

Banker's Chalkboard

by [Steve Brown](#)

The good thing about a chalkboard is that it is simple to use and easy to erase mistakes. If only independent bankers had way to test products and services in a format as effortless as a chalkboard. Oftentimes we collect facts that are too small to be creatively built into a full article, but are nonetheless interesting. To jot a few of them down, we asked a couple of our best students to come to the front of the class and write them down. We will call our students "Pat" and "Dave" to protect their identities. The first thing to write down on the chalkboard is that independent bankers are way too easy on their business clients. Perhaps desperate for business and driven by unforeseen competition, studies show bankers usually cave in to customers much too easily. In fact, studies show 87% of small businesses said they received the last loan they requested at their asking price. Meanwhile, despite the hype around how well we service our clients as an industry, only 24% of business customers said they were satisfied with their primary banking relationship. Imagine ordering 4 hamburgers at a fast food restaurant, walking out the front door and immediately chucking 3 of them into the garbage because they "just didn't taste right." Would you let the restaurant know, would you delay returning again, what would you tell friends and acquaintances about your experience? Customers are also lazy, which means we have to market more to get their attention. Studies show about 30% of small business customers do business with a bank less than 5 minutes from their place of work, while another 36% stay inside 10 minutes. Whether it is because people don't like to drive around much on their lunch hour, the plethora of branches scattered around the country, or because they like the blue sign and cookies, customers pretty much won't leave their workplace neighborhood to find a bank. To capture more customers, bankers should be in close proximity to business customers and ensure any customer visit to a branch is an enjoyable one. On another front even closer to home, banks are trying many different things to keep employees. Maybe that is because nearly 97% say finding and hiring quality employees is difficult. Employee bonus programs are now offered by about 80% of banks and the average bonus paid to senior managers is running at about 18% of pay. In addition, surveys show banks have budgeted salary increases of roughly 5% for 2007. On the healthcare front meanwhile, while nearly all banks offer their employees health insurance, only 21% offer dental and 32% provide vision coverage. While costs keep rising, this is one area bankers should think twice about before skimping. Consider that studies find healthcare now ranks as the most important benefit, outscoring compensation by a margin of two to one. In addition, 67% of people say healthcare coverage is a primary factor in choosing to stay with, or select an employer. We hope some of these lessons help bankers as they clap together their erasers and shake out the chalk dust.

BANK NEWS

Deposit Competition

Merrill Lynch is reporting it grew deposits in its banking operation by targeting clients of other financial companies. Since 2003, the company has grown its bank deposits by 30% to \$84B as of the end of 2006.

Citigroup

According to the American Banker, Citi will stop its practice of automatically raising credit card rates on late paying customers until the expiration of their 2Y contract. While this is a move away from risk-based pricing, it is said to be more in-line with regulatory disclosure concerns.

Competition

In order to beef up interest in its student loan program, U.S. Bank allows users to search for scholarship information on its website.

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