

BANKING HABITS

by [Steve Brown](#)

People can be creatures of habit. That is why so many park their car in the exact same parking space each morning, walk into the same coffee shop and order the same mocha frappuccino. Change is tough; it can sometimes feel unnatural and many people avoid it like the plague. Consider business customers, for example and how bank employees interact with this important customer group. Studies find that about 25% of such customers want to reduce their income tax burden. Yet, similar surveys find only about 10% of community banks have specific programs designed to solve this issue for their customers. As a group, many bankers still get into the routine of trying to offer generically "good" service at the teller window versus asking customers what the bank could be doing better to solve one of their most pressing issues. Time and time again, we hear from community bank customers who tell us differentiation is difficult, the competition is fierce and customer loyalty is low. Offering in-branch programs designed to solve key small business customer issues (such as a tip sheet to reduce taxes) can do wonders for customer loyalty. Tip sheets are not enough, however, so banks should also consider designing sales contests around employees that have customer contact. Incentives should be added to help change ingrained behaviors. Something as simple as offering a Starbucks coffee card to the teller that can get the most customers to say what their problem may be is a great start. If the information is properly tracked, loan officers can then be assigned to those customers in need of more funding, seeking to expand, or just in need of a hug. Keep in mind that while growth and customer service remain the primary focus of small business owners, reducing taxes is also near the top so offering solutions, tip sheets, Podcasts and special seminars are very effective customer retention tools and help differentiate the bank from competitors. In fact, surveys show that nearly one in three small business customers plans to borrow money in the next 12 months. Programs that get branch staff to simply ask these customers how the bank can help (when processing normal deposits and other transactions) is a critical first step in getting the opportunity to make the next loan. Small business owners want their bankers to be knowledgeable about every detail of their business. Educating employees that have customer contact of how important this is and offering programs that spark internal change are important methods to increase profitability. No one said change was easy, but encouraging it within the organization can deliver significant results. Change is good and it can also be quite fun, so our suggestion for bankers is to begin setting the example within their own organization and embracing it. Go ahead – throw a little raspberry in that next mocha frappuccino while you ask the next customer that wanders in how your bank can help solve their biggest problem.

BANK NEWS

M&A

Frontier Financial Corp. (\$2.5B, WA), the HC for Frontier Bank, will acquire Bank of Salem (\$211mm, WA) for \$68.9mm, or 2.6x book.

Credit Losses

National City Corp (\$81B, OH) said Q2 profit declined 27% after it doubled the provision for credit losses.

Credit Crunch Coming?

Over the past 5 weeks, 35 debt sales have been canceled or restructured as investors lose confidence in high yield bonds. According to Bill Gross, manager of the world's largest fixed income fund, the excess liquidity and cheap financing that has fueled the recent LBO boom is now over.

California Housing

The latest data shows 1Q foreclosures in CA jumped nearly 800% from the same period the prior year. Meanwhile, housing giant Countrywide separately reported that more mortgage customers had fallen behind in their payments. The company said 4.6% of good quality customers were at least 30 days delinquent, a 21% increase from the prior 3 month period and 155% above year-ago levels.

Teens & Money Survey

A new study found that 52% of teenagers are interested in learning more about managing money and 35% want their parents to teach them. The topics teens were most interested in included: buying a car or house (74%); investing money (72%); ID theft protection (68%); saving money (62%); budgeting (58%); checking accounts (55%); and credit cards (55%).

Overpowering FED

Chairman Barney Frank specified that he would like to see a balancing of power among bank regulators by increasing the influence that the FDIC and the OCC have in writing rules for financial institutions.

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