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The President's Corner



The Front Lines

If you had a job candidate that could generate a significant portion of your institutions revenue, is passionate, used your services themselves already, and acted independently to put forth the best foot of the organization... What would you pay them? Ask your front line staff, and you'll here "not enough" and I would concur. We typically pay our lowest rate to the individuals that are the face of the organization. Like wise, they have the biggest impact on our numbers...

Are your training techniques transferable to the work environment? Starbucks creates dice with the various drink options so employee can quiz each other in the stores. Do they have passion? Apple Stores hires partly on how much and what type of Apple products the applicant uses. UPS makes sure that the regiment that is needed to "get all the packages out" is complemented with just enough flexibility and independence to energize the daily challenges. The motto at UPS is that when it comes to "problems", drivers, not technology are best at solving

So What's Happening?



As I make my rounds visiting with clients, vendors, and even some other consultants the most common topic of conversation with and among all seems to be, "What's going on with (see the list below)?" It is a curious fact of professional life that we seem always to be just as interested in what's on the other side of the fence—usually what competitors' are up to--as we are in what we're working on. As the Thanksgiving turkey is in the oven, indicating that 2007 is pretty much wrapping up, here's one unofficial recap of some trends in the banking and banking technology industries. Space doesn't permit including everything, so I've isolated the ones I hear about most.

How Banks Compete

As an industry, I think banking has finally admitted that virtually everything we do as bankers will be subject to intense competition. The "franchise" implied by a bank charter has radically diminished. For example, remember the brouhaha over non-bank banks? That's old hat. The late entertainer Jimmy Durante had a saying, "Everybody wants to get into the act!" Well, everybody has. Basically, the trend has changed from fighting this issue (although there are still well-published isolated skirmishes) to all financial institutions focusing efforts selectively in the areas where they can either compete best or (even better) get the best return. Prediction: Market segmentation and understanding of "how to compete" will continue to replace blatant advertising spending and much of the "retrenchment" efforts of the trade associations.

Mortgages

Real estate is a cyclical business. Mortgages are made on real estate. Gamblers in either mortgages or real estate will win and lose. Right now it is losing time, mostly. In the Kenny Rodgers song "The Gambler" the lyrics say, "You've got to know when to hold 'em and know when to fold 'em." Prediction: The greedy will pay, the smart will just keep on keeping on. If you're looking for an example of why bankers tend to be conservative, this is the best current one out there. Prediction: Mortgages will revive.

Deposits

Emphasis has shifted away from asset quantity and quality toward the other side of the balance sheet in most markets (although this doesn't mean that anyone is ignoring any loan criticality). The pool of so-called "core" deposits hasn't grown nearly as fast as the appetite of financial institutions to hold them. There is no magic fountain of

them.

Do you trust that your front line is the best at solving your customer's problems? Or, are they looking for a biweekly check and the end of their shift. Are you empowering your team to act? Are you supporting those actions via technology and processes they can depend on so they can "take care of the problems"?

As budget time starts to solidify, make sure you have a few line items around the *front lines*.

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WHERE TO SEE US

**American Bankers Association
2008 National Conference for
Community Bankers
February 17 - 20, 2008
Booth #112**
Grande Lakes Resort & Spa
Orlando, FL

**ICBA 2008 National
Convention and Techworld
March 2 - 6, 2008
Booth #110**
Orlando World Center Marriott
Resort
Orlando, FL

**WIB 51st Annual Conference
for Bank Presidents, Sr.
Officers & Directors
March 15 - 19, 2008
Booth #140**
The Fairmont Orchid
The Big Island, HI

new, cheap deposit dollars but opportunities do unfold, by segment and product, in individual markets. HSA's (Health Savings Accounts) have some potential but aren't "cheap". Prediction: Deposit growth for any individual institution will depend on staying on top of market intelligence and some well-researched willingness to both "pay up" and advance and retreat with opportunities as they appear.

Technology

"Core" information processing for financial institutions is continuing in a database direction. Client-server is no longer a solution, but a problem. Financial institutions are beating up technology vendors just as much for simplification as for features and functions. All the major vendors are working on this, but there are a few minor vendors (or subsidiaries of major ones) who are offering "old" technology for a song in niche markets. Prediction: This evolution will be slow. The newest technology is always the most costly.

Major technology vendors are also in an acquisition mode. Niche service providers in most areas (e.g., add-on systems for specialized functions like CRM, A/L Management, and Service Front-Ends) are cashing big checks to sell out. Conversely, it is becoming much more common for individual institutions to buy special services from multiple major vendors, not just from their "core" provider. Prediction: This "scramble" will continue unabated. The good news is that the major vendors have more money for research and development, and smaller "niche" providers have a light at the end of the tunnel for the entrepreneurs who ply the field. Mature services will get cheaper, particularly for banks who understand their business needs and how to shop.

Regulation

There are no major regulations currently undergoing any down-sizing or preparing to go away. Further, it is likely that there are a bunch of new folks headed for Washington D.C. soon who aren't trained in either economics or business reality. If Laugh-In were still on TV, General Bull Right would be telling you to, "Pull up your bobby sox, sharpen your pencils, and prepare to take notes." Prediction: It would be a good idea to look at next year's budget and add a dab of dollars here and there for the cost of Washington telling you what to do, how to do it, and the required reports of what you did.

What Customers Want

Be aware of the technology angle, but don't worship it. The next looming consumer focus is likely to be mobile banking (really a derivative of Internet banking on a cell phone or PDA). On the commercial side, the market appears to be waking up to the benefits of remote deposit and smaller companies are becoming more sophisticated in cash management basics than they used to be. Surveys and articles abound. On Saturday Night Live, Roseanne Rosanadana (the late Gilda Radner) used to say, "There's always something . . ." That's right. Tomorrow it will be something else. Prediction: Fads and their focus will continue, but every customer will always want good service. In the long run it is just as important to spend on service quality as on quantity.

The Best Thing To Do Right Now

Invest in intelligence. For the most part, the simple things are quickly becoming complex and the complex things have become absolutely frightening. Prediction: "Winners" (whether in financial services competition, technology, or just about any other endeavor) will be the folks who make decisions based on the best understanding of the facts and facets and who don't get in too big a hurry.



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