

## RESTAURANTS AND BANKING CUSTOMERS

by [Steve Brown](#)

What is the deal with toothpicks in sandwiches? We know that restaurants stick them in to hold the sandwich together and make it look fancy, but more often than not, toothpicks serve no purpose whatsoever. In fact, cooks in a rush will often push them so far into the sandwich that the eater does not even know they are in there until they feel a sharp pinprick in the side of their mouth. Can't we just do away with toothpicks in sandwiches altogether to improve the eating experience? Toothpicks in sandwiches aside, bankers could learn a variety of lessons about customer service and profitability from restaurants that can be applied to financial services. For example, waiters in restaurants make most of their money on tips. The ubiquitous tip is a great indicator of customer satisfaction. To garner the largest tip, waiters must ensure they read the customer correctly. Some customers want a high-touch approach with constant attention, while others prefer cool efficiency in the least obtrusive way possible. Then there is a group of customers that no matter the service level will simply not leave much or any tip at all. A waiter's worst nightmare is the customer that demands a high-touch approach, asks for lots of customization and things on the side, but has no intention of ever leaving a tip. To optimize their income, waiters must deliver the minimum required attention for each customer type, while maximizing productivity. Too many banks forget customers are dynamic, some are good and some are not so good. For example, just because a customer comes into the branch every day, is nice, happy and reasonable does not mean they should be considered a good customer. Usually, the opposite is true. However nice and recognizable this customer is, the account may not have sufficient balances or they may never have taken out a loan at the bank to warrant the resources tied up each time they wander into the branch. This customer is not only reducing bank performance, but they also are using up precious resources that could be better spent on others. In the worst case, as any waiter will tell you, some customers are impossible to make happy, yet demand royal treatment. These are the first customers to complain, the first to take advantage of a CD promotion and the first demanding legitimate fees charged be waived. As banks that have instituted a customer profitability model know, on average, low-value accounts use the branch 3x more often than high value accounts and demand 1.6x more attention than higher-value accounts. ALCO members hear all the time how a "good customer" needs concessionary loan pricing, but has anyone made sure this is really true? In many cases, this "good customer" has been tagged as such mostly because they are friendly to staff. This is the downside to running promotions, as they tend to attract the least profitable customers. Like that small table in the back of the restaurant demanding constant attention, bankers with a keen eye on the bottom line know that 65% of unprofitable customers will remain unprofitable. For those customers, bankers may want consider letting them know about the fancy toothpicks being used by competitors down the street.

### BANK NEWS

#### **M&A**

Centrue Financial Corp. (\$1B, IL) acquired a charter from Hawthorn Bancshares Inc. on Friday, setting the stage for its expansion into Missouri.

#### **Softer Economy**

UCLA economists (the first to predict the 2001 recession), are projecting that falling home values and rising gas prices will crimp consumer spending and keep the economy in a funk until mid-2009. While

a full blown recession is not expected, a projected slump certainly is.

### **Eager Texas Investors**

While the economy slumps in the Southeast, there is readily available capital in small Texas cities. Already 11 banks have opened this year as the presence of start-up resources has created a domino effect of new financial institutions.

### **Mobile Banking**

Studies indicate people like the flexibility of mobile banking. In fact, about 25% of people who have used mobile banking say it has become their preferred banking channel and that people are comfortable paying bills through their phone.

### **Subprime Fallout**

Bear Stearns Cos. said Tuesday it does not plan to bail out its troubled High-Grade Structured Credit Strategies Fund, an internal hedge fund that invests in subprime mortgages.

### **Subprime Impact**

Wall Street is worried about the risk in collateralized debt obligations and potentially massive defaults related to subprime lending. In 2006, \$375B in CDOs were sold in this country, of which, \$100B were backed by subprime mortgages.

### **Customer Hiring**

Small business hiring is up 1.5% through April, after a flat year last year. Does your bank have a program to help customers hire employees?

*Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.*