% for plant. While bankers aren't really known for doing much in the patent world, the data is nonetheless interesting. Of note, patents generally last for 20Ys (14Ys for design) and it takes the USPTO about 21 months from the patent application filing date, until the applicant is first notified of any problems, told why registration is being refused, or given additional requirements to satisfy to continue the process. A new Accenture study may have bankers rethinking their R&D, as consumers clamor for electronic devices with "do-it-all" capabilities, relegating single-function products (such as DVD players and digital cameras) to the B-list. There's a lesson here for community banks trying to catch the attention of the Millennial generation (born in early 1980s to the early 2000s) who are helping to shape the latest tech revolution. First, Millennials are notoriously tech-savvy. This generation has never known life without computers. They expect technology to be integrated into everything they do. Not surprisingly, a new survey by the ABA shows a sharp rise in the popularity of mobile banking, driven mainly by Millennials. The study also showed a slight decline in the popularity of ATMs, whose proliferation in the 70s, 80s and 90s changed the face of banking. Next, consider that 45% of Millennials say internet banking is their preferred way to bank, while 15% name mobile banking. That's up sharply from 2010, when only 4% of users in this age group named mobile banking as their preferred method. Given their propensity for technology, Millennials are the quintessential targets for new technology-laden banking products. One of Javelin Strategy & Research's Top 10 predictions for this year is the rise of "omnichannel" banking. This means allowing consumers to select any device and any channel they want and the bank will always have a secure, convenient and familiar way to transact financially. Most community banks haven't made omnichannel banking a priority; a consideration for this year to avoid alienating this group of customers. Of course, Millennials still value brick-and-mortar financial institutions as well, according to research from the market intelligence firm Mintel. The research found that 31% of Millennials who switched banks in the past 12 months, did so for more convenient branch locations. This compares to the 27% who changed for better online services and the 28% who did so for more access to ATMs. Clearly having in-person convenience is important, but so is having around-the-clock capabilities for younger customers accustomed to instant answers and access. Transparency is also important to this age group. Yet, many of community banks' bread-and-butter businesses are still largely an enigma to them. While not everything can be done through the click of a mouse, online user-friendly tools would be welcomed by younger customers to help demystify the community banking business. Another thing to consider may be conducting focus groups. It can help your team gain a better understanding of the Millennial' mindset and differentiate your brand. At a minimum, taking customer input into account often results in better products and services. An easy way to do this less formally is to establish online communities for customers to proffer feedback and share experiences as another basic step. Respecting your elders is a time-honored tradition and it is easy to say the Millennials don't have the financial wherewithal of their parents, so you don't really need to focus on them. What is harder to say is that things have changed, the business model is changing and you must change to move forward. The risk is too high not to change, as can be seen in companies that make one-dimensional products like digital photo cameras, digital video cameras and game consoles. Even non-Millenials want more.

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BANK NEWS

M&A

Fiserv announced it has acquired core systems provider Open Solutions for $55mm and assumed $960mm in debt. The deal gives Fiserv 3,300 new clients worldwide.

C&D

JPMorgan was hit with a compliance consent order (deficiencies in BSA/AML) and another one related to risk management (London Whale issue; managing risks across the consolidated organization; oversight). There were no monetary penalties involved, but JPMorgan must fix internal controls and provide more resources/oversight to trading activities.

Group Indicted

The president of failed First National Bank of Savannah (GA) and six officers have been indicted by a federal grand jury for fraud, misapplication of bank funds, conspiracy and making false statements to influence another bank. The group allegedly launched the scheme as their bank deteriorated, moving to defraud the bank and other banks out of millions of dollars, falsifying bank documents, unlawfully loaning money to unqualified borrowers and hiding the scheme from the Board and regulators. The fraud cost the FDIC $90mm.

Almost Out

MetLife said it has officially completed the sale of its online-banking operation to General Electric. MetLife has been working on this for more than a year, seeking to exit having a bank holding company and being subject to Fed oversight (Met failed its last stress test, so it was not allowed to return capital to shareholders).