

BUGGED ABOUT ADAPTABILITY

by [Steve Brown](#)

The old adage goes that cockroaches will be the only thing to survive the nuclear holocaust. That makes sense to many because cockroaches have survived and thrived for some 350 million years. These nasty insects love humans because we produce many things they like to eat, plus we provide a good environment for their habitation. As you sputter into your coffee cups in disgust this morning, know that humans have always done their part to eradicate cockroaches, but we have just not been overly successful. You see as with any super- insect on this planet, they constantly evolve to survive. Researchers find they are no longer attracted to certain poison bait and have actually altered their internal chemistry so that glucose no longer tastes sweet but bitter. As such, poison is no longer appetizing and is avoided. Scientists are particularly interested as this provides insight into the evolutionary defenses that insect's use and could assist in the fight against malaria- carrying mosquitoes as well.

It would be very impolite to compare the largest banks with our subject matter this morning, but it is a tempting metaphor nonetheless. You see over the millennia large banks have evolved, survived and grown larger than ever before. They compete for community bank business, they are really good at avoiding poisonous rules/regulations and they seem to survive and thrive no matter the environment around them. Like the scientists studying the successful evolution of roaches in order to address other problems, we can find examples of ideas that work in the banking world and learn from those that don't, as we too adapt to the changing industry.

First we explore some things that are the opposite of good quality customer service in our humble opinion.

Gripe 1 - the machine that answers the phone. Automated answering services that require the caller to enter this and that, press 1 for another recorded message that does not solve the problem and then after 5 layers of input, still have no opportunity to speak to a human. If at all possible, have people answer the telephone and be sure no one gets transferred more than once. To improve the process, remind employees to ask specific questions to determine where a customer should be transferred so issues can be solved quickly and efficiently.

Gripe 2 - the branch without power. In this era of sparsely populated branches with empty desks scattered about, it is important to help those who walk in solve their problem. As with Gripe 1, remind your team to approach customers with a smile, offer to help and stay with them until their issue is solved -period. While volumes are way down in the branches over the past decade and more people going online, helping when asked and solving the problem on the spot can help differentiate your bank.

Gripe 3 - the staff that has no clue. Training is always difficult in any organization and banks are no exception. To keep customers happy, make sure you regularly train your customer facing staff on your products and services, but even more importantly - how those services fit/meet the needs of various customers. Real life examples, role playing and critiquing the process can help improve customer satisfaction and boost opportunity for your bank over time.

As for the biggest banks, they have been successful in adapting to electronic communications channels, updating web sites, offering mobile and enhancing ATMs and customers have responded. As scientists will do, take a close look at things to see what is working for them to determine where your bank might need to adapt. Then, focus on success as you avoid things that bug your customers to help ensure your bank will be around for the next 350 million years.

BANK NEWS

M&A

The parent of Umpqua Bank (\$11.5B, OR) will buy Financial Pacific Holding Corp. for \$158mm. Financial Pacific offers equipment lease financing (avg. lease is about \$25,000) to small businesses nationwide (vehicles/trailers, medical, computer systems, restaurant and construction) and the portfolio is about \$279mm.

GSE Change

Bloomberg is reporting a bipartisan group of US Senators are close to a deal that would liquidate FNMA and FHLMC within 5Ys, turn existing mortgage guarantees over to the Treasury and replace both with a government reinsurer of mortgage backed securities that would operate as a backstop for private capital. The legislation is still being written so we will have to wait and see, but it is certainly interesting and impactful to community bankers.

Job Cuts

BancorpSouth Bank (\$13.4B, MS) is reporting 5% of its employees will be taking early retirement under a program designed to reduce costs.

Dodd Frank

The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law on nearly 3Ys ago (Jul 21, 2010). Of interesting note, law firm Davis Polk & Wardwell estimates only about 40% of it has been implemented so far. Meanwhile, CNBC reports only about 20% of rules are in place and 63% of the rules are still unwritten by regulators. Clearly there is much more to come, so stay tuned and be ready to continually adapt.

Tech

A survey by non profit electronics payment association SWACHA found 33% of people now use mobile banking applications on a cell phone or tablet vs. only 20% in 2011.

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