# MORE CUSTOMERS & MORE PROFITS

by Steve Brown

In a moment, we are going to lay out a plan for community bankers that, if followed, will be sure to improve customer profitability in 2009. The plan is simple, costs little to implement and only requires some elbow grease and follow through. Reasons abound as to why people don't follow up, but some of the most obvious include forgetfulness, lack of training, making an assumption someone else will do so and disorganization. Given the stresses on the industry these days, bankers have little time to skip follow up, so let's get ready to execute.

As the picture indicates, this morning we are going to focus on a plan around your online banking efforts. Specifically, we are going to focus on key ways to capture more customers and increase profitability. The good news about leveraging technology is that once it is up and working, little else needs to be done, so the work will be worth it in the end.

We focus on online banking because these days, studies find nearly 50% of internet users now bank online. Even more interesting, those who bank online tend to visit their bank's site from 9x to 12x per month. That opens up all kinds of opportunity that can be easily leveraged for minimal cost.

The first opportunity we highlight relates to cross-selling new customers when they first open an account. The top 25 banks by asset size do this 42% of the time, while community banks do so only 18% of the time. Bankers intuitively know that a formal on-boarding program can increase customer value, but not doing so can be detrimental. In fact, new customer attrition within the first 3 months can be 200% higher than attrition after the first year. Banks should be sure they have a process to call, email or send a letter to new customers, thanking them for the business and explaining the features and benefits of any product or account they may have just purchased.

The next opportunity is similar to the first, but focuses on existing customers. Believe it or not, studies show the Top 25 banks will cross-sell existing customers online about 50% of the time, while here again, community banks only do so 18% of the time. It is no secret that Wells Fargo reports 80% of all its new sales are to existing customers. Yet, most banks create incentives based on acquiring new customers instead of mining existing ones and deepening those relationships. Bankers should consider modifying bonus programs to refocus energies on existing client relationships to improve profitability.

Email offers provide another opportunity for community banks. The Top 25 banks utilize such offers 50% of the time according to studies, while community banks only do so about 15% of the time. Studies find e-newsletter open rates still average 70%, while email communication from a customer's primary bank is opened about 85% of the time. Leveraging this channel with email offers is not only inexpensive, but also highly effective.

Another technique used by the Top 25 banks is to send out pre-approved offers to online customers. This group does so about 45% of the time, compared to only 9% for community banks. Simply creating and repeating 4 or 5 pre-approved offers for online customers can boost response by 50%. Banks frequently offer pre-approved credit cards, lines of credit, virtual lockboxes, etc. The sky is the limit, so get creative and watch your success rates rise.

A final tactic utilized by the Top 25 banks is to specifically target customers that are logged into their site. Whether you use banner ads that feature new products, have pop up boxes asking how you can help or try some other method, there is plenty of opportunity in opening communication channels.

Remember that 60% of online users have 3 email addresses and 3 bank relationships, so those that have logged in are the most receptive you can get. Focusing in on opportunities such as those provided here, should help bankers increase profitability and capture more customers in the coming year.

## BANK NEWS

**Defaulted Defaults**

The OCC released data that showed 53% of single family home loans that were modified in 1Q 2008 went back into default 6 months later. The experience raises questions on future loan modification programs.

**Recession Timeline**

While recent recessions have lasted about 16 to 18 months, the early 1980's saw some that lasted 3Ys. While it is anyone's guess when we come out on this, the most probable if history holds is somewhere in the 3Q of 2010.

**401(k) Non-Match**

A new survey by HR firm Watson Wyatt finds 2% of companies have cut back or ended company 401(k) matching amid weaker economic conditions. Interestingly, another 4% said they may soon follow suit with cutbacks of their own.

**Auto Weakness**

The percentage of auto loans past due 60 days or more, as of the 2Q, jumped 11.5% compared to the same period last year. Auto sales are expected to drop nearly 20% this year and new vehicle dealership closures are projected to surge 40% in the coming year.