PAYING EMPLOYEES TO QUIT

by Steve Brown

We are big fans of Zappos and study their every move in order to gather ideas applicable to banking. One of our favorite practices may surprise you - Zappos pays a $3,000 bonus to have their newly trained employees quit. What you say? Are we really advocating you go through an extensive hiring process, find the right employee, get them on board, train them and then pay them to leave? Yes - and here is why: Zappos is a customer service company. While they sell shoes online, they recognize that their competitive advantage is in their people. This is identical to banking. Not only is the power in your people, but making loans and creating deposits are really secondary to the main goal of making customers happy and helping them achieve their financial goals. To make customers happy, you need to start with happy employees. That means employees that feel comfortable in front of customers and that love banking. Paying employees to leave is a good filter. First, it is important to point out that Zappos is one of the most technologically advanced companies in corporate America. For any banker that says they have to look their customer in the eye to deliver quality service, we say Zapos proves the opposite. Zappos, has higher satisfaction, higher referrals, higher profit and bigger customer "love" than most banks. Zappos has learned that despite all their technology, people are still core to their effort. At Zappos, the first week of the four week training course is all about the Company's history, culture and focus on the customer. It is at this time, before the Company invests further in the employee that it makes a simple offer. If you quit now, Zappos will give you $3,000 and you can leave without guilt. This bonus started out as $100 and then went to $500 then to $1,000 then to $2,000 and then to $3,000 last year. Zappos realized that the quitting bonus was working just as designed and had to increase it to get a high and higher caliper of employee. About 10% of employees take the Company up on the offer. Zappos feels that it is in their interest to have employees leave that don't believe once they learn about the heart of the Company and find they are not a perfect fit. The money is an incentive to help the employee that might be on the fence make the right decision and leave. Employees that take the money are automatically self selecting into admitting the Zappos customer service life isn't for them. If they value the extra bonus more than the job, then finding this out early is a win-win. This is the second phase of a vetting strategy that acts as a safety net to catch employees after an intensive interview process that all begins with a cross-word puzzle. The puzzle not only tests the basic aptitude of the potential employee, but also lets the candidate understand that there is something different going on. For that matter, this fact is driven home, when customers or job candidates go on a tour. The tour guide carries a flag (letting everyone know that a tour is taking place). As that happens, each department has their special greeting. For some it is a round of applause, others a cheer or a bow. Whatever the case, the departments love to surprise the customer, vendor or candidates and those on the tour automatically get the message that Zappos is different. Zappos is indeed different and presents a view normally not found in banking. While instituting Zappos-style employee payments may not be for your bank, the tactic is insightful and may help you ensure you are hiring employees that have the right customer service and banking-oriented attitude.

BANK NEWS

Ouch

We found it amazing that JPMorgan had not told regulators immediately once the trading loss surfaced, given its large size. In fact, two key banking regulators told senators they learned about the loss through media reports. We bet that little miscalculation by JPMorgan will lead to communication changes in the very near future.

Prepaid Cards

The CFPB will be drafting new rules regarding the disclosures, liability for unauthorized transactions, overdrafting policies and other features that may hurt consumers.

For Sale

Barclays is reportedly looking to sell all of its 200 branches in Italy, as it refocuses efforts on its core and seeks to boost profitability.

No Fed Boards

Congressman Bernie Sanders (I, VT) introduced legislation that would bar bank industry executives from serving on the boards of regional Fed banks citing that it is a conflict of interest.

Scary Trend

We aren't sure if this will hit banks down the road, but in a scary ruling, the broker-dealer regulator FINRA ruled a brokerage firm was responsible for allowing a husband to make unauthorized withdrawals from his wife's account.

Insurance

NY regulators are investigating whether banks received improper payments from two insurance companies (Assurant and QBE) in connection with forced-place insurance.

Less Leverage

Credit Karma reports the average consumer held $5,650 in credit card debt in April (down 13% from the same period last year) and mortgage debt was $166,631 (down 3%).

Small Business

A new survey by Newtek Business Services finds 67% of small business owners do not plan to hire in the next 6 to 12 months.