

## SMALL BUSINESS CUSTOMER ACQUISITION

by [Steve Brown](#)

Many independent banks consider themselves to be pretty effective when dealing with small business customers. After all, such customers have long been the bastion of independent banking. The problem is that times, product offerings, competitors and even the customers themselves have been changing. In fact, the latest FRB study finds 96% of small businesses still utilize some type of financial services from banks. The study also found that competition has pushed the number of small businesses that use independent banks down to 37% (a 12% drop from 5Y prior). As such, it is important for independent bankers to get inside the head of the small business customer to retain them over the long-term. To help, we looked at some of the better surveys and studies to try and uncover ideas, products and services that independent bankers can utilize to attract and retain more of these clients. To begin, bankers should note that 81% of small business owners say they plan to increase technology spending over the next 3Y. Have you considered bringing in experts and having weekend sessions designed to assist clients in this undertaking? Consider running a special lending promotion that would send companies like the Geek Squad or other technology experts directly into customer offices. These IT specialists can help customers enhance websites, support basic technology, discuss ways to utilize weblogs and offer other online services customers may want to consider to increase sales. Your bank provides the connection, adds value to the customer and helps differentiate among competitors. Small businesses are also struggling with operational issues. About 94% of small business owners say they need more help to reduce costs and improve customer service. Independent banks have a deep history of exceptional customer service and many can also point to strong efficiency ratios. Try taking a page from David Letterman by creating marketing collateral that includes a "Top 10" list of things a small business can do to improve customer service. Freely distribute this collateral in the branch (or as a mailing) and put your logo all over it. Ideas such as promptly answering email, staying in frequent contact with customers, easy web site navigation, customer rewards, thank you notes, etc. can all help your customers get new customers of their own. Who knows, maybe the bank's own staff can even improve by being encouraged to read these materials. Maybe a giveaway is more up your alley. On this front, did you know that on average, small business owners spend about 27% of their time working outside the office? Giving away laptops, Blackberry's or Treo's can be quite popular to this customer set, yet few independent banks we know have tried such promotions. Even more interesting, 36% of small business owners feel laptops will be their highest IT spending priority within the next year. Why not run a program offering discounts or rebates on laptops, or even give away one laptop every week for any business that opens an account and leaves at least \$10k on deposit. Another sector that provides ample opportunity is women-owned businesses. This is one of the fastest-growing sectors around and studies show 75% of women-owned small businesses enjoy teaching others how to succeed. Perhaps a program offering rotating conference room space for 3 or 4 groups per month, a projector, coffee and financial advice (from bank personnel) will increase traffic at the branch. Adding expert speakers on important business topics can also heighten interest. Who knows, given the interest in financial tools, banks may even be able to position education on various loan structures, or other programs designed to assist small businesses (such as remote capture, cash management services, etc.). When properly executed, these and other ideas can all deliver new clients and increase goodwill.

## BANK NEWS

**M&A**

Bank of Kentucky (\$1.3B, KY) will acquire First Bank of Northern Kentucky (\$79mm, KY) for \$22mm or, 1.79x book.

**M&A**

Bradford Bank (\$500mm, MD) has agreed to merge with Senator Bank of Cockeysville (\$19mm, MD) for an agreement in-kind. Since both are mutual institutions, no stock or cash will change hands - just an agreement to consolidate.

**ILC Update**

While the FDIC will meet tomorrow to decide whether to extend the moratorium on ILC applications for deposit insurance, HR 698 was introduced on the Floor. The Bill limits commercial firms that derive more than 15% of income from other sources from owning an ILC.

**Banking**

A recent study by the ABA and a research company finds 32% of people still prefer to bank at a local branch, while 26% prefer online banking or ATMs. Meanwhile, the total number of ATM transactions dropped 4% since 2005 (to 10.1B), as debit card and online banking has surged. There are currently 395k ATMs in the country, slightly less than 2005 and nearly 67% are not located at a bank branch.

**Indicted**

A former VP of Lending for BofA, Bob Conner, was indicted along with 16 co-conspirators on multiple counts of loan fraud. The former banker allegedly enticed associates to apply for small business loans, falsified information, approved the loan and then issued a cash advance via credit card. For each loan, the VP would ask for a \$2,500 to \$5,000 kickback. In total, more than \$1.2mm was falsely advanced. Included in other indictments were doctors, lawyers, a police officer and even a State Representative.

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