

PLAYING WITH THE COMPETITION

by [Steve Brown](#)

Every bank defines their competition slightly differently than the next bank. Some use assets, some use deposits and others monitor peer groups or products. If you are like most, at some point in your life you played team sports and in one game you have seen one player refuse to give up. If it goes on long enough, teammates begin to try harder and play out of their heads. Even mediocre teams can beat the best ones now and again when they play together and stay focused. Kids love to play sports and pretty much anything else and sometimes adults do too, but we can also lose our way, as we lose our innocence in the game at hand. The same can be said in banking, so jump in the basket this morning as we launch into our topic today.

Many community bankers we know to this day still do business with large banks that regularly take away their customers. To see how bad things are, we ask everyone reading this morning to go to each of the 4 corners of your bank, open the window shades, look out the window and write down how many competitor's signs you see. Go ahead, take the walk and then come back.

Now that you have your list in hand, consider that anyone on that list is actively and aggressively targeting your customers. They want to beat you at your own game - period. Banking is one of the roughest industries right now because loans are scarce, rates are low, regulation is high and customer mobility is surging. The largest banks have more manpower, more tools and they are on the move. They have also decided now is the time to take small business clients from community banks. They are focused and running a concentrated and aggressive effort to capture the bread-and-butter small business client of the community bank. They are not your friends, they are organized and they want your clients.

Now that you have your list of proximity competitors, cross reference it with the last 20 loans you lost to another bank, pull the wire trail to see where customers are sending wires, check on your correspondent banking relationships and see which banks you might be using for international services or hedging. Finally, check all of this against the list of consultants you use.

Using this new list, force rank to see which competitors bubble to the top and ask why you are subsidizing them as they look to take your customers. You might be shocked, but some banks might be doing as much as 25% of their business with direct competitors. Why do community bankers still do business with the largest banks and why does it continue?

If you are like most banks, it is probably a result of personal experiences of the management team. It used to be that the largest banks trained many bankers, who then went on to start banks of their own. These bankers would often just sign up to do business with the large bank they came from because it felt comfortable and was known to them. Despite advances in technology and the plain fact that community banks compete directly with the largest banks in their own community, change is difficult for many, so these relationships remain. The credit crisis and technology revolution that has followed has changed everything though, so it is time to revisit things.

Stare long and hard at that list and ask whether your bank is helping itself by providing all of that business and data to its biggest competitor or whether you might be better off working with a

company that doesn't compete with you. We can help your bank with correspondent, international, hedging, lending, consulting, cash management and many other services. You also know, if you have been reading this [publication for even just a few months that we fight for community banks every day. We want you to win, we don't give up easily and we can help your bank keep customers, deepen relationships and beat the biggest banks at their own game.

In closing, as you play around and think about all of this today and challenge the status quo, we only ask for a chance to show you what we can do. Give us a call, try out our services and see how it feels to truly have a team around you working day in and day out to help you keep your business humming along.

BANK NEWS

M&A

First Merchants Bank (\$4.3B, IN) will buy the parent company of Citizens Financial Bank (\$1.2B, IN) for about \$115mm in stock.

Competition

Wells Fargo announced it has boosted small business bankers in its branches by 5% in the past year and it plans to add even more this year. Wells is targeting small business owners as it seeks to build relationships and expand opportunities in this growing channel.

Loyalty

A study by Yodlee Interactive finds 63% of people who have a bank account say they stay with their primary bank because of convenience, 48% say it is due to customer service and 42% say it is because of low fees (multiple choices were allowed). Meanwhile, 33% of those who use mobile banking say it is now the primary reason they stay with their bank.

Regulatory Monitoring

FOMC Chair Bernanke said in a speech that the Fed is now monitoring financial institutions beyond the banking system that could lead to another crisis, as it seeks to protect the financial system.

Regulatory Expectations

Banks should note that a recent speech by the Comptroller of the Currency indicates regulators will be enhancing their own data collection, as they leverage analytical tools and technology. As such, expect examiners to seek more granular reporting from your bank as they seek to better understand inherent risks.

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