

HANDING OUT ICE CREAM

by [Steve Brown](#)

Asking a community banker if they want more customers will generate about the same response as asking a kid if they want an ice cream cone - a resounding "yes." While we cannot help with an ice cream cone (it tends to leak and get into the server when we try to email one), there are some things bankers can do to capture and keep more customers.

We begin with the branch. While branch transaction volumes have fallen 20% in the past 15Ys, they still remain relevant. For starters, customers that have a personal relationship with a branch employee are 2x more likely to stay with their bank than those who do not. Banks that land a customer through any channel and determine they are going to be a good one, it is critical to get them connected into the branch somehow. Have a party, provide expert speakers, give away an iPod, but get them into the branch and the data shows they will remain a customer much longer.

For banks targeting small business customers, the key to retaining them is keeping them happy. To do that, studies show more care must be taken to prevent and quickly resolve customer issues (faulty problem resolution is the most often cited category of small business dissatisfaction). More specifically, community banks should have a process in place to capture, track and quickly resolve problems or disputes related to processing/transaction errors and disputes about service charges. Fixing just these two will not only improve the customer experience, but also eliminate 56% of all small business complaints according to studies on the subject. Banks that can also improve customer service will capture 66% of the most commonly reported problems and address all of the top 3 issues and complaints. Given that more than 20% of small businesses say they have had a problem with their bank in the past 12 months, focusing resources where they matter is critically important to community banks.

Another program or service that some community banks offer is one that works to capture people who have recently moved into the area. That isn't surprising, since a Federal Reserve study found relocation was the primary reason people said they changed banks. While the typical customer stays with its primary bank for about 10Ys, they eventually move, so having a way to capture "newbie's" in the neighborhood is an important part of any community bank marketing program. Monitoring address information is an easy way to begin, along with regular personal visits by business development officers and establishing referral programs with realtors/leasing agents. One of the easiest ways bankers can get in early is by providing an incentive to existing customers to pass along new leads as referrals. Usually, customers just down the street will notice a new business has moved into the area before nearly anyone else, so giving them a discount to drive that business to you can generate quality results.

Finally, community bankers would do well to continue to focus resources on their online banking platform. Already, as of the end of 2007, over 50% of small businesses were using online banking and adoption rates remain robust. That isn't surprising when you consider many business owners view their business banking as merely an extension of their personal banking. Small business owners place a premium on being able to access their bank during off hours and online banking is a good fit for that.

According to a recent study, bankers can enhance the online experience even further by providing an option to chat with a customer service representative (25% of online customers were interested in this feature) and having a widget to display the account balance (requested by 23%). For banks interested in cutting costs, it is interesting to note that 53% of online banking customers now have at least one of their financial statements delivered in a paperless format.

While handing out ice cream to capture new customers is a tried and true method on a hot day, the days are not always hot ones. Utilizing a diversified approach and focusing resources on areas customers have requested is probably second best.

BANK NEWS

M&A

Jefferson Bancshares (\$340MM, TN) will acquire State of Franklin Bancshares (\$360MM, TN) for an estimated \$10.9MM or about 0.5x book. Franklin had recently written down losses on FN/FH preferred stock, reducing its capital ratios and forcing it into a sale.

Conservatorship

The NCUA has been appointed conservator of Valley Credit Union (\$257MM, CA). As of June, the 26k member credit union was undercapitalized with a 5.17% net worth ratio and had lost \$5.8MM in the first half of the year.

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