

## Customer Retention and Profitability at Community Banks

**N**EARLY EVERY COMMUNITY BANKER WE KNOW thinks relentlessly about customer growth and opportunity. Improving customer retention can play a significant role in enhancing customer profitability, as well. While effective customer retention and cross-selling efforts at a community bank involve much more than data mining and business intelligence reports, reporting plays a key role. Every customer retention program should consider the following areas to glean important insights.

**CROSS-SELL OPPORTUNITIES:** The value of cross-selling is far greater than the simple value of capturing additional wallet share. It is a critical component of customer retention. Studies show that the more products a customer uses, the less likely they will be to leave. For example, if a customer only has a checking account at a bank, there is a 50 percent chance of losing that customer in any given year. However, if that customer has a checking *and* a savings account, the probability drops to 10 percent. Banks that can add a loan to the mix can push the probability of defection down to 2 percent. Knowing which customers to cross-sell and what products make sense play a huge roll in retention.

**EARLY WARNING ANALYTICS:** Retention program analytics can detect which customers are most at risk of leaving a bank. Used properly, an early-warning system with proactive follow-up by staff can cut deposit attrition by 50 percent. Such systems analyze account activity, the depth and type of relationship the customer has with the bank and the length of the customer relationship. Even tracking simple metrics, such as the length of customer relationship and type of products utilized, can help identify high-risk customers.

**TRACKING:** You can't manage what you don't measure. Unfortunately, many banks' core systems don't easily highlight the customer churn that occurs every day. The typical branch may open 60 checking accounts a month, while it closes 50. At a minimum, bankers should track the number of account openings and closings at the *branch* level. The simple art of measuring this metric and communicating the results

to staff will lead to improved customer retention.

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**CONTINUAL TOUCH:** Increasing the number of customer marketing "touches" also helps. Customers who receive calls, emails, direct mail or visits 18 times

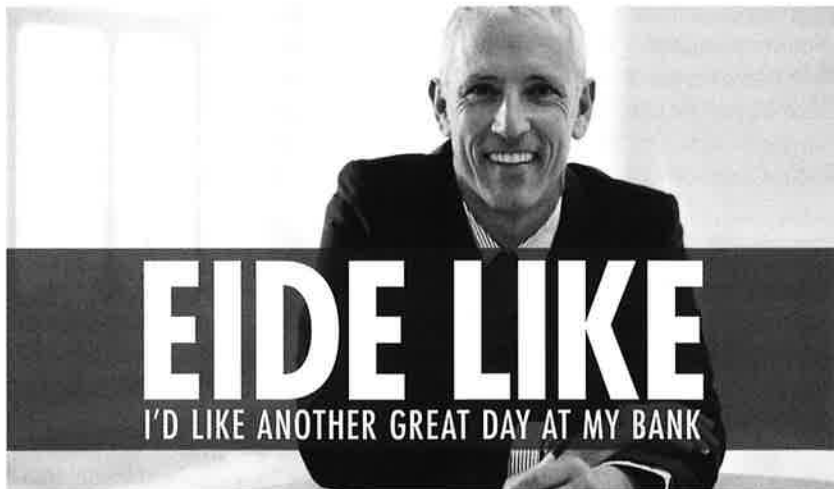
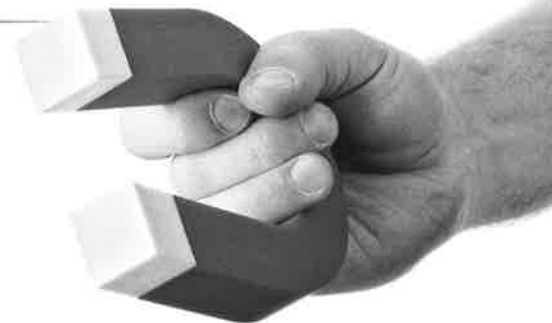
per year or more have a much higher likelihood of staying with the bank. That's math—but are you doing this or can more be done? It might be time to take a look as you seek continuous improvement. Improving customer re-

tention is one of the best ways to boost profitability. 🏦  
*Williams is senior vice president/regional manager at PCBB (pcbb.com). Dedicated to serving the needs of community banks, PCBB's services include cash management, international services, lending solutions and risk management advisory services, including CECL FIT.*



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