5 IDEAS FOR CUSTOMER ENGAGEMENT

by Steve Brown

At a recent workshop, a group of bankers argued customer needs haven't changed throughout history as they still demand personal service, accurate information, fair pricing and a bank that can get things done. Discussion swirled and culminated with the thesis that banks don't really have to change and must still deliver value in lending and deposits. While we agree, we point out that the customer has evolved in the manner they want that service and information. Today's retail and commercial bank customer is more metro- oriented, more connected and comes into contact with more people throughout the day. The rise of the internet and mobility have allowed for the more efficient transfer of information, such as our brokerage account where we can now compare equity performance next to CDs and money markets. Linkedin, Facebook, review sites like Yelp or the many banking blogs, all allow more customer research to take place. Further, with the success of companies like Zappos, Amazon, Starbucks and the Ritz Carlton; the expectation for great service has increased. Given this evolution, what is a bank to do? It is no longer efficient to just broadcast messages out and hope the customer contacts you. Customers now expect an emotional tie to their main partners and banks are in the perfect position to occupy that position. We have 5 suggestions culled from the top banks in the JD Power 2012 Bank Satisfaction Ranking. Our first suggestion is to make customer engagement a strategic priority and like any priority, allocate it a budget. In this case, it is more a question of reallocation, as we find most banks overspend on traditional media advertising and face-to-face sales efforts and under-spend on training, digital marketing channels, customer support and information systems. Handling customer problems successfully or knowing what customers to contact regarding a premium account package will do more for loyalty and profitability than a whole year's worth of print advertising. Suggestions 2 and 3 are to hold a customer engagement planning session and then appoint an "engagement council." While banks often hold strategic planning retreats, few spend time planning the improvement of the lifeblood of their organization. Here, it is important to decide what type of relationship you want with your customer - advisory, utility, friendship or something else. Do you plan to change the layout of your branches or offer more mobile channels or online capabilities to support that type of relationship? Another key question is how often you plan to interact with the customer and in what manner? One major problem that most large community banks have is the fact they were built around product silos. Just making sure lending is coordinated with the branch or with funding is worthy of a discussion and a plan to improve the cross- department interaction for the sake of improving customer engagement. In addition, how you handle, cultivate and capitalize on referrals is another important topic to track and manage. Suggestion 4 includes appointing someone in marketing to be in charge of "content." Repeatedly we find that the success of digital engagement revolves around compelling content. Banks need to create a steady stream of interesting information, interactive tools and "emotional context" around the brand. One successful bank had their content officer digitize and promote the 100+ years of history in order to strengthen the bank's heritage and to underscore their purpose. Finally, suggestion #5 is to appoint an ombudsman or someone in charge of collecting customer feedback. Handling focus groups, survey results and "listening" to social media/blogs, all go here. This person should be a staunch defender of the customer and the go-to person for tracking engagement progress. Greater customer interaction across various information and delivery channels is a trend shaping customer engagement. It also directly influences your brand. Banks that restructure to better engage the customer have the advantage going forward. Like most evolutionary processes, we are not sure where it ends up, but we know these steps will move you in the right direction.

BANK NEWS

No Reduction

Citing multiple responsibilities; the head of the FHFA will not direct FNMA or FHLMC to reduce principal on delinquent mortgages (being restructured under HAMP).

Municipal Concern

Following a 2Y review, the SEC has asked Congress to allow it set standards for the information municipalities in the $3.7T municipal bond market must disclose to investors and require issuers to have audited financial statements. Since banks have to underwrite these securities themselves now and cannot rely on credit ratings, we applaud the effort and think the transparency will be good.

Laundering & Fraud

As part of a settlement with the U.S. Government of charges of money laundering and fraud, online gambling sites PokerStars and Full Tilt Poker will pay $547mm and $184mm respectively to victims. Criminal charges have also been filed against 11 people related to the companies, 4 of which are still at large (including the founder of PokerStars).

Large Commercial

Trepp reports the commercial mortgage backed securities delinquency rate has climbed to 10.3% in July, up from 10.2% in June and 9.5% in Feb.

Less Corporate Cash

The Fed has reduced its estimates of the amount of cash held by U.S. corporations from $2.2T to $1.7T in June, a 23% decrease.

Copyright 2021 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.