

## Looking Closer At Chains

by [Steve Brown](#)

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It may seem crazy, but every day some 69mm people in 118 countries eat at McDonald's and 11mm visit a Burger King around the world. Whether they are ordering a Big Mac or a Whopper, it's clear people love eating fast food. Wealthy people in particular have an affinity toward national chains, according to recent research by Spectrem Group, as more than twice as many prefer a national fast food chain over a local one.

Beyond fast food, it turns out wealthy people generally prefer national chains in many things they do. The same research found 79% prefer national department stores; 55% prefer national hardware stores, 59% prefer a national electronics chains and 55% prefer national chain bookstores.

Unfortunately, the study didn't focus on banks, but this is something to think about from a community banker's point of view. After all, even the smallest banks compete daily with large national banks.

Faced with this challenge, it's important for community banks to remember what we do best and to focus on our strengths in all of our customer interactions. It's true that big banks have made efforts to improve customer satisfaction and they have more branches than smaller banks, but it is equally true research shows these large banks continue to disappoint when it comes to personal service.

That's an area where community banks can and do outshine the rest, so take a bow. You may think customers are tired of hearing about the benefits of working with a smaller community bank, but it is a mistake to assume they know how much you have to offer beyond personal attention and service with a smile.

To capture more customers, make sure you promote your small business focus and expertise. Customers and prospects must have a good sense of all offerings and the noise level among competitors is high, so you have to be just as loud. Then, be sure to drive home your ability to make things happen faster and with fewer hassles and you will retain your strong foundation.

Playing up the local angle is also really important. It's one reason American Express's Small Business Saturday campaign has been so successful and serves as a lesson to community bankers that people like to stay local. The more you advertise your strengths, the more you let customers know who you are and the more likely they are to come to you. Once you have them, layer on the exceptional customer service, give these customers direct help to assist them in managing their business and show them you care and you have a customer for life.

Of course to compete effectively, we also have to have the products and services our customers are clamoring for. As we've said before, getting on board with mobile, for example, is critical and one area where community banks can do more. Consider a report late last year from Javelin Strategy & Research that found 30% of community banks still do not offer a single form of mobile banking. You might not think it matters much to your customers, but adoption rates are high and the big banks are pushing this relentlessly so you must have something if you are going to stay in the game over the long haul.

In banking as with other industries, there will always be competition from national chains. That doesn't mean community banks should stop trying to compete, however, because despite the hype of national brands, there's a lot to be said for shopping local and knowing the customer personally. We know it and so do your customers.

## **BANK NEWS**

### **Customers**

A study by cg42 finds 63% of people believe banks only care about their own interests, 57% of people think it is too much hassle to switch banks, 55% are uncomfortable with how large the biggest banks have become and 41% feel all banks are the same. This is important to know since the same study finds 26% of people say they are frustrated with their primary bank.

### **Settlement**

The Federal Housing Finance Agency (FHFA), regulator to FNMA and FHLMC said it has reached an \$855mm settlement with UBS Americas related to misrepresentations on private label MBS securities purchased by the GSEs between 2004 and 2007.

### **Deeper Dive**

The Fed said it will require 11 more bank holding companies to participate in its annual capital stress testing process called Comprehensive Capital Analysis and Review (CCAR), bringing the total to 29. CCAR requires banks over \$50B in assets to submit analysis to the Fed showing how well their capital stands up to stress tests identified by regulators. The 11 banks are BBVA USA, BMO Harris, Citizens Financial, Comerica, Discover, Huntington, HSBC North America, M&T, Northern Trust, UnionBanCal and Zions.

### **Re-default**

The latest report from SIGTARP finds 46% of mortgages modified under HAMP in 2009 are in default again, calling into question the effectiveness of the program.

### **Strange Situation**

The SEC has charged the city of Miami and its former budget director with securities fraud. The SEC says the city issued false and misleading information in its 2007 and 2008 financial reports and misled investors about its financial health in order to get better terms on \$153mm of bond offerings it did in 2009.

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