

SMALL BUSINESSES THROUGH THE HOURGLASS

by [Steve Brown](#)

The hourglass sand timer reportedly goes back to the 8th century. It is so-named because it is principally made of glass and the sand trickling through it typically takes an hour to drain from one side to the other. We use this analogy because as with sand in the hourglass, banks are always seeking to have a steady trickle of customers coming in. Unfortunately, like sand in the wind, both customers and potential customers can sometimes also blow away. Before you say we stayed on this theme so long it felt like sand blew your eyes, we move on to our discussion today.

It is a given that your bank wants to keep existing customers and attract new ones. Yet, since economic stress is fluid right now, it is also changing customer behavior. Consider a recent survey by Citibank. It found 53% of small business owners had reinvented their business to stay afloat or be competitive. That is more than half and while it shows flexibility for survival, we wonder what that means for the longer-term. Importantly, of this group that adapted to conditions, 47% said they overhauled products or services offered, 24% adjusted their infrastructure through staffing or technology, 18% enhanced sales and marketing efforts and 7% said they cut pricing or took out less profit (the rest physically moved to greener pastures).

Banks know that one of the key things small business owners want from them is to have a better understanding of their business. One problem with this is that until this survey, many bankers thought of this process as static. Now that you know it is fluid and business owners are rapidly changing to survive, there may be additional changes to make in your sales efforts. For instance, it used to be that once you knew Customer A owned a dry-cleaning business, you could do some research, focus on the typical needs and issues a business of that sort might face, train your sales teams to deal with the top issues and then get out and capture more of these customers with a focused product pitch.

Change can be good, but when it is driven by such strong forces as necessity or the business' very survival, it can also be quite impactful. Those factors have led to a wave of business reinvention that savvy bankers can tap into to drive new loan business perhaps. Consider that same dry-cleaning business. Now when you visit that business owner, you will likely find it has changed significantly. While it still offers traditional dry-cleaning services, it also does shoe repairs; clothing alterations; pillow refreshing; pick up and delivery service; clothes washing, drying and folding; wedding dress service and repair; curtain cleaning; clothes storage; fire and smoke restoration; rug and linen rental; carpet cleaning and ironing services (we found all of these on dry cleaner web sites we searched). The business has changed, so the education for your customer-facing team must continue if you are to get the business and maximize your opportunities.

Another thing to know about your customers found in this same survey is that 88% of business owners work hard to stay updated and knowledgeable about their own business. Here again, if you have a few local dry-cleaners as your business customers, you can become more relevant if you provide them information about their own business. Consider such steps as educating customers how to do eco-friendly or green cleaning; giving them research on how to offer higher quality customer

service to drive repeat business; how to deal with potential environmental issues; how to work better with employees; or how to generate more leads through better marketing.

You may already be doing some of these things, while others may need to be outsourced and still others might need some fine tuning if they are to work. Rest assured though, that the very fact you are trying to help your customers improve their businesses will resonate strongly.

As with tiny pieces of sand going through the hourglass, it is difficult to see how different they really are from one another unless you get them under a microscope. The same can be said for your small business clients. Visit them regularly, ask a lot of questions and show them how your bank can help them get that steady trickle of new customers flowing.

BANK NEWS

No Reform

The SEC cancelled a vote on a proposal to reform money market mutual funds, as a majority of SEC commissioners oppose the measure. In related news, Treasury Sec. Tim Geithner said if the SEC fails to act, the FSOC will consider managing reform. This is bad news for banks, as the reform was heading in the direction of making money market accounts less competitive to interest bearing deposits.

SFR Standards

Fannie Mae tightened some underwriting standards based on performance data. Maximum LTV for some adjustable rate mortgages will be dropped from 97% to 90% and minimum FICO scores will be raised from 620 to 640. In addition, the agency will end its flexible FannieNeighbors program supporting underserved areas.

Card Satisfaction

A new JD Power survey shows consumers are more satisfied with their credit cards rewards programs than they have been in the past 6Ys. Out of 1,000 points, the average satisfaction score across issuers was 753, up from 731 last year. Reported problems on cards dropped from 18% to 11%. Amex still occupies the top spot with the most satisfaction, followed by Discover and Chase. Of note, only 7% of card holders access transactions via mobile.

E-Receipts

Wells Fargo passed the 100mm mark on their e-receipts where users can send ATM transaction details to their email. E-receipts now account for 12% of 2012 volume.

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.