

## INCREASING YOUR WOM

by [Steve Brown](#)

A new study finds 73% of small business owners say word of mouth ("WOM") advertising is the #1 strategy they use to get the word out about their company, products and services. This isn't surprising, since WOM advertising is also considered the most effective. WOM is more influential than any other form of advertising because people believe what their trusted friends and business associates say about a given company. WOM carries strong credibility, has high audience attention and receives a friendly reception. In addition, WOM allows for questions and answers about various products and services, provides an incentive to purchase and is memorable to the person listening. Further WOM comes at little or no cost to a business, which is certainly a good thing. As every community banker knows, satisfied clients are the best advertisements anyone could find. So how can a community bank ramp up its own brand image, particularly on the WOM front? To begin, bankers must provide superior products and services. Differentiating your products and reinforcing them with standard advertisements reminds happy customers of how great your company is, the recent positive service they received and triggers them to take action to tell someone else about it. People enjoy telling others how great a company treated them or about the fantastic product they were able to purchase. The problem with WOM advertising is that it is difficult to create consistently, messages can drift from theme to theme and while some satisfied customers will tell others about your bank, many more dissatisfied customers will spread the word. When we have a bad experience, for some psychological reason, we like to tell many, many people we know. These customers don't usually complain directly to you, but simply take their business somewhere else. The truly unhappy will tell an average of 7 people about their experience, while the moderately unhappy tell an average of about 4. Bankers should provide the ability for customers to complain directly and make it as easy as possible for them. Instead of considering complaints to be a bad thing, spread the word inside your bank that they are used as opportunities to improve products and services, learn about what customers are thinking and as a way to get new ideas to improve service. Among things bankers should do to capture complaints include training tellers and other sales contact people to ask about problems. Teach them to read facial language and that a furrowed brow, clenched teeth or aggressive posture should drive a customer inquiry. Bankers should prominently display feedback and comment forms, include them with monthly statements, email them out and even randomly call customers to ask them about problems, services and products. Surveys are another good way to get the feedback and reduce negative WOM. Bankers should also train their employees to under promise and over deliver, since "extras" are positively perceived. Finally, community bankers should not be shy about asking for a testimonial from a satisfied customer. People believe testimonials, they like to see customers are treated well by your bank and business increases as a result. Bankers that fix problems create loyal customers that will spread good WOM. Focus your efforts, increase your WOM and success will follow.

### BANK NEWS

#### **M&A**

The HC of Frontier Bank (\$3.6B, WA) will buy the HC of Whidbey Island Bank (\$850mm, WA) for approximately \$191.1mm, or about 2.9x book.

#### **FHLB Chicago**

The first ever C&D was issued for a Home Loan, as Chicago came under a regulatory order to stop issuing stock with a 6-month redemption feature. Problems associated with performance and risk management has brought the FHLB under scrutiny, but the short redemption feature in its capital structure leaves the operation vulnerable. All other Home Loans moved to a 5Y redemption structure around 2000 with the passage of GLB.

### **Check Dinosaur**

A new report analyzing the adoption of electronic transactions finds it has been so rapid that the volume of checks has dropped 26% in the past 10Ys; electronic transactions surpassed checks 4Ys ago as a primary payment method and that the gap continues to widen. In addition, bank check processing has dropped by 50% in the past 2Ys alone. In response, the FRB now only operates 22 check centers, less than half the level of 4Ys ago. The FRB has also reported it will close all but 4 of its check processing centers in the next 4Ys.

### **Go Saints!**

Omni Bank (\$690mm, LA) is offering a 6-mo CD with an interest rate that will increase each time the Saints win an NFL game. The initial 5.09% annual rate will increase 9bps for each victory.

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