



Zika and Your Payment Strategy

by [Steve Brown](#)

Scientists have found that the Zika virus can be used to combat brain cancer cells in adults. You heard right - a particularly aggressive form of brain cancer known as glioblastoma seems to be attacked by the Zika virus. So far, this otherwise deadly virus has successfully diminished these aggressive tumors in mice, while leaving other brain cells untouched. Human trials are still at least 18 months away but tests in the lab show early promise. To be sure, the difficulty for bankers in deciding on a payments strategy pale in comparison to curing brain cancer, but it is still challenging.

Payments have always been a mainstay of the banking business. But the rise of new financial technology (fintech) firms poses challenges to community banks. If payments migrate away from banks, the data associated with those payments is also lost. That data is literally a gold mine of information that banks can and should be using to enhance and focus services, as well as improve and target marketing and sales efforts.

The payments situation is captured in considerable detail in a new [survey by Capital Performance Group](#) done in conjunction with the ABA. Its findings are particularly important to community banks, which were well-represented. The survey received responses from 219 institutions, most of them community banks with less than \$1B in assets.

Much of the survey detailed how banks are lagging in adoption and implementation of robust payments strategies, capable of keeping up with technological changes. One finding that seems particularly telling is the lack of attention to capture and analyze data residing even in their own servers.

Here's how the payments situation breaks down. Of the banks surveyed, 90% have no formal payments strategy. Of those that do have a formal strategy, 71% do not capture and analyze payments so they can learn more about customer behavior. So, even those banks that have adopted strategies are not effectively using the data they collect to enhance their businesses and improve customer service.

The survey found that part of the problem is simply inaction on the part of banks to leverage powerful data analytics tools for sales and marketing. Nearly all banks use data analytics to track activity volumes and to help in fraud detection. But, only 44% use any data analytics in their sales efforts, and just 39% use it to help craft targeted marketing to customers.

This means community banks still have time to carve out a competitive advantage. Knowing this, you may want to get your management team together and consider getting a plan in place to keep up with the arrival of innovative products and competitors.

However, if it were easy, more banks would be doing it. So, there are definitely challenges to overcome. Once a payments strategy has been set, the areas of ongoing resource coordination and technological development, among others, will need to be addressed as well.

As the mobile landscape accelerates, the pressure for banks not only to have, but to understand and effectively use their payment strategy, will only become greater.

Banks seem to be anticipating this, as 71% of those surveyed expect to increase investment spending on commercial payment services in the next 12 months and 67% expect to increase investment spending on consumer payments services.

Payments and the data they provide can represent a real competitive advantage for community banks in targeted sales and marketing activities. Now may be the right time to make a move.

ECONOMY & RATES

Yesterday

Yields inched up 1bp as investors further mulled the effects of the Fed's balance sheet unwinding.

Rates As Of: 09/22/2017 11:30AM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	1.02	0.03	0.53
6M	1.18	0.10	0.57
1Y	1.29	0.07	0.48
2Y	1.44	0.11	0.25
5Y	1.87	0.17	-0.06
10Y	2.26	0.14	-0.19
30Y	2.79	0.07	-0.27
FF Market	FF Target	Fed Disc	
1.16	1.25	1.75	
Prime	Unemployment	Oil	
4.25	4.40	\$50	

[More Market Rates](#)

BANK NEWS

No Value

The CEO of JPMorgan said he is considering doing away with quarterly guidance because it is a "waste of time" that focuses on short term results and "isn't related to the business you're running." Community bankers that focus high levels of board meeting discussions on monthly results vs. longer term trends may want to think about this as well perhaps.

Unemployment Rate

The latest FOMC meeting has the Fed projecting the unemployment rate will drop from its current level of 4.3% this year to 4.1% in 2018 and 2019.

Low M&A

To date, only 173 US bank deals have occurred vs. 178 compared to this time last year. If this trend continues, 2017 could be the year for the fewest bank mergers since the Great Recession. Reasons may include regulatory constraints and the current high cost of acquisition.

More Punishment

Congress released a July 2016 memo from the CFPB that shows Wells Fargo fired or disciplined about 10k employees related to the account opening scandal. This number is much higher than first divulged.

Municipal Risk

New accounting guidance asks states to include the full cost of health care for their public employees on their balance sheets starting fiscal 2018. This new practice was instituted because of the imbalance between health benefits promised and amount of money saved. The shortfall amounts to \$645B, according to new information from Pew Charitable Trusts based on 2015 data. Community bankers active with municipalities should monitor this risk as part of a broader view into ability to repay.

Stocks Stuck

Factors such as stagnant interest rates and slower loan growth are keeping bank stocks from continuing gains achieved earlier in the year.

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