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## LAUNCHING NEW CUSTOMERS

by [Steve Brown](#)

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Community bankers seeking new small business customers should get in the habit of going through a checklist prior to launch. As can be seen in the results of a new study of people who launched small businesses, nearly 28% said their company was in the business services sector, while another 23% classified their venture as technology. Close to 69% had a business focused on other businesses. Despite growth in new ventures, only 42% of these business owners took the time to prepare a formal business plan before launching and only 23% did any formal market research. This information provides a great launching pad for community bankers in an effort to capture such customers. To begin, find some decent writers, have them come into the branch and let the world know that your bank is standing by to help any entrepreneur write a formal plan for any business venture they might be launching. Create a promotion where entrepreneurs who open special bundled accounts can even get this critical component included for free. The process will alert your bank to new companies in formation, give you first crack at providing financing and change the perception among small business owners seeking financing that they have to be self-financed, or take out a loan from family or friends (the #1 and #2 places most start up entrepreneurs go to seek financing) to get rolling. To see how simple this might be, we Googled "writing a business plan" and 25,800,000 options were returned. Of those, thousands offered simple templates and guides. In fact, 25 page business plans have become so commonplace, that they were offered for as little as \$250. Think about the opportunity this could bring to your bank. Buy some software, hire writers to modify it, standardize your bank's package to keep costs down and you will have a powerful marketing tool to acquire new customers, while assisting the bank in making a credit decision. Further, consider bundling accounts to include checking, savings, credit card, payroll and insurance in the package. Teaching new business owners how to properly run a business (including using QuickBooks or other accounting software and providing regular reports to the bank) can be very beneficial and reduce bank risk. Small business owners commonly lack relevant plans and have little training in areas such as finance, purchasing, selling, marketing and hiring. Working with these business owners early in the process and helping them understand what they do well and what they don't can be the difference between success and failure. Having a contingency plan, enough capital to succeed, market research and customer data are all critical to these customers and community bankers are perfectly positioned to provide assistance. Help a business owner build a plan around realistic projections, describe goals, understand financial statements, analyze competition and create a budget - and you have a successful company for life. Build a bundled product set around these customers and you have ensured profitability for life. Once these things are in place, spread the word around town that your bank stands ready to help any entrepreneur interested in launching a new company and begin the countdown to success.

### BANK NEWS

#### **Branch Purchase**

Fifth Third Bank will purchase 10 of the 12 First Horizon branches in the Atlanta area.

#### **Deal Problems**

Netbank's (\$2.4B, GA) agreement to sell to Everbank (\$4.8B, FL) (at below book we might add) fell through after Netbank failed to meet conditions precedent to sale. Netbank is now on the block again.

Anyone want to purchase an online bank / mortgage company with a 5.73% cost of funds, 2.6% core capital and -192% ROE.

### **Subprime**

Adjustable-rate mortgages in this sector that are past due 90 days or more or in foreclosure are now at 15%, about 300% higher than the low of just a few years ago.

### **Prime**

Loans in the prime mortgage sector past due 90 days or more, or in foreclosure are running at less than 1%.

### **Foreclosures**

About 320k homes went into foreclosure each quarter of this year, 42% higher than the average of the past 6Ys (i.e. 225k).

### **Mobile Banking**

JP Morgan Chase has entered the mobile banking market and is offering customers a text-messaging system that retrieves account information on their cell phones.

### **Branch Signage**

Regions has started phase 2 of their branch plan and will convert 57 AmSouth branches this week to Regions branches. Regions will look to also close 3 in the area. The branch re-branding will take place in 1 30-hour operational period and will be the culmination of 7 months of planning and 13 weeks of training. Smartly, Regions created a "Quality Service Council" that monitored 10 customers from every branch for their input.

### **Online Only**

Chicago's ShoreBank (\$2B, IL) has joined the growing number of banks offering high-yield online-only savings accounts. The program, which began Wednesday, offers an interest rate of 5%.

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