



Mining The Gold

by [Steve Brown](#)

Amazon spoils its customers. The online one-stop supermarket, with its easy to read sections, seems to know each consumer like no other retailer. Amazon reminds customers about older purchases, recommends products that could be a good match and connects consumers with ad information they were looking for. When the online user is hesitant, Amazon comes to the rescue once more sharing what other customers bought, providing ratings and reviews. Last but not least, if the product is not available, the company offers to send updates and lets customers know when it is back in stock. Amazon shows how we are part of a greater community and one that we may access anytime, anywhere, on any device.

People have learned from this and other online experiences and that has fed over to the banking industry. People want history, they want point and click and they want access to information immediately. As such, more banks are looking for solutions that understand and even anticipate customer needs.

A recent Computer Services, Inc. (CSI) survey of consumers finds 50% of those surveyed say technology is a key factor when they are selecting their banks. For younger consumers, particularly men under 35Ys old, the number jumps even higher to 65%. The Internet has taught everyone how to be more sophisticated and to expect a seamless experience and meaningful interactions.

According to another CSI survey of a group of community bankers, the big focus this year is to: differentiate through excellent customer service as their main tactic for attracting new deposit customers, increase lending and increase technology spending. These probably make sense nearly every year, but if you are working on them too then you're well on your way.

Bankers are also getting better at mining the data they already have. Banks collect tons of it, including past transactions at the branch, online, through ATMs, having a customer risk profile, loan information and much more. While regulations govern all over the place, and you have to be careful when connecting dots so you don't run into trouble, there can be decent info lying about. As with our Amazon example above, that customer data is the real gold you can mine and if done well, may put your bank a few steps ahead of the competition.

Some of the areas where banks have already indicated they are experimenting in data-mining relates to videos, images, news and social media. The idea is that over time, banks will know their customers even more and by analyzing the data will be able to price more effectively and personally, identify potential customer issues before they become too big to manage and engage in direct communications to improve the customer experience.

Bankers equipped with the best strategy going forward will certainly have an added data component to them, along with bigger databases and more IT staffing requirements. We suggest continuing to monitor the biggest banks in this area as you keep an eye on cutting edge players like Amazon. Imagine the positive impact if you could eventually spoil your customer the way they want to be spoiled the same way Amazon does it.

PCBB has a solution in place to help you understand your customer's behavior; ProfitIntel is a relationship profitability and loan pricing platform designed for community banks. If you'd like to learn more, we'll be hosting webinars next week. Visit the [Upcoming Events](#) section of our website to join us.

ECONOMY & RATES

Yesterday

Yields dropped 8bp as Japan's economy contracted and data from China showed declines in exports.

Rates As Of: 03/09/2016 01:07PM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.30	0.00	0.00
6M	0.46	0.00	0.00
1Y	0.66	0.00	0.00
2Y	0.90	0.00	0.00
5Y	1.40	0.00	0.00
10Y	1.89	0.00	0.00
30Y	2.68	0.00	0.00
FF Market	FF Target	Fed Disc	
0.00	0.50	0.00	
Prime	Unemployment	Oil	
3.50	0.00	\$0	

[More Market Rates](#)

BANK NEWS

Cyber Audits

Research by consulting firm Protiviti finds 73% of the organizations it polled now include cybersecurity risk in their internal audits. This is a 20% increase YOY.

Bank Branches

Research by Business Intelligence that looked at Millennial usage of bank branches found: 75% visit bank branches either once a month or less, or not at all; 38% don't use a branch to perform banking activities; 26% visit a bank branch less than once a month; 16% who visit branches say they do so to perform activities that can only be carried out at a physical branch and 6% visit a branch weekly or more often.

Marketplace Lending

The CFPB is now accepting complaints from customers about marketplace lending, as it seeks to gather more information and likely move to regulate activities of online lenders. Director Cordray said people who shop for a loan online need to "be informed and to understand what they are signing up for" and that marketplace lenders are required to follow all federal and state consumer protection laws.

AML Consequences

Comptroller of the Currency Curry said the regulator is looking at whether new guidance is needed to address banker concerns around anti money laundering. Curry said banks have been proactively "de-risking" by firing clients that could pose risks in this area rather than waiting to get hit with potential regulatory fines or other actions. Curry said such actions could have "regrettable consequences" and that "customers whose banking relationships are terminated and who cannot make alternate banking arrangements elsewhere may effectively be cut off from the regulated financial system altogether."

Loving Cash

Research by the Boston Fed finds that of the major countries, Germany uses cash for 82% of transactions compared to about 50% for Canada, France and the US.

Walking Away

A Bank Director survey finds the top reasons buyers walked away from an M&A deal were: could not agree on

price (60%), credit quality (46%) and culture at the target institution (35%). This compares to sellers who walked away due to: price too low (71%), culture of the acquirer (67%) and concerns with valuation of the buyer's stock (48%).

Customer Behavior

Research by Movable Ink finds 66% of all email in the US is now read on smartphones.

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