



Bauerle's Bank Notes

Half-Life

June 3, 2014

Making plans to attend my 35th law school reunion in New York this coming weekend led me to consider the course of my career so far and changes in banking law and business practices. During the fall semester of my second year, Congress enacted the current bankruptcy code based on input from experts including the professor who taught us the subject. During the spring semester, Congress enacted and we studied the Electronic Fund Transfer Act in our course on commercial paper. As I began my law practice, Congress passed the Garn-St. Germain Depository Institutions Act, deregulating thrift institutions' business and launching the trend that reshaped the financial services industry.

The evolution of banking over the intervening years came into focus in a different way recently when I visited one of PNC Bank's branches of the future, a 2,500 square foot sliver of retail space sandwiched into a strip of retail stores like a book on a crowded bookshelf. Long and narrow, perhaps 25 by 120 feet, the branch is like an old shotgun house. Two ATMs occupy the vestibule, which is partitioned by heavy glass from the rest of the operation so as to enable customer transactions even when the rest of the branch is closed. Beyond the glass partition reside both sit-down and stand-up computer terminals for performing banking activities as well as a casual seating area covering approximately 75 square feet. Further to the rear are three glass-enclosed work stations where customers and bank employees can tackle more personal tasks with some degree of privacy.

Notably, the branch has no coin or currency on hand, an unimaginable state of affairs in an earlier era. Staff on a midweek morning consisted of a greeter/banker and another employee working with a customer in one of the glass-enclosed work stations. The color palette is PNC corporate blue and orange, with orange predominating almost to the point of being used exclusively. This choice of a warm color reflects careful adherence to consumer marketing precepts and a departure from the industry's traditional colors of green, blue and black, all cool and austere like the industry's self-image a generation ago.

A five by twelve foot photo of Pittsburgh's central business district, shot from a location

across the Allegheny River, covers the wall to the left as customers enter the facility. Words printed in ninety point type overlay the photo and proclaim the bank's commitment to the city. Photoshopped out of the image is the 54 story skyscraper of the former Mellon Bank. This is a 2014 variation on a printed corporate annual report that Union National Bank published in the 1980's. The report began with a two-page photo spread showing downtown Pittsburgh, then undergoing a building boom. Close examination revealed the photo had been shot from a vantage point across the Monongahela River that made Mellon's and PNC's headquarters invisible. *Plus ça change. . . .*

The new PNC branch design encourages customers to do their business without using bank employees' assistance, while making employees available if they are needed. When I asked the helpful greeter/banker what the orange seating area was used for, she explained she helps customers learn skills like running a personal check book. I asked about customer preferences by demographic segment. She replied that people in their late 30's and beyond still prefer contact with a bank employee either because we all prefer that as we get older or because they are simply accustomed to it.

One wonders whether the narrow footprint of the branch works as well in a suburban setting as in a more pedestrian-oriented urban location like the one I visited. Too, PNC's monopoly position in the Pittsburgh market makes it less necessary to call attention to its presence by having a larger physical location. In all events, the branch implements the "universal bank" model that PNC says is its future in consumer banking. The centerpiece of that model is fewer, better educated and better trained employees who handle a wider variety of customer requirements and build stronger bonds with those customers.

How, whether and when banks achieve success with that service model is the question before the house. PNC's approach reflects a sensible middle path between traditional financial institution branches and the trendy Occasio concept that Washington Mutual patented and trademarked on the way to becoming the largest bank failure since 1933. After WaMu reportedly spent \$1 billion building out the concept in Seattle, Chicago, Atlanta and other markets during the early part of the last decade, JP Morgan Chase bought WaMu at government auction and axed Occasio. More recently, JP put on hold its own, more traditional branching strategy, perhaps because the approach, including its cool blue, black and white colors for the Chase retail brand, is losing effectiveness.

For regional banks that lack PNC's or JP's resources, we offer our Branch Makeover Service. It is a practical, affordable and effective alternative that equips clients to compete in an environment where the competition is not only PNC and Chase, but every Internet financial service provider, from eBay's Pay Pal and Bill Me Later services to GMAC aka Ally Bank, owned and subsidized by all of us taxpayers.

Thirty-five years is half a lifetime or, ideally, half of the adult portion of it, a half-life as it were. In that time, electronic financial services have grown from a novelty whose existence Congress sanctioned for the first time in 1978 to the daily experience of most citizens. We stand ready to help our clients meet the changing needs and tastes of their customers as banking and other financial services continue to be transformed.

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