Why Bankers Should Care that the Circus Has Left Town

by Charles Wendel

In a shabby stadium in Long Island, this week began with the last performance of the Ringling Brothers and Barnum and Bailey's Circus. The Circus has performed for over 145 years but longevity provided no protection for the multiple factors that resulted in the end of a great tradition.

Kenneth Feld, the owner, cited changing views of entertainment in a culture where 20 seconds is a long time frame and each family member watches their own movies on a smart phone or tablet. Others might say the circus' caving into political correctness (no elephants and fewer animals), increasing prices, and mediocre product (e.g., imitation Cirque de Soleil, lots of ice skating, and a dumb story line) also had a lot to do with it.

In any case, a great American tradition has passed, one that meant a great deal to many families, including my own. I even remember working at a Cleveland bank about 15 years ago and being outside the bank's headquarters when many of the circus animals took a walk through the downtown. That bank is gone now as well.

While avoiding cheap and obvious jokes, banks and circuses certainly have a number of things in common:

- Long history. Historians trace the modern circus to late 18th century England, about 250 years ago.
- Part of the fabric of life. Sarasota houses an amazing museum for circus lovers. It presents a painstakingly created reproduction of a circus coming to town circa 1920. Basically, back then the circus became the center point of life for a town without TV, social media, etc. It resembled an invading army in its size and power and took over a town.
- Unique. Ringling Brothers searched the world for unusual acts and even the bizarre.
- Many ways to attract customers and make money. When I was a boy the circuses featured pre-performance sideshows with people who were commonly described as freaks: bearded lady, the tallest man, fattest person, etc. Further, animal acts were the stars of the show with elephants doing tricks that belied their wildness and size. Further, PT Barnum was well known for pushing the envelope, presenting multiple hoaxes such as George Washington's nursemaid and a mermaid, among others.

But, each of these and similar characteristics no longer allow for the circus's success. Long history is irrelevant in a world in which fewer people care about traditions; circuses are now just one of hundreds of entertainment options, many of which can be customized to an individual's wishes; the uniqueness of the circus product has long been undercut by ready access to so much choice; and, the circus buckled under to political correctness and protests to eliminate some of the acts that made it extraordinary and distinguished it from all other forms of entertainment.

As for banks…

A long history for banks is at least as much a negative as a positive. How many banks still proclaim their time in business perhaps thinking that their long past means they have a future?? Time in business is largely irrelevant to many customers and may even be a negative to some groups such as millennials. It can also be an encumbrance if bankers fall back on "this is how we do it here" or "we tried it before and it did not work" rather than being open to new approaches.

Banks are no longer needed as they once were. There is no need here to list the Fintechs and brand names that now offer services similar to or better than what banks provide. Of course there are payments and other functions that still need to go through a banking utility, but these preserves are subject to being whittled away by nonbank providers.

Uniqueness. Regulators and compliance requirements contribute to homogenizing banks, with many seemingly paranoid about tripping over any wires that results in the unwanted phone call from Senator Warren's office. Too many bankers themselves say "We all sell the same thing," suggesting a defeatist mindset.

Fewer ways to attract customers and make money. Related to the above, probably without intending to do so, regulators have limited growth opportunities for banks. Higher capital requirements for certain loans, caps on fees, raising the costs of doing business in general have all made bankers skittish and in some cases less innovative. Even areas like payday-like loans where a bank could provide a needed service to an underserved group forced to rely on sometimes disreputable lenders has been eliminated as a product area. Bad for banks and bad for customers.

None of this means that banks will go the way of Ringling Brothers, existing only in memoirs and in museums. (In fact there are still about 50 circuses operating in the U.S.) It does mean that banks need to proactively consider how they can differentiate themselves from others and create a sustainable position in their community or region. More banks, even those of a relatively small asset size, are segmenting their focus and leveraging the capabilities that Fintechs provide.

Today, no one needs a circus or a bank. Ringling Brothers failed at proving its continued value to its long time fans. Banks can avoid a similar fate.