

ACQUIRING MORE SMALL BUSINESS CUSTOMERS

by [Steve Brown](#)

Here is a tidbit you can work into the next strategic offsite – loser buys lunch. Did you know that about 76% of Americans do not know their credit score within 200 points? While that may seem amazing to bankers who make their money off such scores, there is a parallel that can be drawn with the small business customer. For instance, how many bankers can name the top banking needs cited by small businesses? It may be shocking to know that many such customers will say the most important thing a bank can do is to have a convenient branch location. Long live the branch. Still others say they want their bank to listen to their need and ask questions before trying to sell them something. Matching customer needs with product or service offerings not only speeds the sale, but leads to a happier business customer. Customers also want banks to ramp up the service quality. While bankers try to differentiate based on service, the quality of such service is really the key driver. Bank employees that spend the time to get to know their customer's business, understand their needs and help them decide on what is best for their business receive much higher satisfaction scores. To attract and retain small business clients, it is important for banks to make sure the same employees that build the customer bond service the same customers over and over. Small business owners want to get back to their business, so stability in banking personnel increases satisfaction scores. In short, reducing customer "up-time" to serve needs deepens the overall relationship. In addition to face to face service, online banking is also becoming a larger component of customer satisfaction. As more functions are handled electronically, business customers seek many of the same things online as they do offline. Keeping online functionality simple, business-focused and relevant is critical to bankers seeking to attract new clients in this sector. These customers are primarily focused on running their business, so they also appreciate extended hours and technological advancements that save them time. In fact, 80% of small businesses say they would use a technology-based electronic platform, ACH, or remote deposit capture if it were easily available from their bank. Contrary to popular belief, these customers are internet savvy and willing to leverage technology to support their needs. Another consideration for banks seeking business customers is to provide an environment that gets employees excited about helping these customers grow their business. Offering assistance in loan and deposit products is important, but incorporating general financial assistance increases goodwill and serves to attract even more customers. Finally, these customers say they want their banks to check in on them periodically (to make sure needs are addressed), ensure their business has the flexibility to grow (by providing customized solutions), keep an eye out for services they might need (by telling them when the bank is having a "sale" and how the product or service can benefit them), and being specific when discussing products and services (by disclosing the rate and terms on loan offerings, as well as any interest they will earn on deposits). While independent banks may already be doing many of these things, we hope this friendly little reminder helps. Top performing banks have a small business customer approach designed more like a retail store, continually focus on keeping customer processes and bank interactions simple, and constantly reinvent products to meet needs. Banks that do this, while providing unparalleled customer service, stand a good chance of attracting and retaining small business customers.

BANK NEWS

Optimistic

A quarterly survey of small and mid-size company CEOs finds most remain optimistic about economic prospects this year, despite uncertainties tied to weak housing, higher consumer debt and choppy oil prices. One third of those surveyed said they had been forced to pay higher compensation, bonuses or increasing benefits to attract and retain qualified employees.

Subprime

There is an estimated \$1.3T in subprime mortgages currently outstanding. Large players include Fremont General, New Century, Countrywide, HSBC and Ameriquest Mortgage. An estimated \$265B in adjustable rate subprime mortgages is scheduled to reset this year. The delinquency rate on subprime mortgages is reportedly at 20%.

Bank Robbery

The FBI indicates bank robbers are apprehended in 58% of cases. CA has the most bank robberies in the country, more than 2x that of FL (#2) and more than all of the states in the Northeast. The FBI also indicates that about 75% of robbers do so to get money for drugs.

Electronic Robbery

Studies show check fraud costs banks about 170x more than bank robbery each year, running into the tens of billions of dollars. Phishing, a component of check fraud, reportedly tops \$1B per year. Of particular concern, 90% of phishing attacks in December were against financial services companies.

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