

Banking Law Institute 2013

Banks in the Public Eye: *Why People Don't Love Banks Like They Used To*

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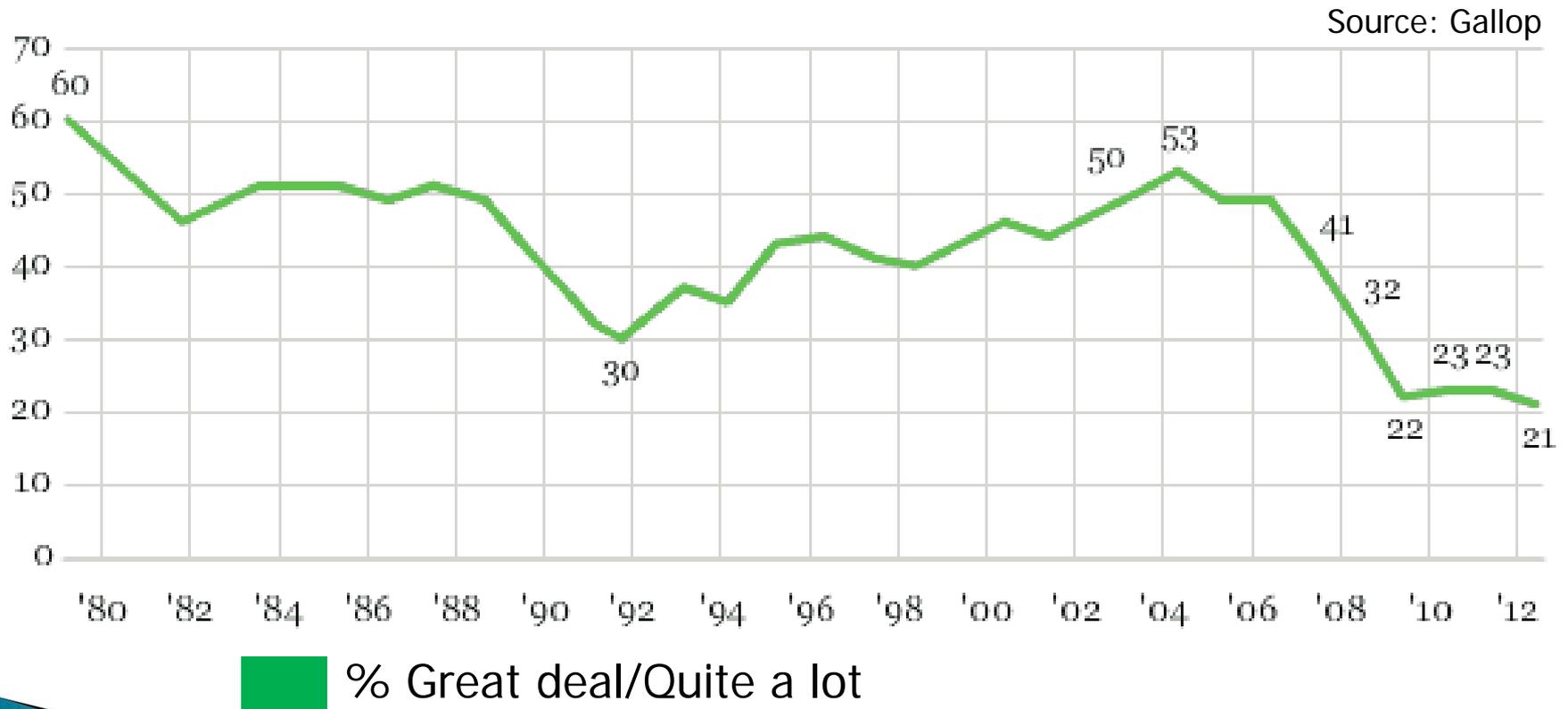
Safe Harbor Statement

- ▶ Much of what I say today could totally tick you off. This is particularly true for statements pertaining to religion, politics, and other highly inflammatory subjects.
- ▶ I take no responsibility if you walk away from this presentation thinking that I'm lecturing, hectoring, criticizing, berating or making fun. (This is not my intention. Seriously.)
- ▶ It's entirely possible I have no idea what I'm talking about.
- ▶ Virtually all predictions made in this presentation will probably not come true. My favorite phrase: "For the foreseeable future."
- ▶ None of what is about to happen is Joe Green's fault.

Is the thesis correct?

Confidence in Banks, 1979 – 2012 Trend

Please tell me how much confidence you, yourself, have in banks:
a great deal, quite a lot, some or very little?



Support for Major Legislative Achievements of the 11th Congress

Now, thinking back on some of the major pieces of legislation Congress has passed in the last two years, would you say you approve or disapprove of _____?

	Approve	Disapprove	No Opinion
Increased government regulation of banks and major financial institutions	61%	37%	3%
The economic stimulus package	43%	52%	5%
The healthcare overhaul	43%	56%	2%
Government aid to banks and financial institutions in danger of failing	37%	56%	2%
<i>USA Today/Gallup, August 27-30, 2010</i>			

Watch What We Do, AND What We Say

- ▶ The message is the message
- ▶ The message is everywhere, all the time
- ▶ The message from banks—negative, negative, negative!

**The central question:
Is this an existential problem?**

The Message is the Message

- ▶ Marshall McLuhan was wrong
- ▶ People are smart; they're paying attention
- ▶ They know "phony" when they see it
- ▶ They respond to a message that's clear and sincere

THE
MEDIUM IS
THE
MESSAGE.

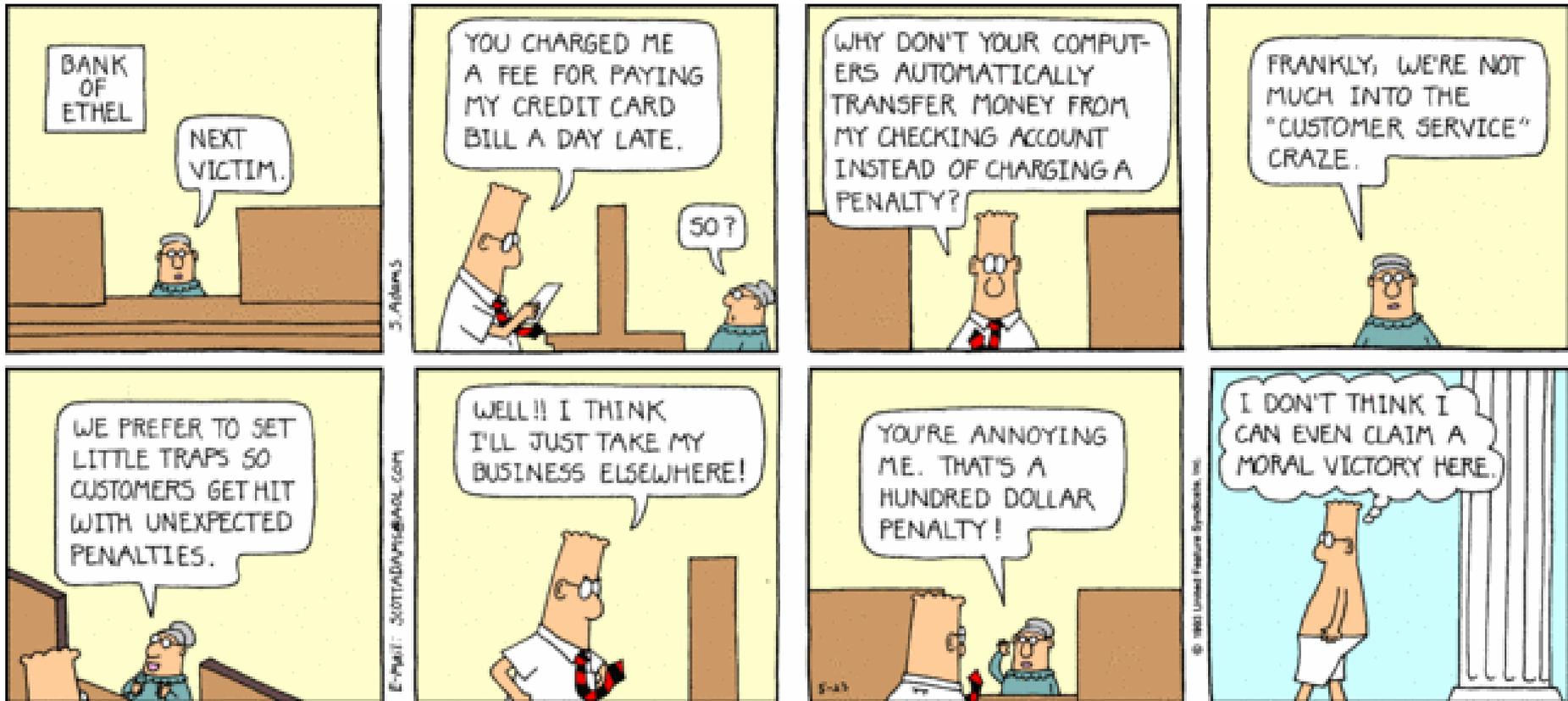
This is to
say that
the
personal
and
social
consequences
of any
medium
that is of
any
extension
of
ourselves

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The Message from Banks



The Message is *EVERYWHERE!*

- ▶ **634 million** – Number of websites (December 2012)
- ▶ **87.8 million** – Tumblr blogs. Throw in WordPress and others: The number reportedly doubles
- ▶ **1 billion** – Monthly active users on Facebook.
- ▶ **200 million** – Monthly active users on Twitter, passed in December 2012
- ▶ **175 million** – Average number of tweets sent every day in 2012
- ▶ **150,648,303** – Unique visitors to Google Sites, number one video property.
- ▶ **24-** the hourly news cycle



The Public Ear: Tuned Into Abuse

- ▶ 1982: Mexican Debt Crisis
- ▶ 1989: The S&L Crisis/Keating 5
(this is when you hit the public's radar)
- ▶ 1998: Long Term Capital Management
- ▶ 2008: The Big Kahuna: The Housing Crisis and
the Great Recession



Banks In The Public Eye

- ▶ Consistently negative
- ▶ Generally hostile toward ALL its constituencies
- ▶ Almost always self-serving
- ▶ Tactical and short-term oriented
- ▶ Fraught with agency conflicts
- ▶ Tone deaf to societal sentiment
- ▶ Stuck in a mostly antiquated business model



Some modest proposals

- ▶ **Don't insult your customers**

- "\$80 million in fees!"
- "We put the sugar out front!"

- ▶ **Respect your customers**

- "If we want people to like us, we have to like them first."

- ▶ **Think Local**

- You can't combat Jamie Dimon

- ▶ **Respect technology**

- Scott Prouty's are everywhere
- Obama in Minnesota: 1.55M; Romney: 1.32M

- ▶ **Consider your business model**

- Hyman Minsky was right



Why I'm Hopeful

- ▶ The forces of change are much more powerful
- ▶ Banks, like other enterprises, are profit-seeking enterprises
- ▶ Economies recover/we're seeing that now
- ▶ Innovation will out
 - Microloans?
 - Higher capital levels?
 - A new iteration of relationship banking?





Questions?

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