
Checking In For Extraordinary Service

by [Steve Brown](#)

Over the years there have been numerous claims that the Eagles 1970s hit "Hotel California" is about Satanism. Snopes.com, the popular myth-busting website, refutes this contention, explaining that the popular song is really a metaphor for the West Coast music industry and its effects on talented, but naïve artists caught up in its excesses.

Large banks are certainly no strangers to the dangers of overindulgence as seen by the recent crisis, yet we take pride in pointing out that the banking industry overall (and community banks in particular) is stronger than it was in 2008 when several decades of excess came to a head. But even as banks are better positioned today than they were in the crux of the financial crisis, we still have to stay on our toes. After all, even a small crack can eventually cause business to implode.

One area in which banks and all companies for that matter are particularly prone to fissures is customer service. That is why we were particularly intrigued by the results of the 2014 EY Global Consumer Banking Survey.

The survey found there is "significant business opportunity" for banks from customers deemed to be "advocates." The term in the survey is defined as "those who are very likely to recommend their primary financial services provider." The good news for banks here is that the survey also found that 85% of all survey respondents said a bank was their primary financial services provider. 44% of those identified as advocates reported they opened new accounts or services at their primary financial services provider in the past 12 months. In short, it appears many people still see banks as a primary place to do their financial services and that if you can make them into a believer through great service and other factors, you stand a good chance of expanding your business with a good chunk of those customers.

In another great area of focus for community banks, the same survey found "trust" is critical if you want to be identified as the primary financial services provider, followed in ranking by the way you treat the customer (related to communications, quality of advice and complaint handling). While not earth shattering necessarily, these points should be challenged at your bank in order to make sure you are providing the very best service not only from your viewpoint but also more importantly, from the customer's viewpoint.

Finally, we found another little nugget in the survey that community banks are in a great position to leverage. Here, the survey found customers say they are willing to increase their accounts and balances "in exchange for banks' helping them develop their financial plans and goals." There are certainly rules and regulations around going too far here, but it is great that customers are virtually screaming out to banks to help them better understand their financial situation to improve it and are willing to do more with banks that step up to the challenge. Perhaps yet another area of your program to review to be sure it is up to snuff.

Community bank management teams know it's a no-brainer that providing a good customer experience is a smart business tactic. Another survey (2014 World Retail Banking Report) by Capgemini and Efma even finds that in North America customers with positive experiences are 4X as

likely to stay with their bank as those with negative experiences, so ensuring consistent strong customer service and building trust are critical.

We close with some interesting food for thought. The same report suggests that when it comes to retaining customers, it's not enough to provide mediocre service. Put another way, it seems customers are more likely to be loyal when they're wowed with 5-star service. In North America, for instance, only 51% of customers with neutral experiences said they were likely to stay with their bank six months out, compared with 83% of those with positive experiences. (Not surprisingly, only 20% with negative experiences said they expected to stick around in 6 months). It takes work to provide unparalleled customer service, but we all know when we see it and we all love it when we receive it. Keep up the good work community bankers!

BANK NEWS

M&A

California United Bank (\$1.4B, CA) will acquire 1st Enterprise Bank (\$776mm, CA) for about \$103mm in stock. CA United picks up 8 branches in the transaction.

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Independent Bank (\$2.4B, TX) will acquire Houston Community Bank (\$323mm, TX) for about \$48mm in cash and stock. Independent picks up 6 branches in the deal.

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Old National Bank (\$9.4B, IN) will acquire Lafayette Savings Bank (\$336mm, IN) for about \$67mm in cash and stock. Old National adds 5 branches in the deal.

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National Penn Bank (\$8.5B, PA) will acquire 3rd Fed Bank (\$849mm, PA) for \$138mm in cash and stock or 1.4x tangible book. National Penn adds 19 branches in the deal.

Good News

The Fed reported about 67% of lenders across the country "reported rising loan demand" in a good sign for community bank lending opportunities.

Not Counting

Capital One Bank (\$237B, VA) said it will no longer have coin counting machines in its branches because they are unreliable and due to the fact that fewer people are coming into branches for them.

Small Biz

A survey by Intuit finds small businesses added more jobs in May than at any time in the past year.

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