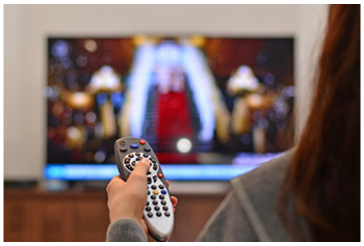

How Can You Keep New Customers From Switching?

business customers digital banking customer experience

Summary: During the pandemic, Coalition Greenwich estimated that 3x as many small and midsize businesses likely switched financial institutions due to their dissatisfaction. Since many CFIs were on the receiving end of this switch, it is important to retain these new customers. We discuss two important customer retention strategies to use in your upcoming customer discussions.

In 1941, the first TV commercial aired on a local channel in NY during a baseball game between the Brooklyn Dodgers and Philadelphia Phillies. It was promoting Bulova Watches, lasted 10 seconds, and cost between $4 and $9. Only 4,000 people watched it, but it changed TV and advertising, as it successfully captured the attention of customers. It lasted for a while and then later people found a way of switching channels during commercials.

Just as TV viewers switch channels when their needs aren't being met, bank customers have been switching financial institutions. As a community financial institution (CFI), you likely experienced an influx of new customers during the past year when many customers made this move. One reason for the spike is the well-publicized discontent of small and medium-sized businesses who were frustrated with the service they were receiving from larger banks, especially with the Paycheck Protection Program. Last summer, the Banking Exchange reported the results of a survey from Coalition Greenwich that estimated one-third of small businesses and almost 30% of midsize companies were likely to switch financial institutions, because of their experiences through the pandemic. This is about 3x more than typical bank switching levels.

Fast forward a year, these same businesses are shifting from "COVID-19 survival mode" to planning for post-pandemic growth. The good news is that more than 20% of US small businesses and middle-market companies plan to stick with banks that helped them through the crisis, according to Coalition Greenwich.

This represents an opportunity for you to hold onto your new customers and continue to attract new business in the year ahead. Here are two important strategies to consider as you prepare for upcoming discussions with your customers.

1. **Capitalize on your strengths.** What larger financial institutions lacked during the pandemic — and caused many businesses to switch in the first place — are the very things that you already excel at.

   • **Being responsive.** In her Policy Summit 2021 speech, Federal Reserve Board Governor, Michelle Bowman explained how community banks and other community-based financial institutions are "*irreplaceable in responding to the needs of consumers and small-business clients.*" With your support, healthy businesses that were in jeopardy of going under were able to access multiple rounds of the Paycheck Protection Program funding that helped keep workers on their payrolls.

   • **Supporting the community.** Being an integral part of the local economy, CFIs already have something in common with small businesses, whether they are current customers or not. You have a vested interest in helping the community you serve to thrive and have been more willing than your larger brethren to extend credit to qualifying smaller businesses without a previous relationship. This will serve you well in keeping your new customers.

2. **Continue to up your game.** This past year shined a new light on the power and reach of CFIs. You moved quickly in the face of the changing work environment and the challenges you encountered in your own neighborhood. But in this fast-paced, ever-changing landscape, there is more work to be done.

   • **Focus on digital transformation.** Many of you stepped up and made a lot of progress in closing the gap between your digital banking capabilities and those of your competitors during the pandemic. Continue to invest in new technology by partnering with experts who have the knowledge and bandwidth to help you stay current and ahead of the technology curve, but make sure to do so safely.

   • **Become hyper-personalized bankers.** There has been a boost in hyper-personalized offerings by financial institutions that want to be sure they are meeting the needs of targeted demographics. ABA Bank Marketing describes hyper-personalized banking as, "*a unique aspect of banking that leverages data and analytics to deeply understand customer needs and deliver services tailored to those specific needs.*" While CFIs understand their customers better than other financial institutions, using the data along with conversations will ensure you stay on top of the shifting needs of both new and established customers.

We understand the challenges CFIs face against the deep pockets of larger banks. But consider this statement from Scarlett Sieber of Forbes: "*If community banks combine their strengths with relationship building while ensuring that technology improvements...and [the] customer experience is front and center on their strategic roadmap, they are well positioned to weather this storm and perhaps take back a larger piece of the pie from the Top 5.*"

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ECONOMY & RATES

Rates As Of: 08/10/2021 05:32AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.06	0.00	-0.03
6M	0.06	0.01	-0.03
1Y	0.09	0.02	-0.02
2Y	0.23	0.04	0.11
5Y	0.80	0.11	0.44
10Y	1.33	0.09	0.40
30Y	1.96	0.07	0.31

FF Market	FF Disc	IORB
0.10	0.25	0.15
SOFR	**Prime**	**OBFR**
0.05	3.25	0.08