

COMMUNITY BANK PONDERINGS – WHO ARE WE AND WHY ARE WE HERE?

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Community banking is, by varying accounts, either vibrant or on the way out. It depends on the bank you ask. Our view is that community banks are here, are providing service as they have for many generations, and that it will take some major paradigm shift to eliminate community banking.

That said, the community bank is like any other business. It must change as consumer preference changes. That is true of the grocer, the coffee shop or the automobile dealership. Preferences change in part because of us, but also in spite of us.

What is different about us as community bankers? Really, not much. We variously chafe at and benefit from the regulatory climate around banking. We are assured a seat at the consumers' table, but often pay a dear price to obtain that seat in terms of burdensome regulation, compliance and competitive technology that consumers demand.

This is not to cry foul, rather to inspire change in our community banks. There is fewer than half the number of community banks than a decade ago. That is true of all banks, so we should not be unduly alarmed. At the same time, we should be concerned about the cost of doing business. We do not have the large budgets to buy technology and products like the largest in our industry AND our non-bank competitors. Similarly, our smaller size makes the costs of regulation and compliance disproportionately more challenging than those of the larger banks.

Rather than focus on the disadvantages, we must instead focus on what we have to our advantage. As we travel to community banks around the country, we have seen some major transformations that have positioned local community banks to be stronger than any major bank in the country.

Starting with the people, the atmosphere, the convenient locations, and most of all, the personal attention, these banks have learned how to replace free checking with fee based accounts, how to market their products and most of all how to relationship sell. They have also negotiated new technology contracts to include all the services and features needed to compete in today's market.

Personal service is cliché. Customers want and truly care about self-service. By blending technology (self-service) with personal service the results are very impressive. The strategy of "we have always done it that way" and a "poor culture" is the path to the end. We believe you can summarize the new path to a profitable future as what we call the "five vowels of community banking":

A – Attitude
E – Efficiency
I- Intuition
O- Opportunity
U – Usefulness

We would all do well to educate our bankers about these words, and take steps to insure that we do everything we can to implement these key advantages over the large banks and non-banks against whom we compete. Here's to the future of the community bank!

Aligned Resources Group LLC is a bank-consulting group with over 60 years of banking experience. We can be reached at info@alignedresourcesgroup.net or by calling 573.321.3922. Our principal business is located in Jefferson City, Missouri.