

An Expert At Everything

by [Steve Brown](#)

When you begin a home remodeling project, usually you hire a contractor to manage all the different craftsmen whose special skills will be required to complete a larger project. One team is an expert at laying tile, while another installs windows. But married couples know that when there are small jobs to do around the house, the move is to ask the one person who lives in the house who is a jack-of-all-trades. This person is asked to do everything and for some odd reason they jump right in. Yet, the truth is more likely that this person is probably reading an installation manual (or not!) and doing the job for the first time. Asking someone familiar & friendly to fix something is meant to simplify the task, but may end up with the opposite result (plus 15 trips to the hardware store).

The same can happen with banks and community banks are no exception. Bank staffs have specialties based on their training and experiences over time. Just because someone has worked at a bank for a long time does not necessarily mean they are the best person to answer a given customer's question. They may not know the answer and yet the customer is about to have an experience with the bank they will remember (positive or negative), so care must be taken. All employees must be continually trained so the focus remains on the customer.

In the end, all banks have a difficult time meeting the needs of every customer and it is probably not even smart to try. It takes a talented management team to decide where to draw the line, however. There is a matter of pride in believing we can handle every situation, just like the project generalist in the opening paragraph of this discussion. Many people don't like to ask for help or admit they don't know something, so the customer feels the impact and eventually so too does the bank. Given a need to expand business and increase revenues in the bank right now, management must be actively involved.

Take the deposit customer for instance. Right now banks are generally awash in funding and loan demand is only beginning to edge higher. Yet, more and more, the typical deposit customer wants higher interest rates on their money. In such an environment and as funding needs build in coming quarters (as loan demand accelerates), a familiar path is for banks to begin to market using interest rates. This can include running a premium rate CD special and many bankers might say it is OK, as long as it has a restriction that the rate applies only to "new money."

The problem with this approach is that the bank is teaching its customers (all of its customers) what rate to expect. The restriction is also highly likely to raise demands on front line staff. After all, it doesn't take much imagination to envision a long-time customer asking why the bank thinks a new customer is more valuable than a loyal existing one. That is why promotions that come with special requirements typically have 40% to 50% of the funds coming from existing accounts that were paying a lower rate. From our data, the result is a 60 to 70bps rise in the cost of funds for the new deposits. In the end, the bank ends up cannibalizing its existing deposits and rate sensitizing its customers at the same time.

So how should a bank expand its deposit base and keep its customers happy? Most banks have room to grow within their existing customer base by expanding the products customers hold. Focus on asking such questions as whether every business borrower has a business checking account or

whether they have a line of credit and personal accounts with you. If you haven't asked your customers for this business, they may not know you provide a particular service or they may just never have thought of doing it through your bank.

Bundled business packages are among the most profitable product sets that banks can offer. More important, they deepen the relationship and the result is a less interest rate-sensitive customer. This should allow your bank to build customer service rather than be measured by interest rates. At the very least, you probably won't need as many tools as the guy in the picture is carrying around just to change a light bulb.

BANK NEWS

Business Owners

A survey by Dell and Manta finds 37% of entrepreneurs say personal achievement is the greatest motivating factor in why they started their own business and 28% say it is for financial stability.

Small Biz

Research by BizBuySell finds sales of small businesses hit a robust 1,726 in Q1, the 5th consecutive quarter above 1,600 (compares to 1,126 in 2009/2010).

Competition

SNL Financial reports banks with assets \$10B+ held 47% of all nonfarm small business loans at the end of 2013 vs. 39% in mid 2003 and 20% in mid 1993.

Millennial Banking

A 3Y study by Viacom Media Networks finds 71% of Millennials (born 1981 to 2000) would rather go to the dentist than listen to what banks are saying. Other findings: 53% don't think their bank offers anything different than any other bank, 68% expect to access money in 5Ys in a totally different way than they do today and 33% do not think they will need a bank at all in the future.

Financial Advice

A survey by TD Bank that asked Millennials where they turn for advice on financial products and services found 49% go to banks in person, 44% seek out family members, 43% go online with their bank, 26% talk to friends and 24% go to a financial website or online news.

Saving More

A CNNMoney survey of households' nationwide finds 61% are saving money to build a security cushion in 2014 vs. 59% in 2011 and only 24% in 2009.

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