
Heading To The Mall

by [Steve Brown](#)

Some of you may be heading out of the office early today to do a little last minute holiday shopping for friends and family. How you go about that shopping is probably quite different from even 5Ys ago when people primarily shopped in person and usually went to the shopping mall if they were looking for a variety of items. In the 1950s, the rise of America's car culture spawned the suburb and subsequently shopping malls, which sprang up everywhere to serve the needs of suburban people. Some 1,500 malls were built between 1956 and 2005, but barely 1,000 indoor malls remain today (not one new mall has been built since 2006). Where and how customers shop impacts not only retail centers, as the popularity of online shopping soars, but where and how they do business. A prime example is the shift to banking online. Let us consider this comparable evolution a little further.

An earlier tectonic shift in US shopping preferences was the move from large downtown department stores to suburban malls. The malls generally had large department stores as well, but many smaller specialty shops took up the bulk of the space. Many of those malls are now empty. Some have been repurposed as storage facilities or even bowling alleys, while others have tumbleweeds rolling through their parking lots. More recent times have seen further transition of how people live and shop, as young professionals are leaving the suburbs in droves and moving back into urban centers. They may work in the center of town, or they may telecommute. They may shop and bank in the city center where they live or do it online. Or most likely, they do all of the above. Chances are that young urban professionals use all of the available access points to go about their daily business.

Banks can trace the history of their branch distribution and it is likely to follow a similar path as shopping. Sixty years ago, banks had colossal downtown buildings with most personnel in one location. They opened smaller branches in the suburbs to serve the needs of the people who had moved there. Most banks still have branches located in or around malls and we wonder if their reduction in size and importance has kept up with the decline of malls over the last 8 or 10Ys. Perhaps the shift in banking that we are attributing to technology actually began long before online and mobile banking became the norm, and banks have simply been lagging behind trends in customer preference. Chances are a huge downtown building with granite pillars is not the answer now, but centralization may make sense if your customers prefer a centralized location. Make sure your bank is following customer trends by placing branches of appropriate size and scope where those customers live and work.

If you are leaving early to do a little last minute shopping today, there is a good chance that you'll scurry home to your personal computer since the bank's computers have all the shopping sites like Amazon blocked. We suggest that you consider patronizing your local businesses instead. Turn your shopping excursion into a sales call, go visit existing bank customers and pay a visit to a potential new customer or two. Remind them that small businesses all need to support each other and that community banks are small businesses too. If they bank at a larger bank, it's the same thing as if you went to a large retailer instead of supporting a local business.

BANK NEWS

FOMC Update

After the last meeting, the Fed seems to have reiterated its plans to raise rates in 2015, but will be patient as it moves more toward normalization. Yellen indicated rates would not rise in the next two meetings and any move would be data dependent. After the announcement analysts adjusted their expectations, with most now expecting the first hike to occur in Jul. Meanwhile, 88% of FOMC members project rates will rise in 2015, with a median rate estimate of 1.13% in 2015, 2.50% in 2016 and 3.63% in 2017.

Jobs Picture

The Fed is projecting the unemployment rate will be 5.8% by the end of this year, before declining to 5.2% to 5.3% in 2015 and 5.0% to 5.2% in 2016.

Regulation

The Fed said it will issue rules for the commodities activities of bank holding companies some time in Q1 of 2015.

Breach Costs

The ICBA reports 4% of community banks were hit with fraud because of the Home Depot data breach and spent about \$90mm to reissue 7.5mm debit and credit cards (about \$12 per card). Meanwhile, the data breaches at Target and Neiman Marcus reportedly cost community banks about \$40mm to reissue 4mm+ cards (or about \$10+ per card).

Economy

Former Fed Chair Bernanke said he expects the FOMC will look beyond the decline in inflation and focus instead on increasing momentum in economic growth as it moves to raise rates.

Indicted

The former CEO of Voyager Bank (\$337mm, MN) has been indicted by a federal grand jury for lying to federal regulators and obstructing an investigation into about \$5.5mm in loans he reportedly took out from the bank for himself.

Systemically Important

Regulators (the Financial Stability Oversight Council) have tagged insurer MetLife as systemically important, saying its failure could destabilize financial markets. MetLife joins a list that includes the largest banks, as well as AIG, Prudential and GE Capital at this point.

Malware

Security firm Kaspersky Labs has found a version of ZeuS malware (dubbed Trojan-Banker.Win32.Chthonic) that targets banks and payment systems.

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