

WHAT YOUR BUSINESS CUSTOMERS WANT

by [Steve Brown](#)

"After the umpteenth change, you start treating your private banker like a third-wife - the amount that you emotionally invest goes way down." Â...Community Banking Focus Group Member. At a recent High Performance Banking Workshop, bankers asked questions of a focus group comprised of small business owners (less than \$10mm in revenue). While the discussion yielded many interesting points regarding: value in products; use of remote data capture; branching; the leveraging of couriers; pricing and product delivery; the overriding theme was this Â- banks can still improve upon how they provide "service" to their customer. In a nutshell, here are a couple of the takeaways this subset of customers had on their minds. Each participant admitted they did not want to "think" about banking. Each of them wanted to focus on their business, but all were happy to provide the time and resources to allow their bank to better assist them. While employee turnover is always an issue, comments from this group indicate the real solution is to create an institutional memory of client details - such as in a contact management or CRM system. Bankers can then use these details to provide proactive planning for the business customer. Each focus group member said they wished their banker would call them up and be more proactive in suggesting products, services or strategies. Automatic expansions of lines of credit when the bank sees cash balance volatility increase, better product bundles that offer a fixed fee instead of higher variable charges and business "lifecycle" assistance (such as recommendations to purchase a building), would go a long way to enhance the bank's relationship. The focus group viewed their banks as trusted financial partners, yet indicated not enough were taking advantage of this implied relationship. In addition, this focus group was clear. In addition to recommending products and services, they wanted their bank to take more of an interest in their overall financial structure. In short, none of the members of the panel received any financial recommendations or assistance from their bank. Some common questions this customer focus group asked included: When should a business start paying for audited financials? How to better structure cash flow to build more equity? How much debt would make their business "unbankable"? What could the business be doing to increase their D&B credit standings? Further, nearly all focus group members agreed that merger and acquisition assistance would have high value. As community banks struggle to find ways to define what "service" means to their customer segment, we are convinced that becoming more advisory and proactive in financial recommendations is a sure way to build a more profitable business. Banks can achieve their growth targets any number of ways, but one low risk way is to provide assistance to ensure your current customers continue to grow.

BANK NEWS

Bank Failure

The FDIC officially closed NetBank (\$2.5B, GA) on Friday, making it the biggest bank failure in GA history. The bank was an internet-only institution with no branches that began having losses due to loan defaults, weak underwriting, a lack of controls and limited documentation. NetBank primarily issued subprime & ARM mortgages funded by online deposits.

M&A

InterBank (\$952mm, MN) will acquire regional mortgage originator, Residential Mortgage Group for an undisclosed sum. RMG funds between \$300mm and \$700mm in mortgage loans each year.

2008 Bank Growth

An informal Banc Investment Group poll of banks that have solidified their 2008 asset growth targets, finds that 12% is the average expected growth for next year. We expect to take a more formal poll at the end of the quarter.

Significant Change

In a move that has been a long-time coming and will create a global banking powerhouse, the Japanese government officially privatized the post office. Japan's post office has doubled as a bank for decades and has \$3.03T in assets. The privatization occurs today and the move creates the world's largest commercial bank.

New Record

Gold climbed to its highest level in 27Ys on Friday, surpassing \$750 an ounce. Investors are buying the precious metal as amid inflationary worried tied to rising oil prices and a weakening dollar.

Countrywide Deposits

Countrywide announced Friday its savings bank is attracting \$50mm a day in deposits as the company focuses on deposit growth to fund its mortgages while riding out the credit crunch. According to a regulatory filing, the company had \$60.1B in deposits as of June 30.

Delinquencies Down

The delinquency rate for consumer credit cards fell to 4.39% in Q1, the lowest level in 18 months.

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