

## FAUX VACATION

by [Steve Brown](#)

The best way to move forward in life and in business is to set goals. They have to be realistic and a short enough list to make sure focus is also maintained. Whether your bank uses SMART goals or something else, if you don't set them it is hard to improve. Speaking of improvement, after writing about difficulty using credit cards in Europe due to slow adaptation of smart card technology by US banks, one of our readers suggested a solution might be to avoid going overseas altogether and instead take a faux vacation using the latest technology.

After all, they mused, you can use Google Earth for scenic views from every possible angle (street, satellite, hybrid and standard map); you can use the built in flight simulator to enjoy the thrill of flight without being squished into a tiny airplane seat for 8 or 10 hours (plus you can avoid blood clots in legs and microbe-filled air floating about a tin tube); you won't be bothered by the TSA and don't need a passport. If the beach is more your style, you can purchase a white noise app for your phone so you can hear the sound of waves breaking on whatever beach you have loaded into Google Earth. It's an interesting idea, but in the end, there is not much question that a faux vacation is probably less satisfying than a real one.

We were reminded of another faux and that is faux service. A friend recently posted on his Facebook page "Banking at Large Bank X is like having to go to a car dealership to fill up your gas tank. Hoping to do a simple transaction, but five people trying to sell you something you don't need every time!"

Now we've seen the cross-selling numbers at some of the large banks and those ratios are often cited as a goal, with the assumption that a high ratio is a sign of effective use of personnel. Cross-selling is important to every bank. Customer profitability is tough in the ongoing environment of competition and margin compression, so the primary way to make customer relationships more profitable is to have multiple products. Chances are the big bank has analyzed the profitability of each product and then personnel push customers in that direction, to boost performance in many cases. This is not customer service.

For cross-selling to be effective, for it to support an environment of customer service, then the process must be customer driven. This takes a little longer and a bit more study. Banks can make some educated guesses on what a customer may need as a starting point. Likely your customers with a business loan should have a business checking account and maybe merchant services. Asking your customers what they need is another way, although often you will get an answer along the lines of "oh well I'm fine for now".

Here's yet another approach, as most business customers have several banking relationships. Ask your good customer if they do business with another bank. If so, ask what services they use and then offer to do the same at your bank only with better service. Try not to compete on price, but if there needs to be a small sweetener, then offer it to drive action.

Hopefully these approaches will help deepen the relationships you have, as you expand your business in a customer centered manner. Set your SMART goals in this area and move forward to deliver real customer service vs. the faux variety.

# BANK NEWS

## Q1 Real Results

The FDIC reported Q1 results for the industry were great, but the story for community banks is more interesting to us. Overall, industry loans grew 3.8% from Q1 2012 to Q1 2013, pushed along in dollar terms almost entirely by 11.6% growth in C&I and 14.3% in Other. Meanwhile, community banks with assets \$1B or less saw loan balances decline by 2.0% on average over this same period, driven by a decline in real estate (office, construction, single family and home equity in that order).

## Customer Preferences

Gallup research on customer channel preferences finds people say they want to use branches to apply for a loan (83%), open or close accounts (81%) or get financial advice (79%). Online usage scored highest for paying bills (60%), transferring funds (51%) and getting balances or viewing transaction history (43%). Mobile usage was greatest for receiving alerts (3%), ATMs were mostly used to withdraw money (47%) or make a deposit (19%) and the mail channel was used to receive statements (56%), receive alerts (29%) and pay bills (17%).

## Customer Security

A small business study by Symantec finds 83% have no formal cyber security plan, yet 71% must have the internet to conduct daily operations. Research in 2011 found almost 67% of small businesses that underwent a cyber attack were forced out of business within 6 months of the attack.

## Fee Income

An ICBA survey finds the top 3 things community bankers are considering doing to increase fee income are improving efficiency or cutting overhead costs (63%), increasing service charges (56%), or increasing small business customers or services (45%).

## Not Yet

A study by the St. Louis Fed finds only 45% of average household wealth has been recovered since the recession when adjusted for inflation, population growth and uneven gains related to stock market movement. The data shows we aren't quite back to 50% of what we had as a country prior to the recession.

## Tapering

Any formal announcement by the Fed that they will cut back on bond purchases would most likely come at the Sep. 18 FOMC meeting just given the calendar.

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