

CATCHING MORE SMALL BIZ CUSTOMERS

by [Steve Brown](#)

Community bankers love small business customers. Yet, over the past few years, competition has been running high and banks are finding these clients harder than ever to land. Like wily fish circling the fisher-banker's line in the deep blue sea, these clients must be lured to the hook by continually adjusting the bait. To be effective, patience and persistence are critical and bankers must continually refine where they cast to find areas where customers will strike. Bankers need to cast their lines over and over again until a customer is finally landed. The problem for good fisher-bankers today is that even when a big fish finally lands in the banking boat, many will continue to flop around seeking an exit. Some will even bounce out if they are left unattended. About now, many of you may also be wondering what a community banker can do to not only extricate themselves from this crazy fish story, but also what methods and techniques may work to land more business customers. Here are some tips worthy of consideration: Tip #1 – Stop the flopping. Studies show that more than 50% of small businesses are willing to switch banks simply for better offerings. Providing and actively marketing such products and services as sweeps, ACH, online cash management, debit card services to facilitate e-payments, real-time monitoring for identity fraud and others will bring a welcome response from these customers. Small business clients that feel safe and secure, while being provided options and ready access to their money have been shown to be 400% less likely to leave their primary banking institution. Tip #2 – Know what you have and actively protect it. One big reason so many banks chase small business customers is because of account balances that are typically 25x greater than the average consumer account. Banks that specialize in small business customers have a lower cost per account and are able to tap into a deeper funding pool. This is very attractive to competitors, so making sure these customers are happy and continually asking what else the bank could be doing to assist in their success are sure ways to create advocates. In addition, this process will help banks find out what the competition is doing, as well as surface hidden customer wants and needs. Customers like to talk and will do so when asked, so ask frequently, take surveys and track feedback. Tip #3 – Open up communication lines. This one sounds basic, but in this day and age, many readers might be surprised to learn that community banks we visit admit they only have email addresses for 5% to 15% of their customers and even fewer store it them on any system. Studies show 74% of small businesses will open email and read it if it comes from their primary bank, so capturing customer email addresses is mandatory. After all, how can this powerful and inexpensive communication channel be tapped if bankers do not take the time to collect email addresses and load them onto a system? Further, some 44% of small business customers say their primary bank has never even contacted them. Actually going to see these clients can work wonders and is one of the best ways to collect their email addresses, show them you care about customer service and want to know more about their company. Tip #4 – Say thank you to anyone who provides a referral. Whether you make a call, or send a handwritten note, saying thank you is important to institutionalize throughout the bank. Studies show 56% of banks do not even track referrals or their source, yet people who make referrals are inclined to do so an average of 3.9x more if they remain pleased with the bank. Put in place a program to actively track referral sources, say thank you and perhaps even give some sort of gift. Tip #5 – Improve employee training. This one is common, but study after study shows that the best way to get more business from customers is to teach employees to cross-sell and make sure they smile. Consistent training focused on asking customers how the bank can

help, understanding the customer's unique situation and mastering the bank's product offerings will go a long way in this regard. No one said fishing for customers was easy, but hopefully these tips help you select some of the right bait.

BANK NEWS

M&A

ISB Financial (\$678mm, IA) will acquire the HC of MidWestOne Bank (\$743mm, IA) for approximately \$93.98mm, or roughly 1.48x book.

M&A

Integra Bank (\$3.2B, IN) will acquire Peoples Community (\$1.0B, OH) for approximately \$121.7mm, or about 1.41x book.

Crazy Spending

A study by credit card giant Capital One Financial finds that 70% of people who are 90 days or more delinquent on their mortgage payment are current on their credit cards.

Housing Outlook

The National Association of Realtors predicted that home values and housing prices will decline even more than previously forecast and will not recover to their earlier levels at least until the end of 2008. Separately, Home Depot said it does not expect the U.S. housing market to show signs of improvement until the 2H of next year.

Permissible HC Activity

The Fed ruled that mail-order pharmacy services and health management support would be a permissible activity for a financial holding company. The ruling was set up by the FDIC so they can opine on the ILC application submitted by Wellpoint Inc. out of Indianapolis.

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