SCHADENFREUDE AND CAPTURING BUSINESS

by Steve Brown

In these times, people love "schadenfreude" wherever they can find it. The term is German and it refers to getting pleasure from the misfortunes of others. Customers seem to be getting pleasure from the misfortunes of banks (maybe due to fees or service issues from days gone by), banks get pleasure from the misfortune of credit unions (mostly because CUs don't pay taxes) and some employees get pleasure from the misfortune of other employees. Pressure is everywhere and frankly people are seeking schadenfreude in an effort to escape their own pain. Let's avoid the pain altogether, as we seek ways to help community bankers capture more customers.

To begin, study after study shows customers want a bank that is responsive to their needs, treats them well and knows their business. We have covered these topics in the past, but community bankers that have a program to support each of these stand a much better chance of capturing new business. To be responsive, bankers should respond immediately and with a smile when any customer walks into the branch. Let the customer know you will be right with them and make sure you do so. To treat the customer well, make sure they get high quality service and follow up even if not requested. Make sure everyone in the bank knows customer service is #1 and practice what you preach. Repetition and training are the most effective ways to accomplish this. Finally, customers want bank employees to understand the customer's specific business. Once someone is trained on a specific customer account, it is worth its weight in gold. Cross train at least one other person on every single account, so customers know they have advocates all over the organization ready and willing to assist them. Doing this helps ensure customers don't have to tell their story again and delivers more consistent service.

Another way community banks can capture new customers is by providing flexible terms and conditions. This was cited in a recent study as the #1 reason small business owners look for a new bank. Differentiate your bank by indicating right up front you want to work with the client to find solutions that fit their specific business needs and then execute on that promise. Structuring loan terms to fit their needs (and yours) is critical if you want business owners to tell other owners how great your bank truly is.

Customers still want to do business with a local bank more than ever, so make sure your locations are easy to find. Blanket neighborhood businesses with maps and locations, have parties to bring them into the branch and make sure your sales development officers don't skip potential customers in the area. Get organized and be sure to visit every business within a 10 mile radius of each branch. Do this and you will not only demonstrate the value of local bank service to these customers, but you can find out what the competition is doing, how often customers are visited and what customers would like to see you do to earn their business.

Focus on helping the customer. Business owners are so buried in the day-to-day, putting out fires and keeping it all together, they rarely have time to think about ways they could improve the business. Sit down with owners, offer to help, take time to ask them what they really want their business to do and why people buy their product or service. A fresh set of eyes from your business development officers can help and customers will be very appreciative that you tried.

Finally, no matter what you do - have fun doing it. Remember that anyone can be angry or frustrated and we all go through that from time to time. The key is not to let things build up to a point that seems insurmountable. Take time to celebrate even small successes, stay focused on the prize and have fun with clients. It will rub off and you won't let your competition have a moment of schadenfreude or capture your customers.

BANK NEWS

Stress Test

The Fed has reportedly told banks involved with the credit stress testing to keep quiet until after 1Q earnings season. The FRB wants to release coordinated information in an orderly fashion. While that doesn't help transparency, the President will get a briefing today on the results.

Commercial Stress

A new study finds commercial property loans in default or foreclosure jumped 43% in 1Q and commercial real estate values have fallen 30% since the peak reached in 2007. Meanwhile, metro areas with more than $1B of commercial property in distress included Austin, Chicago, Detroit, Houston, Las Vegas, Los Angeles, Miami, New York, Philadelphia, Phoenix and San Francisco.

Re-default

Regulators report 22% of mortgages modified in the 1Q of 2008 re-defaulted after only 3 months, 27% modified in 2Q re-defaulted and 31% modified in 3Q did so.

Dividend Cuts

S&P reports companies that slashed dividends in the 4Q jumped 444%, making it the worst quarter on record.

Multifamily

Even as average rents fell by 1.1%, vacancy jumped to 7.2% in the 1Q. Delinquencies for multifamily MBS rose to 3.3% in Feb. from 3.0% in Jan.

No Housing Bottom

7% of home mortgages were 30 days past due in February, more than 50% higher than last year. As for subprime loans, nearly 40% were 30 days past due compared to short of 25% last year.

Recession Clock

For those trying to keep track, the worst recession since the 1930's is now beginning its 17th month.