Djo It Yourself (DIY) Or Self Service

by Steve Brown

Coin-operated vending machines that dispensed post cards were first introduced in London in the early 1800s. It wasn't long until similar machines started popping up in the U.S. toward the latter part of that century. Early on they were installed on elevated subway platforms in New York City and they most commonly dispensed gum. We are sure janitorial staff hated the gobs of gum they had to clean up back then. Nowadays, there's virtually no limit to what you can purchase from a vending machine whether it be stamps, soda, fast food, mashed potatoes in a cup, caviar or even live lobsters.

There's no question that people today are looking for convenience. It helps explain why vending machines have exploded in popularly, along with other trendy timesavers like microwavable dinners, ATMs, online banking and online grocery shopping to name a few. At the same time, we wonder whether the trend toward self-service in banking is as sustainable as some pundits would suggest and whether reports of the pending demise of bank branches are overblown.

Consider another self-service initiative that initially showed great promise, but later petered out due to any number of missteps. A decade or so ago, self-service lines in grocery stores were all the rage, yet they didn't pan out like retailers had hoped. Some shoppers loved the idea of ringing up and bagging their own groceries, but in practice, self-service lines caused more problems than they solved. Between technical glitches, difficulty using coupons and misidentified products, things were pretty choppy. These issues ultimately required human intervention to fix as many customers grew fed up with this innovation. As a result, many grocery stores responded by pulling the plug on self-service and ramping up traditional clerk coverage instead.

At this point it appears the majority of consumers are still old-fashioned when it comes to banking. This is particularly true when it comes to depositing large sums of money. To drive this point home, consider a study last year by Mercator Advisory Group that found 61% of respondents would chose to deposit a $1K check with a human teller, while only 20% would do so at an ATM and only 12% were comfortable enough to scan the check with a PC or smartphone.

Of course, the scales are tipping more toward automation so banks must continue to adapt. In the 2012 study, for instance, 68% of consumers said they'd choose to deposit the same size check with a teller. Meanwhile, 17% of respondents in 2012 said they would choose to use an ATM and 9% said they would prefer to scan the check with a PC or smartphone. Times are changing.

We don't doubt that over time even more people will be sold on the idea of banking by ATM or on their smartphones. We're also confident community banks will be introducing more technology into their daily operations to make transacting business even more seamless for customers. Only time will tell.

In the meantime, consider the many ways banking is best done in person. At least at this point, no machine can fill the human void when it comes to financial planning, small business management, college financing, trust and estate services or retirement discussions. That is good, but it may not last as machines get more and more sophisticated so bankers must stay on their toes and keep adapting.

There is no point in decrying technology, so embrace it as you continuously search for ways to heighten the in-person customer experience. Putting the personal in personal service is more than a mantra and certainly at this point more than one can reasonably expect from any type of self-service machine. Now, where did we leave our change as we need to buy a candy bar!

BANK NEWS

M&A

Mutual insurance company OneAmerica Financial Partners (IN) will acquire the retirement services record keeping business of City National Bank ($29.5B, CA) for an undisclosed sum. OneAmerica offers retirement products and services including life insurance, annuities, asset based long term care and employee benefits and has $36.4B in assets currently under administration.

Biggest Banks

The OCC's semiannual list of supervisory concerns identified intensifying loan competition (could lead to lessening of underwriting standards); low interest rates (increasing earnings pressure and could lead to capital erosion in the future when rates increase); business strategy (banks moving into new products without proper risk management processes); cyber (evolving risks); and BSA/AML (control over these risks remains critically important). Community banks should be sure to discuss and review these risks and take appropriate actions as may be needed.

Big Fines

Regulators fined Regions Bank (AL) a total of $51mm for misconduct related to identifying and reporting nonaccrual loans in 2009. Regulators have also issued enforcement actions against 3 former employees responsible for the misconduct including former senior commercial credit executive Thomas Neely Jr. ($2.4mm fine civil penalty & seeking ban from the industry); former chief credit officer Michael J. Willoughby (seeking ban from the industry) and former head of the problem loan workout department, Jeffrey C. Kuehr (seeking ban from the industry). The SEC has also announced fraud charges against all three.

Risky Business

Investors are having such a hard time finding assets to buy and there is so much money flooding into the U.S. that bond spreads on highly rated U.S. corporate debt have fallen under 100bp. Spreads haven't been this tight in 7Ys.