

MORE WAYS TO BOOST CUSTOMER LOYALTY

by [Steve Brown](#)

Yesterday's section was devoted to dogs and customer loyalty. We had so much fun researching the concept and there was so much more to add, that we devote another day of commentary to the subject. After all, banks that can figure out how to expand business opportunities by building loyalty among existing clients stand a good chance of boosting profitability and enhancing long-term shareholder value. To begin, banks have been spending heavily in recent years on initiatives designed to increase customer satisfaction. Many have not lived up to their expectations and have left bankers scratching their heads. Any effective customer loyalty program must begin with bank employees with the most customer contact. That means loan officers, customer service, account officers and tellers. This should compose about 85% of your customer contact points. Added to that, studies show that only 19% of business customers feel their bank provides a compelling value proposition of differentiated customer service or offerings and one can quickly see how difficult this problem can be. Even worse, a full 24% of customers have even stopped going into the branch, preferring instead to use ATMs and online banking. Given these issues, how can a bank differentiate itself among a sea of formidable competitors? One successful approach bankers can employ immediately is to start listening to clients. Banks that have tried more active listening approaches report that a mere 5% increase in employee to customer discussion increased customer loyalty by 3% and boosted shareholder value by the same amount. Not bad when one considers bankers should be doing that as a normal course of business anyway. Banks have another significant issue to overcome in this battle for customer loyalty that isn't so easy as starting a conversation. Consider that 67% of customer facing employees in the banking industry are either younger than 30 years old, or planning on retiring within 5 years. The data shows that customers in the most highly desired age class between 35 to 55 years old really have no one to talk to of their same age within the typical bank branch. One possible solution to this issue is for bankers to develop a signaling system when customers that have been segmented within this group are identified and walk into the branch. This will allow the bank to "scramble" other executives to the area that may share more common interests with such critically important customers. Finally, bankers seeking to increase customer loyalty will need to do some introspection. Things employees rank at the top of their list include interesting work, learning how to do other jobs and working through new challenges. Banks have only themselves to blame if they offer customer facing employees mundane activities, limited advancement opportunity and a lack of educational growth. Teams are a great and inexpensive way to bring all customer facing employees together. Studies find that 67% of people would rather work with a colleague on a given task, while only 2% said they would rather learn how to do something from a book or manual. Increasing customer loyalty is a long and arduous task, but independent bankers are up to the challenge. Form some teams, teach employees what to do, smile and spend some time asking customers how your bank can help. You will be glad you did and loyalty will surely improve.

BANK NEWS

M&A

In a move to boost multifamily production, PNC Financial Services (PA) will buy ARCS Commercial Mortgage Co. (CA) for an undisclosed sum.

Competitive Warning

Seeking to expand opportunities, large banks are aggressively ramping up services that connect directly into small business accounting systems and provide automated ordering for goods and services, detailed transaction data (from credit cards), offer accounts payable outsourcing (matching invoices to purchase orders to flag errors) and offer such customers (that do business with them) the same discounted rates these large companies have negotiated on their own behalf with suppliers.

Regulatory

The Treasury has joined the fray and is aggressively pushing banking regulators to adopt the final version of Basel II by next month. Implementation is still scheduled for January of 2008 in the U.S., however European banks adopted the final version in 2004 and have already begun implementing it.

Expanding

Wilmington Trust Corp. (\$11.5B, DE), which recently announced it will acquire another regional wealth management business said it is also exploring deals in CA, IL and the Pacific Northwest. Wilmington manages \$46B of assets.

Flat Curve

The National Association of Mortgage Brokers said fixed rate mortgage origination reached 54% of new loans in January, up from about 48% during the same period last year.

Competition

The CEO of JPMorgan said the company is eager to expand its presence in the U.S. and was ready to acquire a domestic regional bank. Analysts speculated that major regional bank targets that might fit include BB&T, Comerica or SunTrust.

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