



The Search For Fame

by Steve Brown

When reality TV personality Kim Kardashian appeared on the cover of Paper Magazine's winter issue, she clearly stated her intentions with the headline "Break the Internet Kim Kardashian". Clad in a strapless, sequined gown and long black gloves, Kardashian posed holding a champagne bottle, as a stream of bubbly flowed over her head into a champagne glass balanced upon her famously large derri?re. While Kardashian's heavily photo-shopped images briefly drove significant online traffic to the prestigious fashion magazine (they reported 6.6mm page views the day the magazine went online, 5mm of which were unique visitors), the photo shoot did not in the end live up to its promise. It did not break the internet which continued to function as usual, interest quickly died out and the project had little impact in creating sustainable traffic for the magazine.

The short term result for this highly orchestrated media event made us consider the nationwide advertising campaigns major banks use to promote their online and mobile banking capabilities. It isn't news to anyone that community banks with limited budgets can't offer an endless stream of electronic banking options like their mammoth, deep-pocketed peers can churn out. In 2014, Technology Business Research, Inc. estimated that the largest 200 banks in the US would each spend roughly \$1.5mm creating new online and mobile banking offerings. Meanwhile, the majority of community banks must rely on outside providers for their own electronic offerings, making it all but impossible to offer the same level of tailored services.

The good news is that not all customers are as consumed with constantly having new electronic banking options as the major banking chains would like, so there are still ways community banks can differentiate themselves to attract and maintain customers. At the same time, you can let the big guys spend the money on R&D and vet customer demand for which services really matter, and then chase the important ones that ultimately flow down and make sense to you.

In fact, there are still many customers who are happy with basic electronic banking offerings. Stranger still, some even (shock!) still prefer conducting their banking business in person. Certainly, every bank needs quality functional internet banking with easy account access for checking balances, account transfers and online bill-pay, plus a good app for mobile deposit and bill pay. On the other hand, some of the newer features like person to person payment capability may offer some interesting future opportunities, but adoption has generally been muted so far.

As we've said before, the best way community banks can hold on to these clients is to ensure they have access to pleasant staff who are knowledgeable about the services customers are most likely to need. Customer facing staff (whether in person, on the phone or via video) must also be capable of taking care of a broad range of banking needs. Today, customers want information on mortgage refinancing and home equity loans, how to better manage accounts and maybe even help with navigating their electronic banking services all at the same time.

The largest banks are everywhere, so they do impact the world around community banks in a big way. That said, the major banks also have multiple layers to jump through to answer even basic customer service questions and frequent staffing turnovers.

Community banks should not be afraid to play up and advertise the loyalty of staff who have created relationships with their customers. Then, layer in community ties like sponsorship of local teams and scholarships for students and you are on your way. Most community banks leave the slick ads about adding yet another banking app feature to the largest banks and focus instead on what they do best instead.

BANK NEWS

M&A Activity

1) The parent company of North County Bank (\$64mm, ND) and American Bank Center (\$1.2B, ND) will acquire United Community Bank of North Dakota (\$308mm, ND) for an undisclosed sum.

Cyber Crime

A new report from computer-security firm Kaspersky Labs finds perhaps as many as 100 financial institutions have been hit by computer criminals targeting banks since 2013 for a total of probably \$1B. The thieves monitored bank employee computer screens and actions and hacked into ATMs to steal cash.

Bank Closed

(3 YTD): Regulators closed Capitol City Bank & Trust Co. (\$272mm, GA) and sold it to First-Citizens Bank & Trust Co. (\$22B, NC) under a purchase and assumption agreement. First Citizens captures 8 branches, all deposits and essentially all of the assets.

Rough Time

A report from Harvard University finds community banks with assets <\$10B have seen their market share (based on assets) fall 12% since the Dodd Frank Act passed in 2010 and C&I loans fall 23%. Technology advancements, low interest rates, low margins, heavy regulation and high compliance costs were all cited as contributors to the decline.

More Security

Visa announced it will replace its 16 digit account number with a series of numbers, as it seeks to protect customer information in online and mobile payments. Visa and MasterCard also said they planned to expand tokenization efforts, add biometrics verification and take other protective steps to further improve customer security amid increased cyber attacks worldwide.

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