



Quietly Moving Forward

by [Steve Brown](#)

There is a monastery on Mount Serat in Spain where the religious order mandates young men must maintain silence upon entering. All is not lost though, as the men do get a chance to utter two words once every 2Ys. The story goes that one young initiate after completing his first 2Ys of training, was invited by his superior to make his first two-word presentation. "Food terrible," he said. Two years later the invitation was once again extended and the young man exclaimed, "Bed lumpy." Frustrated by this, the superior looked at this young monk and said, "You know, all you've done since you arrived is complain."

Studies find that community financial institutions may find customers given the same chance as the young monk may utter two words of their own on how to make their experience better - "better technology." Technology has changed the banking game for both banks and customers. In key area after key area, small business owners and consumers are embracing mobile and online technologies, which they view as making their banking experience more personal, simpler and more efficient.

According to an ath Power Consulting 2014 retail banking study, 91% of respondents say they use online banking with their primary bank. In addition, 63% say they use online bill pay, 45% say they use mobile banking services and 38% say they want to receive texts and alerts over their mobile devices from their banks on a regular basis.

An extreme level of acceleration has occurred in the adoption of mobile banking and this is because 75% of Americans now have a smartphone. Given that, almost 50% say they have used mobile banking in the last year. While the use of most banking channels is flat, mobile has doubled over the past year and this is good news for banks in that it is a far less expensive channel at about 4 cents per transaction vs. \$4 for a teller deposit.

The key for community institutions is to leverage technology in your own way, as core providers roll out new services. At a base level, core provider costs may rise, but the offset is that other costs at the customer level can be reduced. In addition to lower costs, there is a treasure trove of information in the data gathered from electronic access. Banks can use this information to refine offerings and enhance customer experience. Over time, this will enable banks to more effectively communicate and match products and solutions to customers. This should help banks maximize the ROI of customer acquisition and retention programs in a multi-channel environment.

Taking a deeper look at mobile banking, we again go to the ath Power study. It finds mobile banking usage already reached about 65% of Americans in 2014. This channel seems destined to increase in the next decade to eventually rival online banking (at over 90% in an Internet Banking Survey).

To leverage data-driven marketing, consider that research shows mobile use is also associated with income: 52% for those making \$100,000+; 47% for those making \$50,000 to \$99,999 and 38% for those making < \$50,000. If the customers who have the most money also care the most about technology, then your marketing dollars should reflect that preference. It's up to you to change the way you operate as consumer preferences shift.

As one industry wag put it, before long banks won't have street addresses, they'll only have IP addresses as more consumers demand their financial institutions offer great technology solutions. We don't fully agree, as we still believe customers want to talk to bankers for more complex needs, but things are shifting quickly.

At this point the stakes are clear. Banks must have good tech offerings focused on customers and that are

capable of shifting over time. Consider what a nice situation it would be for your team to be contacted by a customer with a two word comment after a 2Y silence who simply said "Good Job." This will be the future of community institutions that quietly and efficiently move forward.

ECONOMY & RATES

Friday

Yields rose 1 to 2bps across the curve as producer inflation came in less than expected.

Today

[Industrial production and capacity utilization](#) will measure the health of manufacturing.

Rates As Of: 06/15/2015 10:55AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.00	0.00	0.00
6M	0.09	0.00	0.00
1Y	0.25	0.00	0.00
2Y	0.70	0.00	0.00
5Y	1.70	0.00	0.00
10Y	2.36	0.00	0.00
30Y	3.09	0.00	0.00
FF Market	FF Target	Fed Disc	
0.00	0.25	0.00	
Prime	Unemployment	Oil	
3.25	0.00	\$0	

[More Market Rates](#)

BANK NEWS

Rate View

The latest Wall Street Journal survey of economists finds the majority predict the Fed will raise rates in Sep.

Less Quality

Accenture research of professionals worldwide finds 98% say they spend part of their day multitasking and 66% say doing so enables them to accomplish more at work. Meanwhile, 36% say so many distractions result in less focus, lower quality work and reduced team relationships. Items that impact people the most when it comes to interruptions are telephone calls (79%); unscheduled meetings or visitors (72%); instant messaging (30%) and texting (28%).

Industry Risk

The Financial Stability Oversight Council (FSOC) indicates the biggest risks to the US financial system currently are: cybersecurity; increased risk-taking due to low yields; changes in financial market structure (electronic trading, less market liquidity, new trading platforms); central counterparties (clearing houses); global economies (uncertainty overseas); financial innovation and migration (regulatory difficulty monitoring new products or services); short term wholesale funding (vulnerabilities in repo market, collateral fire sales during times of stress); risk-taking of large interconnected financial institutions (phasing in of orderly liquidation in coming years); reference rate reforms (revising benchmarks to avoid manipulation); housing finance reform (clarifying role of GSEs like FNMA and FHLMC); and data quality, collection and sharing.

Survival

The SBA reports about 70% of new small businesses (<500 employees) survive at least 2Ys; 50% survive 5Ys or more; 33% survive 10Ys or more and 25% survive 15Ys or more.

M&A Flows

SNL Financial reports the number of M&A deals in the US bank and thrift sector was 68 in Q1 2015. This compares to 91 (Q4), 68 (Q3), 76 (Q2) and 56 (Q1) for 2014.

Productivity

A survey by CareerBuilder of the biggest items negatively impacting workplace productivity are: using cell phone to talk and text (52%); using the Internet (44%); gossiping (37%); using social media (36%); sending email (31%) and dealing with other employees who drop by to talk (27%).

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