Fairy Tales and Fact

by Steve Brown

For many people there's something forever enduring about fairy tales. We read them as children and then as adults we share our love of them with our children and grandchildren. We even watch movies and television shows based on these beloved stories.

When it comes to banking though, we have to be careful about distinguishing fact from fiction. Far too often we rely on our perceptions of reality, versus reality itself. This affects the way we target customers, the way we allocate resources and the way we run our business generally.

Electronic banking is one area where myths tend to be particularly prevalent, which the consulting firm Celent pointed out in a recent report.

Myth 1, according to Celent, is that aging adults don't trust the Internet. This is a perception that has been disproved by statistics. According to the consulting firm, internet banking enrollment is pervasive among older consumers (94%) as well as usage (72%).

Myth 2 is that Boomers prefer paper. That is not so anymore according to the data. In fact, 70% of Boomers surveyed are enrolled in e-statements.

Myth 3, according to Celent, is that members of Gen Y trust online security completely. Not so, the research shows. While young adults tend to be somewhat more trusting than older bank users, 43% cite security concerns as a reason to shy away from mobile banking.

Celent goes on to list some popular misconceptions banks have about their customers and explains how the numbers don't add up. For example, there's a thinking out there that young people have no use for bank branches. In reality, however, research shows that young adults do walk in the door when they want to have substantive conversations.

Another popular fallacy is that mobile banking is mostly a tool for young adults who have little money. It is true young adults are avid users of mobile banking, but they aren't the only ones and they're not all poor either. Indeed, the research shows higher income adults are more likely to own smartphones and tablets. They are also more likely to use and find value in various emerging digital channel capabilities vs. lower wage earners.

What does this mean for banks? It means we have to ask whether our business decisions related to electronic banking are steeped in reality. Are we looking at the actual trends from a quantitative perspective or only what we think the trends are? Are we taking advantage of opportunities to promote Internet banking and mobile banking to consumers of all ages, or are we relying on older technologies that are waning in popularity, such as telephone banking. Are we under the mistaken assumption that this is still the way most people want to interact with their bank?

The numbers are telling. For instance, a recent ABA survey finds that while the Internet remains the most popular banking method at 39%, mobile banking has surpassed the popularity of the telephone and U.S. mail and is now preferred by 8% of customers (a 30% increase from 2012).

One reason people love fairy tales is because they take us away from the drudgeries of real life and they always seem to end happily ever after. In reality, business decisions need to be based on facts, not on the notion that magic wands can turn pumpkins into coaches, little men can spin straw into gold or elephants with especially big ears can fly. Have fun when you read fairy tales to your kids or grandkids, but watch which frogs you kiss when you return to the reality of banking in order to avoid unintended surprises.

BANK NEWS

M&A

Heritage Oaks Bank ($1.1B, CA) will buy Mission Community Bank ($445mm, CA) for about $56mm in cash (14%) and stock (86%).

Settlement

HSBC Holdings has been ordered by a judge to pay $2.46B in connection with a class action lawsuit around subprime mortgages originated by Household International (acquired by HSBC) in 2001 and 2002.

Mobile Weakness

An SAP survey of consumers in 17 countries finds areas that slow mobile banking adoption includes the hassle of entering a lot of personal information (46%), safety concerns (45%) and internet access at the point of purchase or transaction (43%).

Social

A survey of 53 large companies in the US and Canada by LIMRA finds 83% use YouTube to raise brand awareness; 70% use LinkedIn for recruiting employees; 65% use Facebook to build a community and as a customer service channel; 60% use Twitter to raise brand awareness and 58% use Google+ to build community and for brand awareness.

Retirement Savings

Research by EBRI finds that while 61% of employees had an employer sponsored pension or retirement plan in 2012, only 46% participated.

Less Money

CNNMoney reports the average driver insurance premium has risen 28% in the past 5Ys. For comparison purposes, Thinkprogress reports the average cost of attending a 4Y college has climbed 27%.