

---

## AIMING FOR CUSTOMER VALUE

by [Steve Brown](#)

---

### VALUE:

Many banks speak glowingly about their "customer value proposition." Yet, defining this term among banks is very difficult to do since there is really no agreement as to what exactly it means. Customers can even become jaded over time, since many companies will make claims of savings or added benefit that may not ever be delivered. To truly deliver any customer a value proposition ("VP") one must know what the customer perceives as valuable and differentiate against other offerings. Banks that do not do this usually end up gravitating toward competing on price, which squeezes profitability, trains staff to incorporate bad behaviors and retrain customers to demand higher yields on deposits or a lower rate on a proposed loan. The problem with most banks when considering their VP is that many also view this as nothing more than marketing spin. The reality is that when constructed properly, the VP can be used quite effectively. The first thing to understand, however, is that the VP is not simply a big list of customer benefits. While that can be a good starting place, it neglects the customer side of the coin. In so doing, banks run the risk of presenting benefits to target customers that these customers may not want or need. By doing this, the bank actually reduces the sale opportunity, as the information presented is then often ignored. The other problem with this approach is that a simple list of benefits makes it difficult for target customers to differentiate between potential providers. To truly be effective, banks must first identify within the VP those components that are the same and those that are different from competitors. Assuming a customer will be able to make the jump on their own, simply by listing the benefits, is not very effective. There is an advertisement on television that helps to drive this home. In it, a bunch of bankers are scrambling to get a person's home loan. One at a time they each come into the house, sit down and give their pitch to the homeowner. Consider the homeowner's dilemma if each pitch made from this long line of bankers is essentially the same. The only way for that person to make a decision at that point is on price. This is the worst possible place for any bank to be, so we will now discuss ways to improve the pitch. Studies show banks will have the greatest success in attracting new customers if they can create a VP that is simple AND differentiates them from competitors based on a few key elements that matter most to the target customer. An effective VP zeroes in on one or two key points of difference, one or two points of parity, and states specifically how switching to the new bank will improve things for that customer. There may be 50 reasons for a target customer to switch, but success comes by boiling them down to just a few. Focus on customer likes and dislikes, while delivering a VP focused on just a few critical points of difference or similarity (similarity can be used if the competitor's product is considered the best in the market). This is yet another way for independent banks to improve their aim when looking to attract new customers.

### BANK NEWS

#### **Acquisition**

Fiserv said it will buy Jerome Group for an undisclosed amount. Jerome is a digital print provider and direct marketing firm and will expand Fiserv's business to consumer communications offerings.

#### **Competition on the Horizon**

The holding company for First Tennessee (\$37B, TN) has reportedly signed a deal to begin using a branchless deposit service. The service allows the company's clients to drop deposits off at any United Parcel Service ("UPS") store nationwide. UPS then delivers these pending deposits to a processing center, where they ultimately post to customer accounts with the company. The structure allows the company to extend its reach nationwide, build a national deposit collection capability without branches, leverage its mortgage operations and cross-sell its full suite of banking services to new customers.

### **Stock Options**

A new study by 2 finance professors from different universities (using data from the past 10Y) finds about 30% of companies that offered stock options to top executives also manipulated grants. Backdating grants and late filing were the most common.

### **Housing**

Rates on 30Y mortgages climbed to their highest level since mid 2002, reaching a nationwide average of 6.80%.

### **Customer Service Twist**

Dutch banking giant ABN AMRO said it will roll out voice recognition for its telephone banking customers. The service will check a customer's voice against more than 100 biometric characteristics to allow access to balance inquiries, transfers and investment orders.

### **No Way**

FOMC Chairman Bernanke said he endorses keeping the banking and commerce industries separate.

*Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.*