ALERTING YOUR CUSTOMERS

by Steve Brown

If you want to see something scary for Friday the 13th, check out the amount of time your employees spend on the Internet. If you give an employee a fish they will have fish for a day. However, if you give an employee access to the internet, they can purchase bulk wild salmon direct from Alaska during work hours and have fish for 6 months. The real fact is that if an employee is going to be unproductive, they are going to be unproductive regardless of the internet. Access to the internet is largely irrelevant as for every employee hour wasted, there are 5 hours of an employee's time where work productivity was improved.

Such is the case of a Wells Fargo employee that recently came up with the idea while surfing the internet to send e-mails and electronic notices (to update the users online banking records) for all ATM transactions. Now a seemingly minor feature, this is a huge step forward for customer service as in one fell swoop Wells solved the age old problem of having to carry around a dozen ATM slips so that you can reconcile your checking account. These e-receipts allow tighter integration with its personal financial management software which we highlight today as an easy way to improve existing product offerings.

As you think about product design and improvement, consider that you may not have to invent a whole new product to help sales. As Wells proved, maybe just electronic alerts and integration is the easiest and cheapest way to make a product set more valuable to your customers. Electronically interacting with customers in banking is a relatively new development. Core systems were only recently updated to hold e-mail address and very few have the ability to store cell phone numbers with a flag that the customer would like text messages. This contrasts with a recent poll that showed more than 84% of bank customers said they would like to be alerted regarding issues in their account such as low balances or unusual charges. Of those 84%, 70% said that their preference was to be alerted through electronic means such as e-mail, text or instant messaging.

Credit card operations are at the forefront of this trend, but core banking still has a long way to go. In talking with major banks, most of them have 2011 initiatives to improve electronic communication with their customer. Consider that the industry is wide open for improvement. We reviewed the capabilities of the top 20 banks and found that most efforts are lacking. Bank of America and Discover do alerts well on the credit card front and US Bank does a passable job on their retail checking, but other than that, the industry lags behind other financial firms such as Paypal, the Mint and brokerage houses such as Charles Schwab. Citibank's business credit card efforts are atrocious as it looked like spam. For business DDA alerts, only Chase even attempts to keep their business customers informed (that we could find) and then they leave out pertinent information such as dollar amount of transaction and customer service contact information.

Keeping customers updated on what is happening with their accounts is an option that every bank should think about as it is an inexpensive way to make existing products more valuable. The banks that have embarked on initiatives utilizing alerts have found that they have reduced fraud, increased retention and have generally improved satisfaction. Maybe for 2011, it is time for your bank to consider an initiative at leveraging the internet by utilizing electronic alerts. Missing out on this opportunity to deliver better customers service may be the scariest of all.

BANK NEWS

Input

In a move to garner more feedback, the FDIC will post records of meetings it's having with private-sector individuals that involve interpreting Dodd-Frank Act provisions. In addition, the FDIC will look to hold roundtable discussions as well. The action is a move to help transparency and make it easier for the public to take part in the interpretation of Frank-Dodd.

Is it APR?

A recent study by JD Power & Associates found that in analyzing 3k JP Morgan Chase customers that just recently opened new bank accounts, 41% did so as a result of "promotional gifts or cash awards." While we are conducting the research, it appears that JP Morgan Chase has the highest success rate of any major bank at utilizing promotions to attract new customers.

Consumer Credit

Total outstanding credit dropped for a 5th consecutive month, falling $1.34B to $2.42T following a $5.28B drop in May. Revolvers fell $4.49B for a 21st straight month, while non-revolving loans grew $3.14B.

Disclosure

Research by Wharton finds companies may have stopped issuing earnings guidance because managers expect they will have to report bad news in the future.

New Board Members?

Talk yesterday went on in D.C. about the Treasury now wanting to actively send officials to observe board meetings at banks that have consistently missed dividend or interest payments related to TARP.