REACHING FOR ELUSIVE CUSTOMERS

by Steve Brown

It can be argued that the most important person in the circus big top is the trapeze artist tasked with catching another trapeze artist. Without perfect execution, outstretched hands may merely grasp air. Catching customers at independent banks requires similarly flawless execution. That is one reason why many banks have been recently upgrading their databases and becoming more diligent in collecting customer email information. Email has developed into a critical tool for not only communicating with customers, but also increasing client satisfaction. On average, studies find customer questions and requests can be answered 15% faster through an email channel than by other methods, improving service levels and customer retention. In terms of marketing, email response far outstrips direct mail, as roughly 50% of emails from financial services firms are opened by the targeted recipient. This compares to less than 1% for direct mail. Meanwhile, it is estimated that personal emails sent from a specific person within an identified bank are opened closer to 80% of the time. Finally, links that pull targeted customers back to the bank's web site are calculated to be about 30% effective. In short, people tend to open emails when they recognize the person or company in the "From" field, particularly if the "Subject Line" interests them. Perhaps the most critical takeaway for bankers however, is that repetition of message and brand is critical. Customers are bombarded with lots of daily pitches, so differentiation and value are extremely important. In addition, studies show people respond to emails when they are beginning to look for a particular product or service. Raising brand awareness, e-newsletters, personal thank you notes, birthday and other holiday electronic cards, attaching interesting articles, and even providing the bank's product and service guide periodically will all expand customer acquisition opportunities. Finally, it is important to keep in mind "what" you are saying as well as "how" you are saying it. Studies show roughly 60% of people will respond faster to contextual targeting (i.e. this is a subject of interest to you), which is more than twice the amount who will respond to demographic (i.e. a group you are in), geographic (i.e. other businesses in your community) or behavioral (i.e. based on past behavior as tracked through the bank's web site) targeting. As we wrap up our discussion this morning and prepare to fly through the air with the greatest of ease, banks can increase their email marketing success by incorporating a few easy concepts. These can include customizing customer messages whenever possible; making it apparent the email is coming from the bank (to encourage the recipient to open it); segmenting email messages into groups; maintaining consistent "From" information; avoiding overly promotional words and phrases (often used by spammers); keeping emails generically short and visually appealing (to increase read rates) and focusing on items of interest to each recipient. Given extreme competition in the marketplace and since email can be delivered at a fraction of the cost of direct mail, it is critical that independent bankers to spend time thoroughly practicing and preparing email marketing programs before swinging into action.

BANK NEWS

ALLL

The FFIEC issued a new interagency policy statement clarifying ALLL methodology. It reiterates key concepts and requirements included in GAAP and existing ALLL supervisory guidance. It further reminds institutions they have a responsibility for developing, maintaining and documenting a comprehensive, systematic and consistently applied process for determining the amounts of ALLL.

Additionally, each institution should ensure controls are in place to consistently determine ALLL in accordance with GAAP, bank policies and procedures, management's best judgment and relevant supervisory guidance. While we will have more analysis later, the takeaway is that better documentation is required.

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The SEC issued proposed guidance that eases the compliance burden at many independent banks. Currently, external auditors are responsible for opining on internal controls over financial reporting and the documentation to support those controls. The new proposal allows management more freedom to set those controls, in accordance with the actual risk and complexity of the institution. Auditors are moved more to the role of testing those controls. This new guidance should significantly reduce regulatory costs at many banks.

Imaging

U.S. Bancorp set a goal that it will be 100% imaged by the end of 2007. Currently the bank images 15% of items.

Employees

A study by Hewitt Associates finds 75% of companies now offer some kind of flexible work arrangement.