

## **Coronavirus: Nobody Knows Anything** By Charles Wendel

“Nobody knows anything” quotes a comment by William Goldman, a writer best known for his screenplays, including *Butch Cassidy*, *A Princess Bride*, and *All the President’s Men*. He was writing about the motion picture business. The entire comment follows: “Nobody knows anything. Not one person in the entire motion picture field knows for a certainty what's going to work. Every time out it's a guess and, if you're lucky, an educated one.” Replace coronavirus for motion picture: “Not one person in the entire coronavirus field knows for a certainty what's going to work. Every time out it's a guess and, if you're lucky, an educated one.”

As I write this, all the stock averages are up over 2 percent. Several news reports say the worse is over while others predict another more severe downturn is coming. Again depending upon the press report, the state in which I live, Florida, is headed by a governor who has managed the crisis with great discipline or a fool who has been lucky so far with the worse yet to come.

More people, either with the permission of their governments or because they finally remembered they are Americans, have begun the process of returning to normal life. Lots of people walking the streets and an increasing number of pleasure boats. We were even invited to someone’s home for dinner!!!!

I can write with certainty that banks, credit unions, and Fintechs are operating in an economic environment that is definitely improving, will crater more, or is barely moving one way or the other. The prior sentence has to be one of the most accurate ones I have ever written. Nobody knows anything, or to put the spin of the Brooklyn borough of my birth on it, “Nobody knows nothing.”

Certainly that’s true about our economic future, but the crisis provides some clear takeaways and next steps for the industry.

*Banks can get things done quickly when they want to.* The PPP program demonstrates that banks can break down silos, make quick decisions, lever Fintech partners, and provide customer value rapidly. Who knew? Why does a disaster need to occur to make this happen? Banks acted in parallel rather than serially. The speed and the ability to pivot they demonstrated will be a competitive advantage if they keep it up.

*Community and regional banks have been the good guys this time, big banks, not so much.* The value these banks showed to their community can be exploited to win share. Once again many big banks have shown that are not a friend to small business.

*Customer expectations have changed.* They've become more self-sufficient. Most customers will want to get in and out of a branch as quickly as possible; no coffee shop please. Appointment banking is here to stay, and that's a good thing for banks that can show customers insights and solutions to meet their needs.

*Office life will change.* An executive at Heathrow in London said that to provide the suggested social distancing for a typical international flight the required line would stretch one half mile *for one plane*. That's not going to happen. Similarly, banks will retro fit their space the best they can to raise physical barriers between employees, remove some desks, and limit congregation in the common room (created to encourage congregation). They are not going to take on more space in the face of earnings uncertainty and a workforce that has proven they can work at home much if not all of the time. Banks will try split shifts, fewer days in the office, and various other solutions. Being able to manage remote employees will be key.

*Ultimately (not now) fewer employees due to digitalization.* I read this morning that a community bank had just announced a layoff. If you need to lay off employees right now that indicates you are in big trouble and willing to harm employees at the worse possible time for them while communicating a message of desperation to your customers. But, by 2021 more economic stability may return, and it will become clear that fewer employees are necessary in large part due to the increased digitalization that streamlines internal processes and simplifies origination. Earnings pressures will demand this. Digitalizing account opening, credit card activities, merchant processing, and many other areas are no longer an option or something that can be put off. Without increased digitalization, expenses will kill your bottom line. In FIC's experience 99% of FIs are not where they need to be with digital.

*Back to the future.* Understandably, most FIs are focusing on the near term: PPP (both getting more loans out and the forgiveness process), risk issues, cost issues, and staffing concerns (when and where do employees return). The virus takeaways outline above, among others, present some clear implications for FIs.

We have begun working on some of these issues with clients (thank you Zoom and Microsoft Teams), but, despite the uncertainty and in fact *because* of it, all FIs need to begin an approach to address these and similar issues that will define their future success.