

Getting In Touch With Small Business

by [Steve Brown](#)

Some readers may remember the 1976 fantasy comedy film *Freaky Friday*, in which a young Jodie Foster switches bodies with her overworked mother, allowing each a taste of the other's life. If you prefer, there's also a 2003 remake with Lindsay Lohan playing the role of rebel teenage daughter, a seemingly good fit for the troubled actress. In both movies, as well as the book they are based on, the moral is the same: you can never really understand another person until you walk in their shoes.

The same can be said about a bank's relationship with its small business customers. You'll never really win big with these customers until you understand the things they care most deeply about. Community bankers are already quite good at this as most small business lending comes from community bankers, but there is always room to improve. So for today's discussion, consider stepping into the shoes of your small business customer in order to strengthen your current strategy.

Attracting and retaining small business customers for the long-term has a lot to do with a bank's approach. There's a misconception shared by many banks that all small businesses need loans and that funding is the underpinning of any solid relationship. While it's true many small businesses need funding, a study conducted in May by the NFIB Research Foundation found that 30% of business owners polled reported all their credit needs have been met. Further, 53% said they did not want a loan. Even more telling, only 3% said financing was their top business problem, whereas 25% cited taxes.

These numbers all suggest that if loans are going to be a key selling point, you will have to work very hard to differentiate yourself and your bank. Start by having one-on-one conversations with each of your small business customers to get a better sense of their unique needs. Go to their offices and ask how your bank can help them meet their business goals. Focus on what's in it for them and sales will begin to surface--albeit slowly given the current extreme competition. For instance, some business owners may have wonderful vision, but in many surveys, they readily admit to terrible financial management skills. This could be one area where they're looking for help, and if you ask, you just might discover an untapped opportunity.

A recent Wells Fargo/Gallup poll provided insight on the concerns of small business owners. Their top concerns include attracting customers, targeting business opportunities, and finding new work or business. Also of concern are the economy, government regulation, and healthcare. Discussing the topics that are of concern to your small business customers will get their attention.

From a practical standpoint, we know there's not much your bank can do to ensure the economy will be favorable for small businesses. Likewise, aside from lobbying, banks can't really affect government regulation or the nation's healthcare laws as they pertain to small businesses. However, you can position your bank as a great place for small business owners to alleviate their top concern--growing their business. There are many ways to go about this, but you'll never get to that point if you don't first try to gain a better understanding of how small business owners think.

Community bankers know that burning shoe leather is one of the best ways to get busy small business owners to carve out time to talk. Though you'll never precisely know what they're thinking, a

one-on-one conversation will help you to better understand their needs...and in so doing, increase your chances to surface more business.

You don't have to switch bodies to know that the more you understand your customers, the more they may see your bank as a great partner for years to come. Good luck out there.

BANK NEWS

Bank Closed

(14 YTD): Regulators closed: GreenChoice Bank, fsb (\$73mm, IL) and sold it to Providence Bank (\$445mm, IL) under a purchase and assumption agreement. The agreement calls for Providence to get 3 branches, all deposits and about 93% of the assets.

M&A

Bremer Financial (\$8.9B, MN) will acquire Eastwood Bank (\$670mm, MN) for an undisclosed sum.

M&A

Grand Rapids State Bank (\$230mm, MN) will acquire Crow River State Bank (\$84mm, MN) for an undisclosed sum.

Farming Risk

The Wall Street Journal reports corn prices have fallen so much that regulators and others are worried farmers may not cover their operating losses.

M&A Trouble

A KPMG study of M&A activity during the 1990s and 2000s found a whopping 67% to 80% of deals did not improve the acquiring company's performance. Mistakes and integration can wreak havoc on modeled results it would appear, so if your bank is thinking of acquiring another be sure to triple check everything before proceeding because the odds are against you.

Mobile Investment

VISA said it has invested in mobile payments startup LoopPay alongside other investors. LoopPay allows people to buy items from merchants using credit cards stored on smartphones.

ECB Hacked

The European Central Bank said it was hacked and email addresses and other contact information was stolen, but that nothing sensitive was taken. Hackers reportedly asked the ECB for money in return for the stolen information.

Jobs Eliminated

Regions Bank (\$117B, AL) said it has reduced headcount by 3.5% in the first half of this year (about 839 jobs), as the bank is focusing its efforts on improving efficiency, consolidating branches, optimizing branches and managing expenses.

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