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STRATEGIC MANAGEMENT CONSULTANTS

A Partnership For Success



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The President's Corner



Don't Cut, Spend!

There is an old management adage we all know, that says in economically difficult times, the first budget item to go is marketing (sorry guys). Over time that strategy has been effectively disproved. Even more so, it has been shown that the organizations that invest in themselves during down times actually come out stronger and create more distance from their competitors that when they began the down turn. I would like to challenge you to apply that dichotomy across your entire institution. Think for a minute, during these difficult times of anemic deposit generation, loan loss/sub prime issues and increased competition should you be retracting? I envision a turtle pulling in his limbs and having the comfort he can be beat around the outside of his "hard shell" awhile until it all passes. Maybe you're not even suffering these issues but think a prudent effort would be to follow the trend. Or, should you be investing in what your organization will look like and how it will benefit on the other side of this business cycle? Are your people appropriately trained? Is the technology you have being effectively and efficiently utilized? Do workflows "work & flow" as they should to meet the bank's and the bank's customers needs? It might be time to sit down with the numbers, focus on where you can

Are You Ready For Generation Y?

If there was any doubt that the current college generation has a radically different idea about how to do their banking, the July 24, 2007 American Banker should remove it. The article on Web banking for students cites a recent study from market research firm, Celent LLC as well as Wachovia Bank.

We will only highlight a few findings:

1. Virtually 100% of college students sign up for Internet banking at Wachovia.
2. Over 90% of the students use it regularly.
3. According to Celent, 60% of college students will retain their college banking relationship after they leave school.
4. The major demand from college students at Wachovia is for real-time text messages about their account balance.
5. Of the Celent respondents, 36% preferred to communicate with their bank via the Internet vs. only 23% who used telephone communication.
6. An amazing 71% of students want their product information on the Web vs. a miniscule 2% who get it over the telephone.



It is clear to us that banks need to re-think several areas:

1. If college students are much more likely to retain current banking relationships via the Web, what are we doing to attract them **before** they go to school? All those banks that eliminated free kid's accounts because they were "unprofitable" may want to reconsider.
2. Can we really afford to keep old batch processing systems in a real-time world? Ask your core processor how they deliver real-time transactions and balances today.
3. Why are we building all these branches if the next generation has no plans to use them? Maybe we need to accelerate the depreciation if nothing else. Or maybe invest the money in more advanced web tools.
4. If most students are researching products on the Web, we may need to radically re-think our sales culture, training, and overall sales strategy. It is highly

invest, and yes, if need be, spend. Consider the benefits of both the short and the long term. You will see where this will pay off exponentially for your bank.

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WHERE TO SEE US

**American Bankers Association
2007 Annual Convention
October 7 - 9, 2007
Booth #216
Manchester Grand Hyatt
San Diego, CA**

**America's Community Bankers
2007 Annual Convention &
Market Expo
November 8 - 10, 2007
Booth #100
The Venetian Hotel
Las Vegas, NV**

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unlikely that the sales process so many banks are preaching will resonate with these consumers.

5. If over one-third of students want to use e-mail rather than the telephone to communicate and 71% shop on line, is your call center organized and staffed to handle it? Do you even **have** a call center?

Obviously, some banks plan to sell before this generation becomes a powerful force. But for those that want to survive, a freight train is coming and now is the time to begin preparing.



By Brian J. Fox, Vitex Senior Consultant

Collaboration????

As I sit here trying to come up with an idea to write about for this month's newsletter, it occurs to me that this is the same problem each of you face as you enter into the strategic planning season of the year. Just how do you decide what will inspire your colleagues and employees for the next year? After all, isn't it someone else who is supposed to come up with the ideas? It's my job to implement isn't it? Sure is difficult.

Recently, I participated in some training at the local United Way. I had agreed to serve as part of a task force to evaluate requests for grants for next year from the local nonprofit agencies. The training included a discussion of collaboration. Loosely defined, collaboration infers the gathering of a group of individuals that have come together with a common goal or goals which are beyond what any one person in that group can accomplish alone.



Now maybe that is the answer to our common dilemma. Collaboration! Perhaps we need to make sure we approach this creative process by tapping the collective enthusiasm and curiosity of that group of individuals whom we can gather together in search of those common goals.

For my part, I need your thoughts on what we should research and write about in upcoming news letters.

In your case, don't forget to look to Vitex as a resource as you begin your strategic business and technology planning for next year. After all we can contribute our experience with hundreds of customers in many markets to the collaboration of that group of individuals you draw on from your bank and community.

Maybe there is one idea out there that will be the key to our mutual success in the next year.



By Bob Gilbert, Vitex Senior Consultant

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