



Driving Customer Growth Opportunity Forward

by [Steve Brown](#) Topics: [small business](#), [performance](#), [international](#)

Summary: Could asking more questions help bankers get more business? What one recent case study shows.

Are machines better than humans? You probably heard that the very first driverless shuttle bus, on its very first day of operation in Las Vegas, got into an accident. What you may not have heard was that police blame a delivery truck for the accident. The issue - the bus had no driver, while the truck did. Something to ponder as you sip your coffee this morning.

Another thing to ponder in banking relates to providing international services to your business customers. Many of these customers may not intuitively know they need such services, so it may not be top of mind.

A case in point is a community bank in the West that has been serving a small business customer for several years. Their customer was looking for more capital to cover a large import order from Germany, so they spoke to the lending department, which helped this customer to secure the necessary funds. Everyone was happy.

Fast forward 9 months when the exchange rate between the US dollar (USD) and the European Union (EUR) shifted. It went from 1.05 EUR/USD to 1.20 EUR/USD. That is a 14% whipsaw simply due to currency movement between these global regions and it all happened in a very short period of time.

Let's take this example further. In the example, if this international small business customer had closed its business with the German company in US dollars, it would not have been a problem from the US customer point of view. However, as is often the case, the US customer signed a contract with the German company under terms that required payment for the cost of materials based on the local currency of the vendor (EUR). Assuming the German company delivered the goods at this point to the US business, the US business would need to pay for them using EUR. This means that just to cover the differential between the currencies, the US business would need to cough up an additional 14%.

Switching to the community banker viewpoint, the US small business customer they care about has just been effectively hit with a 14% surcharge tax. That reduces the customer's profitability and depending on the flows could damage their ability even to repay on certain loan obligations the community bank may have outstanding with that customer. In addition, the community bank has forgone an opportunity to capture fees on the international piece of this activity.

One way to change this is for the community bank to simply ask the customer which currency they planned to use to pay for the imported goods and which country it was coming from. The banker could then encourage the US customer to double check the contract to see if payment needs to be made to the German business in its local currency.

As in this case, if the answer was yes to that last question, the bank could offer to help its customer. This could be as easy as doing a foreign exchange forward contract to lock down the exchange rate. Doing that results in a predictable exchange rate now that triggers in the future when the goods are delivered. For both the German company and the US business, there are no surprises as a result of shifting global currencies. This way the business customer doesn't need to incur losses due to unexpected rate changes.

Although the bank's lending department may not have known about foreign exchange forwards, cross training all departments on the various products available to help your customers is a good way to expand relationships.

While it may be difficult to always know which business customers of yours are doing business with international companies, the internet has made this commonplace. People and businesses in turn buy from companies all over the world.

If you can drive your business customers to tell you their entire business need, your team of drivers can help them avoid the wreck that inevitably occurs when these customers seek such services from the largest banks. It can't hurt to ask a few more questions to find out.

ECONOMY & RATES

Friday

Yields dropped 3bp as the spread between 2Y and 10Y Treasuries narrowed to its smallest gap in a decade.

Rates As Of: 11/20/2017 10:53AM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	1.26	0.13	0.76
6M	1.41	0.13	0.80
1Y	1.59	0.17	0.78
2Y	1.75	0.15	0.56
5Y	2.09	0.07	0.16
10Y	2.36	-0.01	-0.08
30Y	2.79	-0.09	-0.28
FF Market	FF Target	Fed Disc	
1.16	1.25	1.75	
Prime	Unemployment	Oil	
4.25	4.10	\$56	

[More Market Rates](#)

BANK NEWS

Voice Authentication

Ally Bank is rolling out a new service that will allow customers to engage in banking activities using Amazon's Alexa. Ally said customers can get account balances, track recent transactions and deposits, transfer money and access deposit product interest rates using voice commands. Ally joins other major global banks using voice recognition technology that include Barclays, HSBC, Santander, TD, USAA, Wells Fargo among others.

Regulatory Shift

A bipartisan agreement in Congress would raise the threshold for additional Fed oversight from \$50B to \$250B in assets.

Hacking Risk

Banks should note IBM has surfaced a new banking Trojan called IcedID that is targeting banks. The malware redirects users to fake websites away from the bank's control that also infect the user.

AUTOMATED INTERNATIONAL SERVICES FOR YOU

Community banking teams can automatically send [international wires](#) using existing domestic platforms. Contact us to learn more.

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