

## A Guy and a Dolphin Walk into a Bar

by [Steve Brown](#)

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So a guy and a dolphin walked into a bar to have a drink. The dolphin says - "hey don't worry mate, this one's on me, you pick up the tab the next time". A good time is had by all. The years go by, life goes on and the guy forgets about his debt to the dolphin. The guy runs into the same dolphin at a pool bar some 20Ys later. The dolphin remembers the unpaid debt very well and is not amused to see his irresponsible former friend. The dolphin promptly swamps the guy's cocktail with his tail fins, steals his girlfriend and the dolphin and the girlfriend go off to live happily ever after. Why are we talking about dolphins?

Well, recent research at the University of Chicago found a dolphin's social memory lasts at least 20Ys, which is the longest recorded of any species outside of humans. A number of animals who live in structured hierarchical groups have very long social memories, like elephants, chimpanzees and now dolphins. So far as we know, however, humans still have the longest memories.

For community banks, customer experience is the social memory of business life - it is how your customers perceive the service they receive in your bank. Community banking is all about customer service and most banks we know do a great job. In fact, ask any community bank customer facing team and they will say it is their primary goal to provide excellent service. But what are the components of great service and how important is it really? American Express did a survey about customer attitudes regarding good service and the findings were enlightening.

We know customers talk about their experiences with their friends and it's pretty widely known they share bad experiences more than they share good ones. This study found the average consumer told 9 people about exceptionally good service while they told nearly twice as many about a poor experience. Of the customers who reported a fantastic customer service experience, 67% felt the reason for the quality of their experience was a friendly representative who was also able to solve their concerns.

There are still companies that follow conventional wisdom that service is a business cost rather than an investment that can drive business growth. In response, many customers do not believe companies are making an effort. A full 60% believe businesses have not increased their focus on customer service in fact. Community banks are a bright spot however, since 81% of consumers surveyed believe smaller companies place a greater emphasis on customer satisfaction than large ones.

To drive the business in your bank it is all about customer-facing employees. Banks that have a strong reputation for their customer service understand that the employees who interact with customers are the true ambassadors of their brands. They provide regular training and seek out the right people. They then ask them what they need and empower them to succeed. One top ranked company even aspires to build the confidence and ability of employees to a level where they can respond to each customer's needs in a unique way.

This all is interesting to be sure, but how does it drive growth? The survey found that Americans place an ever larger premium on quality service and 70% are willing to spend more (13% more) with

companies they believe will provide it. Do all you can to maintain and improve the social memories of your customers and it will drive the success of your bank. Finally, if a dolphin buys you a drink, always reciprocate the hospitality.

## **BANK NEWS**

### **M & A**

Cardinal Bank (\$2.9B, VA) will acquire The Business Bank (\$331mm, VA) for about \$52mm.

### **Job Cuts**

Weak mortgage activity is the main driver behind Bank of America's plans to fire 2,100 people and close 16 mortgage offices as higher rates reduce activity in mortgages.

### **Slow Mortgages**

The CFO of Wells Fargo said at a NY conference that he expects home loan volume will fall 30% in 3Q vs. 2Q.

### **M & A Activity**

SNL Financial reports bank M&A activity so far this year is behind last year's pace. Through the end of Aug, there were 134 deals, so 2013 would be about 200. That compares to 236 deals for 2012, 149 in 2011 and 179 in 2010.

### **Less Support**

The Wall Street Journal reports federal officials are getting ready to cut the maximum loan size of loans that would qualify for FNMA/FHLMC guarantees. Conforming mortgage limits are currently \$417,000 in most parts of the US (up to \$625,500 in CA/NY).

### **Commercial RDC**

A Cummins Allison survey finds despite the fact that 75% of banks offer remote deposit capture to commercial customers, only 5% of those customers actually use the service.

### **Economy**

CNBC reports the latest survey of economic forecasters by the NABE finds GDP is projected to increase to 3.0% by spring. At a pace of 200k jobs per month, the unemployment rate should decline to 6.8% by the end of 2014.

### **TARP**

The Congressional Budget Office estimates that of the original \$700B available under TARP, about \$428B was disbursed (61%) and some \$21B will not be repaid (4.9% of the amount disbursed).

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