

Avoiding a Disaster Brick by Brick

by [Steve Brown](#)

A recent Aon report found economic losses from global natural disasters during the six months ending June 30 totaled \$85B (up from \$75B in 2012). In order of size, the five largest economic loss events in the first half of 2013 were the Central Europe floods during May/June (\$22B); the China earthquake on April 20 (\$14B); the Brazil drought (\$8.3B); the U.S. severe weather outbreak in mid- May (\$4.5B) and the China drought (\$4.2B).

Whatever you may blame for these issues, unfortunately there are many times in life where planning ahead doesn't always help. Natural disasters fall into that category. Even with all the amazing technology we have now to predict the weather, loss is sometimes simply impossible to avoid.

In banking, however, certain losses are more preventable, particularly when it comes to customer attrition. One way to keep customers happy and help curb attrition is to constantly evaluate your products and services. At the same time, it is important to continually monitor and measure customer experiences to make sure their expectations are being met by your team.

Along those lines, we were intrigued to read about a new product called "In the Chat." It reportedly mines social media posts about your brand, competitors and industry. Doing this, the company says, helps you identify, analyze and directly connect with social media users to improve your customer service experience. The company says the result is increased sales, better customer retention and lower service costs.

We can't speak to the merits of this particular product, but the idea behind it is solid. In order to succeed, banks need to know what customers are saying about their in-branch and online experiences. You need to somehow collect this information and then mine the data to help better understand your customers. Doing this can significantly boost customer satisfaction levels and help limit attrition.

To be sure, a certain amount of attrition is normal. Regrettably, customers die, move away, or leave for reasons that have nothing to do with the level of service you offer. Even community banks, which are typically known for high service levels, cannot rest and must continually search for ways to improve.

Attrition is also an industry-wide problem, as customers increasingly seek out the best rates, products and services. In fact, a study last year by Ernst & Young found the number of respondents who changed their main bank increased to 45% in 2012 vs. 38% in 2011.

Customers are increasingly willing to change banks as is reflected by the rise in the number of banking relationships they have. In the US, the number of customers with only one banking relationship fell to 42% last year from 51% in 2011. Meanwhile, the percentage of customers banking with three or more providers has climbed to 23% from 16% in 2011.

The study goes on to point out that pricing is the single most important driver of customer satisfaction and a key tool in the fight against attrition. Knowing this should make banks all the more attentive to how customers are charged and what services are provided in exchange. The good news

is that serving customers well is what community banks do, so understanding what's working and what's not *from a customer's perspective* is a good exercise to do now and then to be sure. To avoid disasters natural & otherwise, continually focus on the client as the client.

BANK NEWS

M&A

The parent of 1st Constitution Bank (\$813mm, NJ) will acquire the parent of Rumson-Fair Haven Bank and Trust Co.(\$236mm, NJ) for \$24.3mm in cash (40%) and stock (60%).

M&A

The parent of Mercantile Bank of Michigan (\$1.4B, MI) will merge with the parent of Firstbank (\$1.3B, MI) and Keystone Community Bank (\$243mm, MI). Mercantile will pay about \$151.5mm to create the 3rd largest bank in MI (deposit share). After the transaction, Mercantile shareholders will own about 52% of the stock in the combined company, Firstbank shareholders will own 48% and the board will be comprised equally of Mercantile and Firstbank directors.

Small Biz

An AARP survey finds 10% of workers aged 45 to 74 plans to start a business and 15% are already self-employed. In good news for bankers, AARP also reports 75% of older workers running their own business were profitable in 2011 (latest period available).

Less Support

The Wall Street Journal reports 37% of adults under 35Ys old currently own a home, down 12% from 5Ys ago.

Less Cash

A WePay survey finds people used cash 27% of the time in 2011 vs. 29% for credit cards. More interesting perhaps, these percentages are expected to decline to 23% for cash and rise to 33% for credit cards in the next 4Ys.

Small Biz

A small business owner survey by OnDeck Capital finds the top 3 ways they look for new customers in order are word of mouth marketing, internet search and email.

Not Social

A survey by OfficeTeam finds 68% of senior managers are not comfortable being 'friended' by their bosses. Meanwhile 62% say they are uncomfortable doing so with employees they supervise. Interestingly, about half of people don't want to connect with coworkers on Facebook, while the other half don't seem to care.

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