

## INTELLIGENT THINKING ABOUT THE CUSTOMER

by [Steve Brown](#)

High unemployment is driving many people with MBA's to go back to school to step up to a PhD. In fact, recent analysis finds top PhD programs (such as Wharton, Stanford and Columbia) report applications for their PhD programs soared 40% in 2010. There is nothing like a good education to keep the brain engaged, so if you know someone who is out there seeking a job, perhaps going back to school to improve the mind is a decent option, until economic conditions improve further. Since bankers are always trying to figure out what is going on in their customer's brain, we provide some analysis along those lines to save you hitting the books.

The primary source for small business financing continues to be personal savings or credit cards. In fact, 55% of small business owners used at least one of these over the past 12 months to finance their business operations, while only 10% took out a loan at a bank. Ease of use and concern over whether they would qualify for bank financing are primary reasons cited for not using a loan. To capture this customer base and strengthen relationships even further, community banks should have a program set up to track monies leaving deposit accounts and then approaching quality customers with alternatives they may not be considering (such as a short-term loan). A little bit of extra sales effort here can bring dividends.

Another thing sloshing around your customer's brain when they think of banking can be seen in the top 5 reasons customers cited as to why they switched banks in 2010. In order, those were poor problem resolution (43%); high fees (38%); inconvenient branch locations (22%); products that did not fit their needs (20%) and poor rates on credit or deposit products (15%). While you cannot easily confine the varied needs of customers to tight definitions, this data does point out that concerns over bank safety have subsided (as that did not even make the top 5). Banks marketing to safety and security might want to consider switching things up some in 2011 and focusing marketing efforts instead on touting convenient branch locations, strong customer service, reasonable fees, good rates and a breadth of products and services. Better yet, get a jump on the competition and enhance skill training for customer facing personnel. Teach them to identify client needs, solve problems quickly and cross sell. Leverage up such techniques as peer coaching, formal apprenticeship programs and add structure through sales goals with incentives. These can help your bank capture and retain more customers, while learning to better see into their brain to address needs, wants and desires.

Customers are also seeking control over their finances. A study by Intuit at the end of last year found that 34% of consumers now use online tools provided by their bank. In addition, 83% track account balances, 60% pay bills and transfer funds and 56% check the accuracy of transactions. Most community banks do pretty well here, already, but continue to make your online capabilities a focus when training and you are feeding right into the demand (making the sale easier). Customers are very comfortable with online services, so the better yours are, the more you should tout your capabilities.

We close by going back to our initial discussion around higher education. You may be interested to know that when it comes to saving for college, the #1 way people do so (according to Gallup) is through a general savings account or CD (50%). This compares to 34% that said stocks, 24% that had a 529 plan, 24% that planned to tap retirement accounts and 17% that were going to use a checking

account. We all know education is important, but if bankers could go to school and learn how to get a glimpse into the mind of their customer, the schools could sure charge a whole lot more for tuition we would guess.

# BANK NEWS

## **Small Business Hotline and Website**

Since many of you asked, here are more details - The FDIC is now live (2nd day) with their toll free phone line designed to "help" small businesses. After testing it a couple times, the line is really to help channel "concerns" (we call them complaints) to the proper regulator. - That said, they are very nice. The line is 1-855-FDIC-BIZ and will be answered between 8am to 8pm ET M-F. They also have a web form that can be found here: [http://tiny.cc/BIG\\_FDIC\\_sbiz](http://tiny.cc/BIG_FDIC_sbiz)

## **JPM**

The first major bank to release 4Q earnings is in and JP Morgan Chase produced profits of \$4.8B, up 47% vs. 4Q '09. The increase was largely due to lower loan loss provisions. Oddly, the Bank left out any mention of resumption of their dividend that was widely expected. Earnings were driven by an improvement in credit quality and stronger profit from cards and investment banking. Look for most every major bank to release their earnings next week.

*Copyright 2018 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.*