

GET CLOSER TO YOUR CUSTOMERS ELECTRONICALLY

by [Steve Brown](#)

One thing that is changing in our society is the ability to gather feedback instantly. This explains the popularity of blogs, flash mobs and the need to post your every move on Twitter. In particular, retail and business customers love to read online reviews. Pioneered in 1997 by Amazon.com, online reviews allow the public to post their thoughts, feelings, gripes, love and ratings about a product or service. Since reading reviews has now become de rigueur during the purchase cycle for a great many product purchases, they now appear on a wide variety of web sites - except banks.

This could be a mistake, as the Gen Y user and even the Boomer demographic continue to report that they heavily rely on reviews when making product or brand decisions. For a couple of hundred dollars a month, a bank can install review software on their website. Most applications send e-mails out to customers that just completed loan or deposit transactions and invite them to submit reviews that include the all-important 5 star rating system and a text box for comments. Either the application or the bank staff can read reviews and remove posts that are deemed inflammatory or obscene - otherwise everything is posted.

What happens if you get a negative review and it is out there for the entire world to see? That is actually a good thing for a couple of reasons. One, it gives the bank free and instant feedback on how to improve. This is feedback that most banks never capture. Two, bank management can respond with an amendment to the post in order to show the world their exceptional customer service. Three, if all the reviews are positive, it raises a red flag with readers, discounting of the online feedback. Finally, bank management should take solace in the fact that, according to the research firm Keller Fay Group, users tend to post reviews when they have something positive to say. Statistically, this occurs 87% of the time. Generally, most reviews are positive and that helps drive product sales. When it comes to financial products, customers like to hear from others about a bank's service, fees, penalties and "fine print."

This is a natural fit for banks, as our industry has one of the highest customer satisfaction ratings of any industry according to a 2009 Forrester report on customer satisfaction across all channels. Banks beat out all most all other industries when it came to delivering a superior customer experience in branch, on the phone or on the web. Community banks rank very high in a number of areas; such as problem resolution, response time and product line up. It only makes sense that banks should want a forum in which to reinforce this perception.

Companies that enable online reviews report an average 20% increase in sales. The reviews build an element of trust, speed the sales process and deepen customer loyalty. Banks should consider playing into the trend of social financial shopping, as they may find it drives sales and brings greater customer intimacy in a scalable fashion.

BANK NEWS

BofA

Kenneth Lewis has announced his retirement as CEO and board director effective Jan 1st.

Bank Fees

According to Bankrate.com, during 2009 customers were charged an average \$3.53 for using other banks' ATMs, \$12.55/month on interest bearing checking accounts and \$29.58 for bounced checks. Non-interest bearing accounts dropped to an average \$1.77 as credit card late fees rose to an average \$28.19.

Future Building

The American Institute of Architects reported the ABI index (which measures architectural billings and foreshadows building activity) fell 3% in Aug.

Small Businesses

Research by the SBA finds 40% of small businesses get the majority of their loans and credit cards from providers other than their primary bank. That isn't all that surprising when you consider the average small business has 3 banking relationships.

Customer Expansion

Research by the NSBA finds 54% of small businesses have a business loan and most have further leveraged through credit cards, personal savings and using their home as collateral to borrow.

Housing Overhang

The supply of new homes on the market nationwide has fallen from 12.4 months in Jan to 7.5 months as of Jul. It is interesting to note about 6 months is the historical average, so housing sector equilibrium appears to have arrived (or is at least close at hand).

Housing Tax Credit

The \$8k housing tax credit for first time home buyers that led to 175k sales is reportedly being considered heavily for extension in DC. If extended, housing sales are projected to reach 400k by the end of the year.

Fees

Banks collected \$21.8B in servicing fees from deposits for the 1H of this year, a record high for the 1st 2Q.

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