
TARGETING NEW CUSTOMERS

by [Steve Brown](#)

To hit a target in any sport, you have to train, take your time and aim carefully. Bankers often tell us all they want more customers, but few have an action plan that is cohesive throughout their organization. Since putting one in place isn't difficult to do, we thought we would offer a few tips bankers might want to consider incorporating, in an effort to target more customers.

Any good customer targeting campaign usually begins with a cold calling effort. The problem with such an approach is that studies show that only 1% of cold calls result in a new customer. That leads to employee dissatisfaction, which is not a good thing for any community bank. Instead of cold calling, banks can be more effective by focusing in on customer referrals. Asking customers you have just helped solve a problem to refer someone they think would be interesting in having a relationship with your bank is extremely effective. In fact, studies show banks that leverage referrals can land new customers at success rates as high as 80%.

Another way community banks will often target new customers is through a direct mail campaign. That makes sense, since studies show these campaigns average \$10 in sales for every \$1 invested. While such campaigns usually achieve a 1% to 5% level of response, this can also vary widely based on industry and effectiveness. To boost your numbers, begin by asking what you are trying to accomplish with each campaign and stay focused on achieving it. Then, include a "call to action" that drives people to do something to get something in return (like a small gift). To further boost results, be creative (it can double the response rate), use a clean database (increases response by 50%) and be sure to measure the performance of the campaign all the way through. Tracking the total cost of the mailing (i.e. creative, printing, postage, labor, etc.) and dividing it by the revenue generated to derive ROI will give you a quantitative assessment of the campaign's effectiveness.

Another technique banks can use to generate customer leads is by attending functions in the community. These can be fancy shindigs or casual, but being prepared is critical to achieving success at these venues. To be effective, try your best to get the list of attendees in advance. That will give you an opportunity to pre-identify all of your customers in the room and map out a strategy. These are also perfect forums for relationship selling, which is a great way to leverage business, without shifting to high pressure tactics. In relationship selling, you spend a lot of time listening, with the goal of eventually becoming part of the client's support network. Your bank and its products/services become something people can use in their daily lives, make their job easier and structured to fit their unique needs. To increase effectiveness, focus on speaking with roughly 3 people per hour. As you do, spend time with each person trying to find out what business they are in, what issues they are facing, offer to send them a recent article you read that might help them out, get their contact information (so you can send the article to them) and then pop out into the hallway to write down what you learned about each person (so you can follow up after the event with a personal note or more targeted approach). The key to these events is to stay focused, continue to move around and remember why you are there.

Since it costs 5x as much to get a new customer as it does to keep an existing one, we hope some of these tip help you as you work on your customer acquisition plan.

BANK NEWS

Washington Mutual

The largest U.S. savings and loan announced a better-than-expected 2Q loss of \$3.3B. Loan charge-offs rose 58% from the 1Q to \$2.2B. WaMu plans to cut costs by \$1B, though the company said it expects losses could reach \$9B to \$12B in the next year.

KeyCorp

The Ohio bank lost \$1.13B in the 2Q, largely driven by defaulting builder loans and a \$1B legal charge tied to its leveraged loan portfolio. This is the first quarter since 2001, KeyCorp has reported a net loss.

Fifth Third

The Bank posted \$2.20mm in net losses for the 2Q. Loan loss provisions rose 32%, charge-offs jumped 25%, and net interest income dropped \$744mm from the 1Q.

Rescue Costs

A White House plan to save Fannie and Freddie would cost the U.S. \$25B, according to the Congressional Budget Office. Also according to the CBO, there is a 5% chance these costs may reach \$100B.

Painful Situation

A study by DataQuick of 2Q data shows foreclosures in CA jumped to the highest level in 20Ys. Meanwhile, foreclosures as measured by the number of trustee deeds recorded, jumped 33% from 1Q and 261% compared to the 2Q of 2007.

Defecting

In the past 2Y, 53% of banking customers 30Y to 42Y and 61% of customers aged 18Y to 29Y changed their main bank or thought about it. Not surprising, those 43Y and up are the most loyal customers.

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