
KEYS TO CAPTURING CLIENTS

by [Steve Brown](#)

Yesterday, we discussed online capabilities community banks should be considering in order to capture and retain customers. Today, we unlock a few other studies about small business owners, as we attempt to identify keys critical to understanding what these customers want from their bank, what drives these customers to switch banks and what community bankers want to get out of these relationships.

What do business customers want from their banks? The good news for banks is that studies find about 60% of business customers are extremely satisfied with their bank's customer service. Since most small business customers currently do business with community banks, we couldn't be happier about that statistic. Before getting too carried away, however, it is important to understand that service isn't enough to retain good customers. To find out what else small business customers are thinking and what they want from their bank, we took a look at a recent study that analyzed just that.

For community bankers, the good news about doing business with small business owners is that they aren't shy about telling you exactly what they want from your bank (if you ask them). In order of preference, small business owners surveyed want their primary bank to have a branch near their business (50%); be responsive to fixing problems (45%); have attractive rates (40%); house their personal accounts alongside their business accounts (40%), have strong online capabilities (40%) and understand their unique business banking needs (40%). In addition to the basics, other product areas used by small businesses include payroll services (21%), remote deposit (16%) and health savings accounts (15%). Community banks that focus on meeting these fundamental needs stand a very good chance of not only retaining quality customers they already have, but also capturing new ones from less attentive organizations.

Now that we know what small business owners want from their banks, we turn our attention to the factors that drive existing customers to switch banks. Keep in mind that while nailing down specific reasons customers switch banks can get a bit tricky, there are some trends worthy of understanding. Here, we find studies that indicate the top 5 reasons small business customers gave for switching banks in the last year were: 1) they wanted a bank with greater financial stability; 2) they were seeking lower fees on loans or deposits; 3) they wanted better customer service; 4) they were looking for more convenient branches; and 5) they were trying to find a financial institution they could trust. Each of these is important to understand and to build marketing programs around, but here again; some of these are pretty squishy, so that can be difficult. One thing we found interesting about customers who switch banks - very few did so because the other bank had more products or services. Compared to the top 3 reasons cited above, having more products or services was cited almost 400% less. Maintain your focus on the top 5 reasons cited above and you are more likely to keep customers from seeking greener pastures.

Finally, we close our discussion with a glimpse into what community bankers try to get from their customer sales efforts. It will shock no one that first and foremost, bankers want to sell more products to existing customers. This was cited 2x more than anything else, so it is obviously very important to bankers. The next two components cited, were virtually a tie, as bankers focused on improving customer satisfaction and acquiring new customers to grow the business.

No matter how you measure success, the keys provided this morning should help open some locks, so you can swing the door open and increase your customer capture rates.

BANK NEWS

1Q Earnings

US Bancorp's net income fell to \$529mm, or 51% lower than same period last year due to loan losses in commercial and mortgage portfolios. Bank of New York Mellon posted an unexpected 57% drop in profit to \$322mm, down from \$746mm. KeyCorp reported its 4th consecutive quarterly loss as a result of loan losses. KeyCorp's loss was \$488mm, compared to a \$218mm profit for last year. M&T posted a 68% drop in earnings to \$64mm from \$202mm last year for 1Q. The drop was mostly driven by problems with residential mortgages. Zions' posted a worse than expected \$832mm loss due to commercial real estate losses. All the afore-mentioned banks have substantially cut their dividends.

Stress Test

The Treasury stated that they are not aware of all the details, so rumors that leaked yesterday that showed 16 of the top 19 banks are insolvent as a result of credit stress results are most likely false.

TARP Practices

TARP Inspector Neil Barofsky said it is too early to tell if TARP capital is being used correctly, but he has opened 7 criminal investigations. In addition, he expressed concern over possible abuses regarding PPIP as structured.

Unemployment

In March, unemployment rates rose in 46 states, with 8 topping double digits. MI was the highest at 12.6%, with OR trailing behind at 12.1% and SC at 11.4%.

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