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## Traveling a Global World

by [Steve Brown](#)

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A column in the New York Times is called the Frugal Traveler. It follows a traveler as he voyages around the world, setting limitations on prices for certain activities and then seeing what can be accomplished. A recent article reported on attending as many cultural events as possible in major European cities, but the price for tickets had to be less than 20 Euros. The traveler managed to sit in the back of some of the finest theaters in the world and a good time was had by all, those actually there and vicarious travelers alike.

Global travel does not have to be expensive, but many in the banking industry have trouble finding enough time to go. Still, many US companies send their goods or buy things abroad in order to make things here. Studies show the globalization of the world has increased the number of US companies that buy and sell globally. Consider a recent HSBC report that finds "globally oriented companies" in various regions of the US had profit margins nearly 10 percentage points higher than domestically-oriented peers. Revenue growth was also significantly higher.

In short, companies that do business globally are aiming to capitalize on new markets, new production methods and save money on costs and materials. The primary driver is to sell more stuff of course, so expanding one's markets is the main focus. Another advantage is that global markets do not all go through the same economic cycles at the same time. Diversification helps global companies be more resilient and prosperous.

Modern communication through the internet means small businesses and large can now access global markets. Community bankers do business with small businesses so opportunity abounds as these companies tap into this opportunity more and more. The tricky part is getting paid and this is where the tech-savvy community bank can come to the rescue. For business owners just beginning to do business internationally, whether they are buying or selling goods, they need guidance and you can help them. Customers are likely to seek your advice as their trusted banker, so having your staff prepared to refer customers to public resources is one simple way to help. When things are slow, check out the extensive information available at government web sites such as the State Department, SBA or Department of Commerce. Remind your customers to gather information carefully from reliable sources such as these, before leaping into a new venture and be there to assist them.

If you need help to tap this group of business customers as they expand globally, we can help. Our comprehensive International Payment Services includes extensive support and training, so your staff can assist your customers. International payment transfers can generate fee income, while providing an important and needed service at a reasonable cost.

The US Department of Commerce says small and medium sized companies account for 98% of US exporters, so if you are seeking new customers, international services is a good and easy place to start. It doesn't make sense to refer your customers to any other competitor, when they could be generating more income for your own bank. As the saying goes, "There is nothing to fear but fear itself". The world is global and 70% of the buying power resides outside the US, so call us to begin the trip to help your customer and your bank through international services.

# BANK NEWS

## **M&A**

Frost Bank (\$22.5B, TX) will acquire Western National Bank (\$1.4B, TX) for \$220mm in cash and stock.

## **Huge Change**

The Public Company Accounting Oversight Board (PCAOB) has proposed major changes to information auditors will have to report about the companies they review including modifying their opinions, changing the language regarding fraud and information outside of the financial statements and boosting the auditor's responsibilities. Look for more questions and more cost to follow as you work the financials this year.

## **Combo Package**

In a move bankers should continue to monitor, the Treasury is reportedly pushing to combine FNMA and FHLMC issuance in the mortgage market.

## **Overseas Too**

Analysis by Reuters finds European banks cut 5,500 branches in 2012 and 7,200 in 2011 across the European Union. Since the 2008 crisis, about 20,000 branches have been closed, leaving 218,687.

## **Customers**

Bankers should note a study by Online Marketing Coach of 200 small business websites finds 87% don't do anything to make their contact us option stand out, 70% don't prominently display a phone number so customers can get in touch and 56% don't use meta descriptions so their business shows up in Google search results (the top way people look for something). You might want to consider educating your customers so they can not only help themselves, but also enhance the creditworthiness of the loan you have extended them by sharing this with them.

## **Consumers**

The Fed reports consumer borrowing increased in the most recent month, as credit card debt declined (now 16.5% below the 2008 peak), while auto and student loans increased (up \$312.6B over the same period).

## **Housing**

CoreLogic research finds home prices would need to increase 47% from current levels or interest rates would have to climb to 6.75% for home price affordability to return to the same average seen from 2000 to 2004.

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