

## MONEY, CUSTOMER BEHAVIOR AND SERVICE

by [Steve Brown](#)

Bankers love money, which is one reason we found a study in the Journal of Consumer Research interesting. It found people will spend more when the paper money they hold is old and worn. Even stranger, people will tend to use newer bills when they are trying to impress someone, even if they have older, higher denomination currency on them. Finally, people tend to spend more freely when they have smaller denomination bills, than when they have higher denominations. Human behavior is fun to watch, which can be seen as banks attempt to differentiate on service. This marketing strategy likely stems from a barbell distribution in the banking industry. This is to say that bank assets are distributed between a relatively few large banks and many small banks. The smaller banks are typically unable to differentiate on low cost, wide product set or a broad distribution network, so service comes into play. While many community and large banks have been successful in delivering superior service, by definition most do not. That is because superiority in service is a relative concept. A few top service-providing banks are out-competing the vast majority of others who are delivering average or below average service. How do banks succeed in providing superior service? Saying that your bank is a great service provider in your mission statement or footer of the corporate email is only the first step. While there is no one solution, here are a few important tenets. First, some banks provide a sense of membership. Customers become enthusiastic about doing business with you if they feel inclusivity. Banks that treat their customers as honored members of a special club provide a great experience. Outside banking, the Four Seasons Hotels and Resorts also gives customers a bona fide membership experience. Guests come to regard the Four Seasons as a home away from home. The hotel teaches all front-desk employees to greet guests by name and to complete their room registrations within four minutes. Employees always offer a "welcome back" to guests who return. Some banks create that same sense of community with their customers. Second, some banks cultivate partnerships with their customers and do not view the bank as a sales entity. We have seen successful banks enter into a partnership with customers. By understanding a few lending verticals very well and catering only to those (i.e. veterinary, dental, legal practice, import/export) customers, business ties are strengthened. Third, banks must hire correctly. Your employees are your business. Finding and hiring loan officers and tellers with positive, customer-oriented attitudes is essential. You can probably teach any bank employee the basic business of banking in six months, however, you cannot teach customer-oriented attitudes to anyone that does not already possess them. For example, The Fudgery operates more than 30 retail stores across America. It does not seek new staff members with fudge-making experience. Instead, it looks for extroverts who like to sing, dance or tell jokes during job interviews. The Fudgery enlists "cast members" to put on enjoyable shows for customers. While banking and fudge making are very different businesses, careful hiring can boost customer service. To hire the right people, look for the following: people that demonstrate personal warmth (customers like to deal with welcoming, kind people); personal empathy (employees who relate to customers deliver better service); optimism and an upbeat attitude (boosts performance); teamwork (team members can provide more long-term performance than a few individual performers); and finally, seek people that are proud of their work and strive to improve as professionals (sets the standard). Remember that bosses set standards for employees and employees will rarely outperform those standards. Treat your employees the way you want your employees to treat your customers and superior service will follow.

# BANK NEWS

## Closures (1 YTD)

Regulators closed Westside Community Bank (\$98mm, WA) and sold it to Sunwest Bank (\$620mm, CA). Sunwest captures 2 branches, all deposits and essentially all of the assets and purchased at a discount (vs. loss share).

## For Sale

Citing an anonymous source, Bloomberg reports Virginia Commerce Bancorp Inc. (\$3B, VA) has hired an investment banking firm to explore a sale.

## Biz Lending

A survey by Biz2Credit finds loan approval rates for small business loans between \$250k and \$3mm originated in Dec. was 49.8% for community banks, 47.6% for credit unions and 14.9% for large banks with assets above \$10B.

## Competition

U.S. Bank is beginning trials of its Go Mobile service that uses an iPhone case equipped with an NFC chip, to allow customers to pay merchants by swiping their phone over a checkout reader. The move bypasses waiting for phones themselves to become equipped with the technology.

## Out Hunting

Bloomberg reports Japan's largest bank, Mitsubishi UFJ Financial Group, has compiled a list of potential acquisition targets in the U.S. and is beginning to talk to CEOs on the list. Mitsubishi already owns Union Bank (\$87B, CA) here, but has said it actively wants to expand its U.S. footprint.

## Hotel Lending

The Global Business Travel Association projects business travel spending will be 2.0% in 1Q, 2.9% in 2Q, 6.4% in 3Q and 7.2% in 4Q, as companies focus on capturing more business.

## Flu Bug

The U.S. is suffering from the worst flu outbreak in years and experts say it could cost the economy \$10B.

## Bank Failures

The FDIC reports 50 bank failures in 2012 vs. 92 in 2011; 157 in 2010 and 140 in 2009.

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