

## The Holy Grail of Banking

by [Steve Brown](#)

For some, belief in the Holy Grail and interest in its whereabouts is an ongoing fascination. The story of this medieval legend and of the quest to find this Christian relic has repeatedly made its way into books, movies and other forms of pop culture. In modern lingo, it's synonymous with an object or goal pursued because of its extreme importance.

The holy grail of banking one could argue is the customer relationship. Capturing a deeper piece of a relationship by cross-selling is the ultimate goal of many banks.

Cross-selling is an important strategic initiative for many reasons, not the least of which is that it costs less to increase penetration with existing customers than it does to capture new ones (about 5x to 16x less depending on the study). But how to take the relationship to the next level is an area where many banks struggle. Many find it an arduous task to get customers to venture from their comfort zone and into other products and many just plain don't have a great selling program. Every journey begins with a single step, as the saying goes, so one of the first steps in effective cross-selling is to understand who your customers actually are.

For purposes of this discussion, we'd like to move beyond the mandates of knowing your customer for regulatory purposes. Instead, we'll focus how to better tailor your cross-selling strategies by "bucketing" your customers into four distinct groups (set out by Deloitte in a recent report).

The first set of customers is what Deloitte calls "basic users." These are the young and middle-aged customers who aren't high wage earners and have more straightforward financial needs. They tend to express lower levels of satisfaction with their primary bank and hold a limited number of banking products.

The second category is referred to as "value shoppers." This category consists of customers age 45 and above, with moderate to high income who tend to focus on pricing. These customers are the most likely to switch banks if account fees are bumped up. They're the second highest users of brick-and-mortar branches and digital banking channels.

The third group of customers is known as "diversifiers." They are affluent bank users age 45+ who have myriad banking needs. They are the most frequent users of branches and digital channels and have positive feelings about their primary bank.

The fourth category is called "consolidators." This category is loyal customers with low-to-moderate income who are nearing or in retirement. This group tends to be satisfied with their primary bank and are the most active users of ATMs for withdrawals.

Whether you choose this sort of "bucketing" or another one that works for your bank, once you've divvied up customers into their respective categories, you can better tailor selling strategies to meet their individual needs. The best products and services for one group may be very different than they are for another, so your approach will likely need to be different too. Not understanding your customers is akin to a barber shop that gives the same haircut to every customer, regardless of his or

her gender, age, hair type or personal preference. It may be easier for the barber, but it doesn't have a lot to offer by way of long-term growth potential for the business.

Customer relationships are everything in banking and cross-selling is one way to strengthen existing ties. Unlike in books and in movies, however, the holy grail of banking is not elusive. It is right there in front of us if we open our eyes.

## **BANK NEWS**

### **Large Penalty**

TD Bank has been fined \$52.5mm (by OCC, Fincen and SEC) for BSA and securities laws violations for failing to file SARs on activity in accounts belonging to Rothstein Rosenfeldt Adler, the FL law firm through which Scott Rothstein ran a \$1.2B Ponzi scheme.

### **Warning**

In a speech yesterday, FDIC Chair Gruenberg warned bankers industry challenges remain and narrow net interest margins and modest loan growth are making it difficult for banks to increase revenue. He also reminded banks of "the importance of managing interest rate risk," calling it an "ongoing concern" to regulators and "a focus of attention" in exams. Community bankers should take note and be sure to delve deeply into ALM reports and analysis to better understand risks.

### **Tapering**

The latest expectations for Fed tapering put it starting in Dec. That will allow the President to lock in a new Fed Chair, the data should be strong enough by then and DC fiscal fights will be over by then.

### **Negative Employees**

A study by Fierce Inc. finds 80% of employees say a negative attitude of certain employees reduces team morale and is the most detrimental trait a coworker can have. The research also finds 78% of employees say their company is somewhat tolerant of those with negative attitudes and about 60% of employees say they will confront negative colleagues.

### **Mobile + Branch**

A study by xAd and Telemetrics finds 54% of those surveyed rely only on mobile tools to do research for a financial product and make purchase decisions. Yes, the same survey found 62% of smartphone users and 52% of tablet users still wanted their bank to also have a branch within five miles.

### **Mobile Bill Pay**

Research by Mitek finds 58% of online households that own a smartphone are interested in mobile bill payment and mobile photo bill pay adoption is projected to reach 33% of all adult US consumers in the next 5Ys.

*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.*