

Checking Out Self Service

by [Steve Brown](#)

It was recently announced that the New York Midtown Hilton, one of the city's largest hotels, will no longer provide room service to its 2,000 rooms after Aug. Room service makes us think of James Bond movies, an indulgence with silver trays

and cloth covered carts discreetly delivered to your executive suite. The reality for hotels is something different, as expense accounts have gone the way of the dodo bird, so has the willingness of travelers to pay \$22.50 for scrambled eggs or a Cobb Salad, even if elegantly presented. Even at those prices, plus the 15% service charge and extra in-room dining charge usually attached, the service is shockingly not profitable for most hotels. In place of the room service menu, the Midtown Hilton will have a self service option called Herb n'Kitchen stocked with grab and go items. Suffice it to say, there has been grumbling from long-time customers, but many newer hotels don't offer room service and it seems likely that others will soon follow suit.

One of the reasons people use room service less these days is the ease of ordering food online from other venues outside the hotel. It does seem to be yet another case of migrating consumer habits due to the use of technology.

We feel for the hotels because it is similar to what many banks are grappling with currently. While bankers don't normally walk around the branch wearing white gloves and delivering food, customer changes are challenging nonetheless. Bank customers are using branches less, but when they do come in, they don't appreciate waiting in lines any more than they want to wait for dinner to be delivered - no matter the service.

The migration of customer transactions to electronic channels, rather than being an outright threat to branches, could be viewed as an opportunity to re-orient them towards higher value sales activities. Most bankers we know are already working on this and branches are moving to smaller staffs than they used to have, augmented by technology and remote experts. Customer use of technology also creates efficiency in the bank and many don't seem to mind doing more self service activities either. If a branch becomes less expensive to operate, then there may even be opportunities for careful expansion in viable locations - hopefully you didn't fall out of your chair on this one.

There are still some 118,000 bank and credit union branches in the US, or one for every 1,000 households nationwide. The number of branches in the US has declined since 2009 by about 1,600, but 80% of those closings were from 8 of the country's largest banks and nearly 50% were from BofA and Wells alone.

For community banks, the branch remains the dominant player for both new sales and cross-selling. Customers tend to come into the bank less frequently once an account is open though, so having a quality experience every time is imperative for both the new customer and for successful cross-selling. Work to have your branches as efficient and friendly as possible and they should still support a successful business model.

Now that room service seems to be going away, we wonder whether the hotel would have been better served with a change in hours or reducing the menu items to get more efficiency. We can say

however, that we won't miss seeing the half-eaten leftovers piled on carts and parked in the hallway each morning.

BANK NEWS

Housing

Economists from FHLMC say the markets reaction to the Fed indicating an end to QE later this year will not have a large impact on home purchase and refinancing activity until mortgage rates hit 7%. That's the level where payments become unaffordable for many consumers.

Auto Lending

SNL Financial reports the top 10 largest bank auto lenders as of Q1 (loans outstanding) were: Ally Financial (\$60.4B), Wells Fargo (\$47.3B), JPMorgan Chase (\$40.3), Capital One Financial (\$27.9), Bank of America (\$26.8), TD Bank US (\$15.1), US Bancorp (\$12.5), Fifth Third (\$11.1), SunTrust Banks (\$10.3) and USAA (\$10.1).

Unemployment

The unemployment rate has declined from 7.6% in May to about 8.1% the same period in 2012 or just over 6%. At this pace, the rate is projected to decline to 7.1% by May 2014 and 6.7% by May 2015.

Less Growth

A Hudson Institute report finds brand-new businesses added 22% fewer jobs in 2010 (most recent year available) vs. the per year average going back to 1977 (2.34mm in 2010 vs. a 3.00mm average).

Millions

Research by Barclays finds only 21% of millionaires in the US said they got that way because of a business sale or profit vs. 41% in Europe and 57% in Asia. In the US more people said they saved enough to reach that mark or did so through personal investments.

Biz Customers

A Gallup survey finds small business owners are already taking action ahead of the Jan. 1 2014 mandatory date for the Affordable Care Act. Actions include: holding off on plans to hire new employees (41%), considering dropping health insurance for employees (24%), cutting employees (19%) and cutting employee hours to part time (18%).

Layoffs

German bank Commerzbank is planning to eliminate 5,000 jobs as it seeks to reduce costs. The bank is 17% owned by the German government and has about 53,000 employees.

Smartphones

Bankers trying to keep up with mobile banking and more specifically, who leads who in the smartphone maker business, will note new research from comScore finds Apple is #1 at 39% of mobile subscribers, followed by Samsung (22%), HTC (9.7%), Motorola (8.6%) and LG (7%).

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