



Picture This

by [Steve Brown](#)

We came across a video of a guy who was attempting to use a selfie stick to take a video of himself while going gator hunting in the Everglades. The problem for him was that while gazing into his phone to take the video, he drove his Jeep into the back of another vehicle carrying a canoe. It blasted out his windshield before ever getting anywhere near any gators. It's hard not to notice that with the advancement of technology, there has been a large increase in the number of efforts to capture adventure footage in circumstances of questionable wisdom.

In banking, community bankers hope enough millennials survive their selfie efforts to become bank customers, as it turns out that this generation is actually primed to prefer community banks. In a survey of the spending and saving habits of 10K millennials, the Boston Consulting Group came up with some not-too-surprising findings. This age cohort likes organic food and natural products, and they don't intend to spend as much in restaurants in the coming year. The survey asked which categories millennials intended to increase or decrease their spending in over the coming 12 months and many things surfaced. In the spending column people said fresh fruits and vegetables, natural products and environmentally friendly cleaning products. Topping the negative column was soda, apps (this one surprised us!), handbags, luxury brands, and restaurants.

It goes to show you that all generalizations are wrong (including this one of course), because as young boomers we also like organic and fresh food over packaged. That said, we also know this generation prizes experience over possessions and therefore is more likely to travel than buy a piece of art. Research also finds this generation is still driven by a high level of economic instability, with those aged 20 to 24 having an unemployment rate topping 10%. Further, the wages of those just out of college have lagged and many are saddled with student debt.

Despite such struggles, millennials are nonetheless the up-and-coming group that will drive the economy going forward. That is why one thing of particular interest in this survey has to do with their banking preferences. Smaller is better, but the most important finding was hatred of the biggest financial institutions. Hatred doesn't necessarily only drive them to community banks though, so there is no time to get cocky.

In fact, a survey by Think Finance finds 45% of millennials say they are supplementing their banking activities with alternative financial services providers. As a result, Accenture research projects that changes in customer behavior could result in a 35% loss in market share for banks over the next 5Ys.

There is an opportunity here though. Distaste for a brand is one thing--and truly it's a great starting place for community banks to make inroads by turning that feeling to love. Since this generation is tied into their smartphones, having good mobile functionality is basic. Having a social media presence is also important, as is attentive customer service through all channels.

Maybe it is also time to review the bank product set. Is marketing geared towards buying a home and are checking accounts the primary relationship-building product? If so, that has to change because

this generation never writes a check and instead lives on debit or credit cards. Community banks are by nature traditional, and the people in the corner offices tend to be as well. Our advice is to have a meeting over lunch with the millennials who work in your bank and ask what they think the bank should be doing to bring in more customers like them.

We assume that enough millennials will survive their personal adventure video efforts to become the predominant customer and employee demographic in community banks. In the meantime, make sure your bank picks up on this generation's preference for smaller, high quality, local service providers--it is what you already are and it is the future, so you are well on your way.

BANK NEWS

M&A Activity

1) Community National Bank & Trust of Texas (\$52mm, TX) will acquire Star Bank of Texas (\$140mm, TX) for an undisclosed sum. 2) Hamilton Bank (\$358mm, MD) will acquire Fraternity Federal Savings and Loan Association (\$142mm, MD) for about \$27mm in cash. 3) Wells Fargo will acquire GE's global commercial distribution finance platforms, picking up about \$32B in assets and 3,000 employees. 4) Citizens Business Bank (\$7.7B, CA) will acquire County Commerce Bank (\$253mm, CA) for about \$41.3mm in cash (50%) and stock (50%). 5) Citizens Bank (\$563mm, AR) will acquire Parkway Bank (\$132mm, AR) for an undisclosed sum. 6) Seacoast National Bank (\$3.2B, FL) will acquire the Orlando FL banking operations of BMO Harris Bank for a 3.0% deposit premium.

M&A Terminations

1) Alliance Bank (\$166mm, MO) and Capaha Bank, SB (\$186mm, IL) have terminated their proposed merger citing the impact of regulatory delays on merger terms. 2) Coastal Community Bank (\$589mm, WA) and Prime Pacific Bank (\$121mm, WA) have terminated their proposed merger after Prime Pacific shareholders voted against the agreement.

Dividend Yields

As of Q2, Vining Sparks repots median dividend yields for banks it follows are in the mid 2% range. Meanwhile, for comparison, as of Q1 the average annual dividend yield of companies in the banking sector was 2.4% overall as calculated by Investopedia.

CECL impact

The OCC estimates CECL will increase loan loss reserves by an average of 30% to 50%.

Security Risk

Verizon reports 22% of people who receive a phishing email (appears to be from a trustworthy entity) will open it and 11% will click on the malicious links embedded in the email. Hacking your systems is really just a numbers game for the bad guys so keep educating your staff on this - it only takes one.

Cash Recycling

The typical cash recycler costs about \$15k to \$20k these days.

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.