

Not All Branch Traffic Is Good Traffic

by [Steve Brown](#)

We hear bankers every day express the desire to get more traffic into their branches in order to make product and service offerings, to better gauge customer satisfaction and for numerous other reasons. They probably don't have in mind what happened when a would-be thief stole a construction water truck and then drove it into the lobby of a Central California bank. The truck plowed through the front wall of the building at 4am, but in the end, did not leave any richer because there wasn't any cash lying around. Anyone who has ever worked around money in a bank, or even in a retail or restaurant environment knows that generally, cash is not lying around after hours. We were reminded by this story that most thieves are not the brightest bulbs on the shelf and that not all branch traffic is necessarily good traffic.

Similarly, there is debate within banks as to who is a good customer. Front line staff often thinks in terms of the people they see in the branch most frequently. This may well be a quality customer, but more often, this may be a person who continually asks to have fees waived or for above-market CD rates (all the while insisting they are "such a good customer"). Banks who measure the profitability of overall relationships know that the customer most frequently in the lobby asking for special treatment is usually not the best one. The bank's best customers are usually business owners who are too busy to come into the bank very often. However, when those good customers do come in, it is probably for more sophisticated assistance and their expectations for service will be much higher.

Customer preferences over the years have changed more rapidly than anyone expected. Banks have, for the most part, taken steps to meet the changing needs of basic customer interface. Branches have changed too and more is likely in the wind. Consider that JP Morgan estimates its branch of the future will have 40% fewer employees (6 vs. 10) and an average of 45% less space, something around 2,500 square feet. Whether community bank branches will follow the large banks to meet changing customer habits, it's fairly safe to predict that self service kiosks in the branch will take care of more basic functions over time. What staff remains will need to have the capability to address complex issues and be empowered to make decisions.

Banks should be certain customer service rep salaries increase commensurate with their increased knowledge and duties as well if one is going to keep the very best talent. In fact, a survey by Crowe Horwath found that bank teller compensation on average is a bit over \$25K, a decline of 3% from a year ago. Data from the Bureau of Labor Statistics found that in 2013, the number of bank tellers in the US declined to about 580K, an 11Y low. The data shows banks are moving in favor of fewer but more qualified advisory staff. It will be very important for the bank of the future to undertake significant staff development to ensure they have the knowledge to compete in this developing environment. Taking care of key employees is important because they are likely to be picked off by the competition and could well take your bank's good customers with them.

The branch of the future will have less traffic, but each branch visit will take on more importance, especially for the bank's best customers. If your bank develops its staff and approach to meet those needs, it should prosper well into the future. As for the guy who drove a truck into the bank lobby, perhaps he was just looking for a fee waiver. If so, we won't worry too much that qualified staff wasn't on hand to help.

BANK NEWS

Mobile Risk

The Director of the National Security Agency is warning CIOs that hackers are targeting smartphones and tablets in an effort to infiltrate corporate networks. He warned technology experts to be on the lookout for false system updates that can trick firewalls into thinking that malware is a safe program.

Consumer Debt

The Fed reports household debt and credit increased 0.7% in Q3 to an aggregate level of \$11.7T. This compares to a peak of \$12.7T hit in 2008 (about 8% lower).

Loan Limits

The FHA has announced maximum conforming loan limits for 2015 for FNMA and FHLMC will remain at current levels (\$417,000 in most areas and \$625,500 in high cost areas) for most areas and rise in 46 counties that have seen increased home prices.

Small Biz

The CAN Capital Small Business Health Index finds 58% of small business owners expect growth next year; 38% plan to expand/try new forms of advertising or marketing activities and 35% plan to buy additional equipment or make additional investment in inventory over the next 12 months.

Payment Space

Starbucks reports \$1.4B was loaded onto its cards in Q4 of 2013, as 1 in 8 US adults received a Starbucks card during the holidays.

Biz Confidence

The Markit Global Business Outlook Survey finds business confidence worldwide has fallen to a 5Y low, as hiring and investment expectations slip to the weakest levels since the crisis.

Small Biz

A report by Duda finds 33% of small business owners surveyed expect at least 25% of their holiday sales this year to occur online.

Tax Rate

Bloomberg reports the IRS finds the top 400 taxpayers in the US (average income of \$265mm) paid an average tax rate of 18% in 2010, the lowest since 2007. Analysts say that is largely because this group of taxpayers earns a majority of their money from capital gains, which are taxed at lower rates.

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