

## FISHING FOR CUSTOMERS

by [Steve Brown](#)

Banks are always trying to capture more customers. Like a fisherman baiting the hook, knowing what kind of bait to use, what not to use and understanding when the fish will be biting are keys to a successful outing. In an effort to assist our independent bank clients, we offer a few marketing tips. 1) Banks should limit the number of product options. Studies show that when people are presented with a large group of options on one hand and a small group on the other, they will gravitate toward the smaller group. In fact, product offering sheets with a maximum of 6 options are 10x more likely to result in a sale than those with 20 or more. In short, the human brains can only process 6 options at one time and is simply not designed to assimilate larger numbers. Banks should review branch product materials to make sure any lists provided to customers cap out with a maximum of 6 choices. 2) Banks should tailor their marketing pitches. Studies show that customers tend to respond more favorably to 1:1 personalized marketing efforts than they do to generic promotions. In fact, the same studies show customers are 50% more likely to respond to marketing from their bank if it is tailored, targeted and personalized. Banks should review the way they collect and utilize data on customers, with a long-term goal of being able to embed specific messages within email notifications, as well as in web site banner ads (based on log in ID) and text messages. 3) Banks need to do a better job educating customers. Studies find close to 50% of customers are unaware of the resources their bank provides. How can anyone expect customers to increase their deposits if they don't even know what options the bank is offering? Given heavy competition in the financial industry, offering education centers, simplifying customer communications, and targeting specific segments of customers are critical for banks trying to differentiate themselves in a crowded marketplace. 4) Banks shouldn't overstate the value of customer loyalty. Studies find that while 85% of customers say they are happy with their bank, only about 67% will use the bank for their next financial product or service. Whether this is driven by a lack of product awareness, or dissatisfaction, banks need to understand what is driving the behavior. Banks can be more effective by asking customers specifically what the bank can do for them, understanding whether clients will refer the bank to a friend, instilling a comprehensive process to track and solicit customer feedback on any loans the bank has turned down and providing a mechanism to track and follow up on negative customer experiences to determine potential corrective measures. 5) Banks should ramp up customer touch points. Studies show that banks that "touch" their clients with marketing collateral 12 to 18x per year are thought of first the majority of the time by these customers when they consider their next financial purchase. In addition, while 75% of business customers will read direct mail from their bank, 20% is thrown away because it is considered "unprofessionally" produced. Given that banks will spend about \$11B this year on marketing, those that know where, when and how to fish should get better results.

# BANK NEWS

## **M&A**

First National Financial Services (\$351mm, MN) will purchase Maple Lake Bancorp. (\$68mm, MN) for an undisclosed sum.

## **Restatement**

National City Bank will restate its 3Q earnings by \$25mm (a 4.5% change) due to a miscalculation related to mortgage servicing and loan loss reserve.

## **Customers**

Banks seeking to help small business clients may look to healthcare. A new study shows that while 98% of companies with 200 or more employees offer health benefits, only 59% do so at firms with less than that amount. Interestingly, the 59% level in 2005 has fallen each of the past 5Y from a high water mark of 68%. As baby boomers age, healthcare becomes more and more important, so banks that find solutions for clients losing employees to retirement should receive higher marks.

## **Employees**

A study of senior human resource managers finds 75% say attracting and retaining talented employees is their biggest priority. Among other findings, the length of time it takes to fill a vacancy has extended from 37 days to 51, more than 33% say they had positioned below-average candidates to fill positions and the majority said the average quality of candidate had fallen 10% in the past 2 years.

## **Small Business**

A new study finds 87% of men starting companies get money from friends or family, compared to only 30% of women. Interestingly, 48% of all businesses in the country are owned by women. Wells Fargo reports they have lent more than \$15B to women-owned businesses nationwide.

## **Scary**

A new survey finds 67% of college students see nothing unethical about downloading copyrighted files without paying for them and more than 50% think it is also acceptable behavior in the workplace.

## **Expensive**

Studies find football season is costly to employers. It is estimated that gambling on fantasy football costs employers over \$1B per week during the season in lost productivity.

## **Lawsuits**

Litigation has become so bad that the average \$1B company must handle 140 lawsuits at any given time.

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