

Blocking Out The Noise

by [Steve Brown](#)

We've read a lot of press lately about modern society's efforts to block out noise. The Wall Street Journal, for example, recently wrote about how some auto makers are following on the heels of the airline industry and adding sophisticated noise-cancellation systems in cars to offset certain sounds. Over the summer PCMagazine even did a feature on the best noise-cancelling headphones for those of us who prefer to listen to our favorite music or podcasts without getting distracted by the interfering din of the outside world.

Community banks, too, are perpetually trying to filter out the noise in an attempt to figure out what works best given size and numerous regulatory, competitive and technological pressures.

It can be especially difficult for community banks to find direction amid the onslaught of new technologies being brought to market. Small banks have a particularly tough time because bandwidth is tighter than large competitors and funding is much more limited. Yet it doesn't change the fact that innovations in online and mobile banking, video banking, social media and customer relationship management are flooding out. There is a seemingly endless stream of new software, gadgets and gizmos for banks to learn about and determine how--and if--they intertwine with business strategy.

ATM technology is one area deserving of community banks' attention. For instance, new ATMs from Diebold unveiled at the 2013 Consumer Electronics Show allow users to complete secure, cardless transactions by scanning a QR code on an ATM and then conducting banking transactions via their smartphones.

It will likely be a number of years before these ATMs go mainstream, if they do. As we've written about previously, there are also other new ATMs that allow users to interact "face-to-face" with tellers in remote locations. These are currently being rolled out across the country by a handful of large banks.

Right now many community banks might be inclined to take a wait-and-see approach on these so-called ATMs of the future, and we don't see harm in it, at least for the short term. After all, it's a big undertaking to replace the more than 2MM existing ATMs around the world, so we don't think sitting on the sidelines for a bit will be too detrimental from a competitive standpoint. However, that said, it is clear times are changing so community banks need to stay on top of the trends and be prepared to act.

There many are other technology-driven initiatives that could shape the way community banks do business in the future, so it makes sense to think ahead. Given the push toward self-service, branches in the future will likely be physically smaller with fewer employees. Community banks will need to determine the right approach for them. This could include, for instance, allowing customers to conduct more of their sophisticated banking business remotely. Some big banks are already testing the waters here. They've introduced video conferencing in several markets, allowing customers to "meet" with specialists in far-away locations.

While community banks don't have to immediately jump at every technological innovation, you can't afford to completely silence the noise and ignore the technological developments happening in the

world around you. Doing that would be like turning a deaf ear to customers.

BANK NEWS

Branch Closures

M&T said it plans to close at least 10 retail bank branches across New York in the coming months.

Biz Transformation

A PWC survey of CEOs at major companies worldwide finds the top 3 trends they say will drive their business over the next 5Ys are: technological advances (81%), demographic shifts (60%) and a shift in global economic power (59%).

Retail Risk

Banks that lend heavily to retail centers should take a look at any RadioShack risk in the loan book. The Company just announced it is closing 500 stores (about 11% of total stores) as it moves to restructure.

Consent Order

The FDIC and OCC have issued a consent order against bank vendor and technology service provider BServ, Inc. Under the order, Bserv must have: an internal auditor or integrated risk-focused audit program, formalized policies and procedures to handle vendor risk, an enterprise wide risk assessment, business continuity planning, patch management procedures, an effective log review to detect, identify and act on potential threats and other components. BServ does business as BankServ and offers outsourced wire transfer processing to more than 400 financial institutions, provides telephone and online electronic payment services and international wire transfers.

Brand Value

Brand valuation consultancy firm Brand Finance has announced its ranking of the world's most valuable banking brands in order for 2014 are: Wells Fargo, HSBC (UK), Bank of America, Citibank, JPMorgan Chase, ICBC (China) BNP Paribas (France), Santander (Spain), China Construction Bank (China) and Agricultural Bank of China (China).

Biz Growth

A PWC survey of CEOs at major companies worldwide finds the top areas for business growth in 2014 are projected to be: product or service innovation (35%), increased share in existing markets (30%), expanding to new geographic markets (14%), mergers & acquisitions (11%) and new joint ventures/strategic alliances (9%).

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