

# BANK GROWTH: From a Dream to Reality?



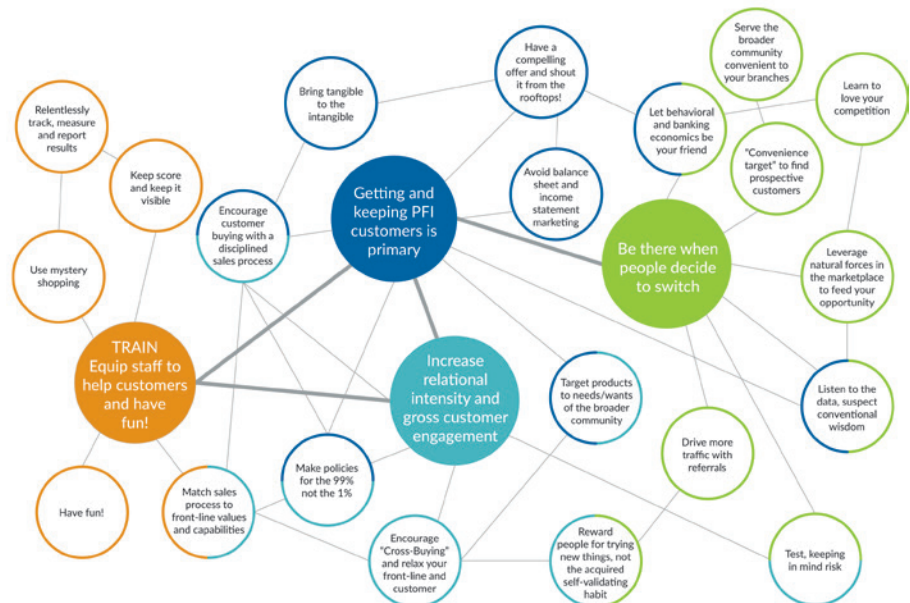
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Many bankers believe: “We’re uniquely positioned to serve the affluent customer. Our service is second to none.”

But remember, your prospects haven’t experienced your service. And, few community financial institutions can uniquely serve the affluent class better than regional and national banks.

Real growth requires much more than the false perception that customers are privileged to bring their relationships to you. It takes many factors — like brand, product, policies, marketing, employees and execution. When you try to maintain growth of your customer base, focus is often mistakenly on only one factor. But each activity impacts expansion. Some are more important than others and real growth isn’t assured by any one of them. Real growth requires a coordinated system of activities — all connected to each other.

## CLIENT CUSTOMER ACQUISITION ACTIVITY SYSTEM



I'll illustrate this idea using the airline industry. All airlines have planes, pilots, flight attendants, and luggage handlers. All transport people and many fly the same routes. So why does Southwest Airlines have a much better reputation than other airlines? Are Southwest planes better or are their people more professional? No. What Southwest has is a much better activity system.

Michael Porter, in his Harvard Business Review article years ago, defined the activity set of Southwest Airlines. Little things competitors could not or wouldn't copy were the difference. Its fleet uses only one type of plane, so maintenance is easier, faster, and cheaper. The airline's unique boarding system allows flights to turn around quicker. All its activity points — reliable and frequent departures, low ticket prices, high aircraft utilization — make Southwest Airlines more profitable than its competitors.

Let's take this idea to community banking. Like airlines, financial institutions are all relatively the same. All have checking and savings accounts and all use banking systems recognizable from one FI to another. So how can your activity system give your financial institution an edge over competitors?

### Key component — Your people

Engage your staff, train them, and allow them to have fun. While working with several hundred community-based FIs, I've seen what a difference the right branch personnel can make.

- Without changes to marketing or product it's common to see dramatic customer growth after a branch leadership change.
- Same-market branches, using identical marketing and products, grow at dramatically different rates.

The people component of your activity system probably has the most subcomponents that crucially help or hurt your organization's growth. Especially in branches, the right people are extremely important. But if staffs are not well trained, branches may not achieve their growth goals.

### Be there when customers decide to switch

It's almost impossible for financial

institutions to create the customer need to buy their products. With basic requirements for food and clothing, the need is already there. Bankers can't create similar needs. However, we can identify people who are likely to need new core relationships or those seeking a new primary financial institution (PFI).

Banking customers become better prospects for your institution when they go through life-changing events — when they move, get married, or change jobs — but it's difficult to be in front of them at the right time. You can purchase highly-targeted contact lists for these events, but once prospects are on a list it's usually too late. An even larger prospect group consists of individuals who are dissatisfied with their current PFI. Yet how can you find those prospects who would consider your financial institution convenient?

The simple answer: The right type of data. Begin by modeling your current customers as a starting point for your branch-convenience footprint. If the prospect group is too large, fine-tune by adding characteristics of current customers to the targeting model. Most current-customer attributes are more reliable than purchased demographics. Add more (big) data to enhance your best-prospect model.

Suppose you could determine which of your branches is convenient for prospects by overlaying their cell phone usage and GPS data? With the prevalence of mobile devices, this has become a very predictive indicator and a great real-world example of big data applications.

Lastly, don't wait until after the prospect's life event has happened. Limit your prospect audience by fine-tuning the model while you increase your contacts with these quality prospects. Then you're likely in front of them PRIOR to a trigger event that prompts them to seek a new primary financial institution.

### Product isn't marketing's silver bullet

For core customer acquisition we seek the single product that answers our growth goals. There isn't one. While your product is important, it's only a single component of your entire activity system. With product, you must consider characteristics like simplicity, customer advantages, ease of sale, profitability, and many others. Ignore

any of these factors and growth becomes more difficult or even impossible. A good product may have a variety of different looks if it follows the activity system components outlined above.

### Bottom line

Consider the little things that make growth happen. They are the important glue that hold your activity system together and make it successful. **I**

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